

# Advantages of sports sponsorship: Where there is a bill there is a pay

**In sponsorship, it is not what you have, it is what you do with it that makes the difference**

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*Because Olympics games are truly global, they offer a credible launchpad for regional brands that want to take over the world. Image: Jewel SAMAD / AFP*

**S**port was a global business long before the term globalisation came into vogue. International sport dates to the 19th century, and the association of sporting excellence and national pride is timeless. What is new is the degree of commercialisation and corporatisation.

Capital is chasing sporting profit across borders. 14 of the 20 football clubs in the English Premier League are owned by foreigners. In the talent markets of football, there is a well-developed sieving system to separate off-peak and discarded players. This graded talent is then placed in leagues from Turkey to the Pacific Islands. Successful sportsmen and women are now earning unprecedented sums and in ever-shortening tenure time. The revenue from media rights—advertising and sponsorships—is eye-popping.

It was only during the early 20th century that brands first started to sponsor athletes. Baseball player Honus Wagner was the first athlete to get a commercial sponsorship from a company in 1910. That company was baseball bat manufacturer Louisville Slugger. Associations also developed with sports clubs or sports events. During this period, sports sponsorship

mainly included contracts with athletes and teams, providing them with free equipment and gear that they would wear during competitions.

Adi Dassler, the creator of Adidas, sought out sprinter Jesse Owens at the 1936 Olympics. Owens' outstanding performance of four gold medals resulted in effective product placement and reinforced the credibility of Adi Dassler's brand. After TV networks started sports broadcasts, reach surged and sponsorships became big money. It has never looked back since then. Sponsorship continues to be the second-largest marketing communications spend for most brands, second only to media, often accounting for between 11 percent to 20 percent of the total marketing budget. Diverse brands and businesses are permanently on the bandwagon. Rolex, Barclays, Prudential, Samsung, Lenovo, Panasonic, and Vivo are all seen in the same gallery.

### **Why is it worthwhile to sponsor sports?**

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First, the emotional connection with people is valuable. Second, sport reaches the right people. In particular, a very efficient way of reaching young, affluent, upmarket men, elusive to conventional advertising. Coke Zero is aimed at a young, male clientele, hence its association with NASCAR. Sprite, a lemonade with an edgier image, is associated with the NBA. Red Bull, is a sponsor, curator and organiser of extreme events and sports. Nike has attempted to own 10 km road races worldwide.

Third, rights holders have realised that they own something scarce and 'less is more'. With fewer sponsors, valuable properties become more exclusive, and the price of being associated with them can be driven up.

Sponsorship can also be used to shift perceptions of a brand. BNP Paribas, a big French bank, became a leading sponsor of tennis hoping to attract more young customers—even tying up with Sony PlayStation to deliver a virtual tournament.

Activation, tenure and scale come into effect in every sponsorship deal.

Measuring ROI has become much more accurate in recent years. The value of simply having the company's name put in front of more people, mainly on television; and the effect on sales. The second, more accurate part depends largely on how much activation companies do and how good they are at it.

## **Streaming and Social**

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The option to stream sporting events has been a real revolution in recent years. It now offers fans the possibility to watch almost any sporting competition anytime, anywhere. For brands, this provides new outlooks and increases the potential for visibility.

Social media has also widened perspectives for brands, as it offers new platforms to build brand presence and investment. A large part of the content is fan-generated and the brand associations and visibility are enriched. While people tend to only watch a concert on TV, sports fans tend to watch the game/event, as well as previews and post-game/event analyses. This gives brands an additional opportunity to broadcast their logo during commercials.

With the significant television and streaming coverage of sports events, this content can be watched all over the world—providing international visibility for the brand. Sports fans tend to be very loyal. Occasions of engagement are far greater.

Think of ROI in terms of brand visibility, brand positioning, and presence in the market.

## **Serves and Returns**

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Brand visibility has long been an objective for brands sponsoring an event. In 2019, brands paid at least \$5 million to play a 30-second ad during the Super Bowl. The most active metric is 'mentions'. This measures the

amount of content associating the brand with the sponsored event. The number of mentions can be compared across brands. This comparative measure is called the 'share of voice'—a good metric to measure the buzz generated around a brand concerning competitors. New metrics are also becoming more important. These include the 'reach' and 'engagement rate'. Beyond these are 'unique authors' and 'content shared by influencers'.

Whilst there are astronomical amounts involved in football leagues, golf and tennis, the most majestic institution is the Olympic games. It is the deepest and widest involvement of sports, society, sponsors, and sovereign.

The Rio 2016 Olympic Games were sponsored by over 60 companies. The 2020 Tokyo Games organisation decided to mostly enlist Japanese companies to sponsor the event. Japanese companies alone raised \$3.1 billion, which is a record for domestic sponsoring of a sporting event, especially one where there were nil spectators.

When advertising their brand with a sporting event, brands should firstly define their sponsorship goal and targeted audience before choosing the most suitable channel to meet its objectives and reach the target audience. Adidas, Visa, and Coca-Cola were sponsors of the 2019 FIFA Women's World Cup where the highest engagement was obtained on Instagram.

British chemical company Ineos developed such a strategy in October 2019 with the 'Ineos 1h59 Challenge', during which Eliud Kipchoge became the first man to run a marathon in under two hours. The company set up special conditions and invited the best runners in the world to take part so that Kipchoge could beat this record. It was about how science and sport, combined with hard work and a goal to beat one's personal record, can result in record-breaking and historic achievements. The event created a buzz and was reported on globally via traditional and social media. On TV, 49 different channels broadcasted the event in over 200 countries, with an estimated 500 million viewers. On the day of the event, videos of the marathon gathered 39.8 million views with an engagement rate of 2.6

million. In addition to brand visibility, the event's setup reinforced Ineos' positioning in the sports market.

The future of a sporting event and sports sponsoring will always depend on the willingness of brands and the events/sports to adapt and achieve the greatest mutual benefit.

### **Sport and share of voice**

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Every segment of sport has associations and attributions that are deemed valuable. Mainline corporations, brands, even aspiring entrants have sponsored Women's sports. Visa was one of the main sponsors of the 2019 FIFA Women's World Cup held in France. Focusing on the last week of the Women's World Cup, its sponsoring had the following impact on its brand visibility: Visa got a share of voice of 11.5 percent among main sponsors. It ranked number three behind Nike and Adidas.

Arkema, a French chemical company, was the first French official sponsor of the 2019 FIFA Women's World Cup. It wanted to increase its visibility, as the brand name was relatively unknown. As the World Cup is watched internationally, it was also an opportunity for the brand to gain visibility in potential new markets such as China, Japan, and the United States. Second, they wanted to communicate internally and externally that they are actively supporting social diversity and contracted Gaëtane Thiney, of the French national team, to be the brand ambassador. Seemingly satisfied with the event sponsoring, the company decided to continue to sponsor women's football to become a sponsor of the French Women's first division.

SNCF, the French national railway company, decided to use the sponsoring of the Women's World Cup to encourage women to pursue their goals. For example, they created a video featuring women playing football or working in the railway industry, delivering a powerful message mentioning that these women were pursuing their passion, irrespective of popular

stereotypes. This video was widely liked and shared on social media. The publication was accompanied by the hashtag #TousLesButsSontPossibles (all goals are possible). During the World Cup, two hashtags went especially viral: #DareToShine and #ChangetheGame. These hashtags expressed a desire to change society's vision about women's football and women in sports in general.

In February 2019, Nike posted a short 1 min 30 video clip on Instagram and YouTube, which quickly went viral, called “Dream Crazier”, and just with the description “#justdoit”. Narrated by tennis player Serena Williams, the video starts by describing people's negative perception about women in sport. How they are qualified as crazy when passionately pursuing sports. It goes on with past accomplishments of famous female athletes and ends with some encouragement to women to fulfil their dreams. The message was one of the first of Nike's messages to support gender equity, a cause that was largely publicised up until the 2019 FIFA Women's World Cup four months later.

In Beijing, collections from the 12 leading sponsors of the Olympics reached a record \$866 million, about \$200 million more than the previous set of deals for Salt Lake City and Athens, which involved 11 companies.

A glimpse of the stakes is clear from what happened when FIFA, football's world governing body, switched from Mastercard to Visa. It was sued by Mastercard, resulting in a pay-out of \$90 million in compensation. Table stakes begin at €150 million to sponsor the UEFA Champions League, the club championship of European football, for three years. It may lighten your purse by \$70 million to back a Formula One team for a season.

### **What you do with sponsorship makes the difference**

What you buy is the right to use the name of an event, a team or an organisation. If you want the sponsorship package to include ‘branded activation’—promotions, competitions, television advertising during breaks,

corporate hospitality and so forth, then multiply the sponsor's budget two or three times over.

In sponsorship, it is not what you have, it is what you do with it that makes the difference. The sums spent on the biggest sponsorships are comparable with acquisition costs, capex and so on and get the same scrutiny from the CFO, CEO and the board.

### **Olympic commercialism has deep roots**

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Kodak advertised in the official results book of the inaugural modern games in 1896. The Los Angeles Olympics in 1984 ushered in a new era. It was the first to be largely bankrolled by big business. The LA games turned a profit. But, ever since then, the profits have been rare for host cities, which splurge billions on venues and transport links.

For corporate sponsors, the asking price to join the club has been upped but worth it. They can flaunt brands, push new products to a global audience and be associated with a globally admired symbol, the Olympic rings. A staggering 3.2 billion people tuned in to the Rio de Janeiro games in 2016. Tokyo raised over \$3 billion from 47 mostly domestic partners which amounted to more than twice the previous Olympic record and a further \$500 million from the IOC's 14 'Top' sponsors: Global firms like Coca-Cola, Visa, and Airbnb that sign multi-games tie-ins.

The current fourteen global sponsors (known as Top Olympic Partners, or TOPs) pay the IOC for the right to use the Olympic brand. Only one TOP sponsor is allowed in each commercial category: Coca-Cola for soft drinks, Panasonic for televisions and so on. This business model dates back to the 1980s. Before this categorisation, the Olympics were a commercial mess with lots of sponsors paying small sums to borrow the Olympic brand in a few cherry-picked markets. Now, the IOC sells much bigger contracts to fewer sponsors. Top-tier deals are long-term and global.

## **In cash and kind**

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Sponsors can pay in cash, in kind, or both. For example, Atos, a French consultancy, is a top-tier sponsor. It also manages the information technology for the games, including admin support, accreditation, immigration-related data and so on. The pay-off for Atos comes from proving it can do all this.

Most top-level sponsors, such as McDonald's, Panasonic, and Procter & Gamble, are not trying to prove their prowess. They are just in it for the association to wow and woo customers. How they do so reveal the simple brilliance of the IOC's stand against the crass commercialism of corporate ads and logos at the games. Unable to advertise inside, the sponsors must advertise outside, by way of posters and packaging and every other platform at their disposal. And to reap the benefit of their sponsorship, this advertising must be linked back to the Olympics. Hence, every billboard and chocolate bar and television set carries the Olympic logo. It is hard to walk down a high street anywhere in the world without being reminded of the Olympics. In effect, the sponsors are paying to provide publicity for the Olympics. This is a fantastic deal for the IOC.

There seems no tangible correlation between Olympic sponsorship on the share prices, but scale definitely moves business. Visa takes its Olympic-themed promotions to nearly 100 markets and has precious pass-through rights to use the Olympic brand along with a thousand plus issuer banks. Visa's first Olympic campaign was starkly direct. Having displaced American Express as the official payment card, it ran a copy that said "At the 1988 Winter Olympics, they will honour speed, stamina and skill—but not American Express." It has now subscribed to a more generic, feel-good theme by and large.

## **Be local, think global**

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Because the games are truly global, they offer a credible launchpad for regional brands that want to take over the world. Samsung is perhaps the



best example. In 1997, it beat Motorola to become a global Olympic sponsor. Samsung's sponsorship covers just mobile phones. But the Olympics burnish the Samsung brand as such. The list of IOC's sponsors reads like a Who's Who listing from Interbrand's Most Valuable Brands.

Governments of countries that host the Olympics usually boast that the games will generate vast economic returns for the nation. David Cameron, Britain's prime minister, promised to 'turn these games into gold for Britain, to the tune of £13 billion over four years. It is quite evident that organisers of big sporting events tend to overestimate the benefits and underestimate the costs. Host governments spend vast sums on building stadiums and all kinds of infrastructure.

A paper by Bent Flyvbjerg and Allison Stewart of the Saïd Business School at Oxford University found that every Olympiad since 1960 has gone over budget and the average overrun was at 179 percent. Hence corporate sponsors have a bonanza deal when you look at it from this perspective. They pay for what they esteem. They get what they pay for.

In the words of the Olympic credo...Faster, Higher, Stronger.

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