



Sports Sponsorship 2.0

Unleashing the passion for sports to accelerate business growth
The future of sports sponsorship. A strategic business outlook

Roger Peverelli and Reggy de Feniks

Background

All of our blue chip clients invest considerable amounts in sponsorships, hundreds of millions each year. As consultants specialised in branding, innovation and sales, we think that the size of these investments asks for a clear vision on context and opportunities to maximise the return on these investments.

In over more than a year we conducted more than 40 interviews with multinational sponsoring companies, sports entities and media companies, in addition to other research activities.

In the course of this research programme we identified close to a hundred best practices. We identified for example, a sponsoring company that really approached its new sponsorship agreement as any of its other major worldwide business partnerships, leading to new top and bottom line growth.

The vision presented in this booklet, is the pattern and rationale that we see in all these best practices. A vision on how sport sponsorship could look like in five years from now.

Current growth figures in sport sponsorships can double or triple

According to Sport+Markt the overall volume of sport sponsorships in Europe has increased with approximately 15 percent. Ogilvy Action reports a 50 percent increase in Asia.

Sport sponsorship investments will explode in the coming five years. Current growth figures in sport sponsorships may double or triple, because there is so much unclaimed territory, so many untapped opportunities, and because sports' key assets are hardly utilised.

Companies face many challenges in business development, sports is part of the solution

1. *The weapons of mass marketing are losing impact*

Media are proliferating and consumers are harder to reach. The old adage - 'half my ads don't work, I just don't know which half' - has even worsened. It may be the case that 'even 80 percent of my ads don't work'.

Sports sponsorships will help companies to counter the decreasing effectiveness of traditional marketing communication, as well as generate direct sales. Alternative business models include (1) alternative communication channels, such as the proprietary media of sports entities, (2) adding true experience to marketing communication to increase impact, and (3) most important, turning the fan base into a distribution channel.

2. *Break through innovations are required for substantial growth*

Shareholders demand continuous growth. And with satirised markets, marginal product improvements alone will not create real substantial growth. Breakthrough innovations are needed. Innovation platforms that are explored include for example, partnerships (think Philips/SaraLee, Nike/Apple), convenience and health. Sports provide angles for breakthrough innovations that anticipate four key consumer trends: authenticity, tribes, experience, and health.

3. *Companies struggle with Corporate Social Responsibility (CSR)*

The social responsible behaviour of companies is becoming more and more important in the consumer buying process. Although companies invest heavily in CSR programmes, it remains difficult to

deliver a tangible proof that consumers can easily relate to. Sports offer companies an effective and efficient platform to engage in a society where both business and CSR objectives can be combined. Joining forces with charities that use sports as a platform (e.g. Right to Play), but also with sports entities with a clear CSR programme cuts both ways. While this fulfils CSR's objectives on the one hand, on the other, it includes sports as an authentic platform for the other business challenges described in this paragraph.

From building brands to building business

The deployment of sports will shift from building brands to building actual business. But to get there ten major changes are needed.

- 1. Companies need to recognise sports as an important platform** that can help them face some major challenges in business development, think beyond improving brand awareness etcetera, and basically look at sport sponsorships as a profit centre rather than a cost centre.
- 2. Sport sponsorships are too important to be left only to the sponsoring department,** and will move closer to board levels. If indeed sports will play a role in facing business challenges, the logical consequence is that sports sponsorship will be addressed head to toe at the level where the responsibility lay: business development, commercial, marketing. Sponsorship implementation will take place in analogy to corporate strategy implementation, with seamless translation of objectives, KPI's and activities for each level.

3. In all solutions companies leverage the two core assets of sports: authenticity and fan base. Without authenticity no fan base. Without authenticity and fan base no sponsors.

The number one priority for sports entities is therefore to identify, build and nurture their single most important asset: their authenticity. And secondly to build and nurture the fan base. Both priorities require a sound strategy (currently mostly missing).

4. Deep understanding of 'what makes the fan tick' is the key to identifying the drivers of authenticity: what are they proud of, what creates the bond that fans feel; the mentality, style and personality; the legendary events and defining moments; the heroes, stories and anecdotes.

The sense of what we are and what we are not, must be in every vein of the sports entity: in the way the game is played, in the choice of trainers and players, in how the fans are welcomed in the stadium, in how fans are involved.

Embrace marketing as a philosophy: take the fan as the single most important point of departure and gather deep insights. Move away from thinking marketing equals merchandising. Spend serious money on qualitative and quantitative research among fans.

5. Sports entities need to further develop proprietary media. Firstly, because these are important channels to nurture the community / fan base through storytelling: sharing and reliving old and new memories.

Other significant benefits of proprietary media include (1) the opportunity of additional propositions to sponsors, including proprietary databases, (2) a new revenue stream that is potentially more profitable because of disintermediation (cutting out the media middle man), and last but not least (3) complete control because all collecting, producing, packaging and distributing content is in ones own hands, including long tail products.

In this perspective, rights are primarily an asset to grow the fan base. Not only a source of direct income.

6. Sports entities must grasp the market dynamics, strategy and business challenges of (potential) sponsors, and become creative and proactive in coming up with practical and effective ideas that leverage their own assets for the business objectives of sponsors. Turning a fan base into an accessible database, creating communities with ample commercial opportunities, thinking joint innovations, and last but not least breaking away from traditional thinking.

7. Sports entities embrace their role in society and take their CSR not as a cost or an obligation, but as a privilege and an opportunity. They will profit from it through increased attractiveness for sponsors.

8. Sports entities need to build new competences. Yesterday.

Points 3 to 7 require competences that are currently non-existent at most sports entities. To fully profit from the increase in sport sponsoring budgets sports entities need to build these competences yesterday, since in fact they will be essential core competences of the future. If a sports entity does not build these new competences, it will only marginally profit from the increasing sports sponsoring spendings and will surely perish as competing sports entities take up this challenge.

9. Sports entities need to organise and cooperate to match the scope and scale of sponsoring companies. They are becoming increasingly dependant on sponsor funds. Upgrading is essential. Matching sponsoring multinationals relates to three areas: (1) match expertise: upgrade, bundle through cooperation with peers, aggregate at overarching levels with sufficient critical mass, (2) match international scope and centralised decision making, (3) match continuity: long term and year round. Cooperation is the way forward.

10. The nature of cooperation between sports entity and sponsor will change towards true business partnerships. This includes sponsorship deals based on challenges and assets of both partners, with a long term perspective, accountable and performance based. Sponsors adding competences to the sports entity, and thus actively helping sports grow. Initiatives that build on insights in 'what makes the fan tick'.



Teun de Nooijer, winner of two gold and one silver Olympic medals and FIH World Hockey Player of the Year in 2003, 2005 and 2006

Chapter 1 Key observations

1. The maturity of sports sponsorship varies dramatically across organisations
2. Companies face many challenges in business development, but most fail to see sports as part of the solution
3. Most companies look at sports sponsorship as a cost centre, rather than a profit centre
4. Accountability of sports sponsorship is still in its infancy
5. Companies and sports entities seem to play different games
6. Most sports entities are not aware of and neglect their most important assets
7. Most sports entities do not have a clue about the true meaning of marketing and lack deep knowledge of 'what makes the fan tick'
8. Successful sports entities are convinced that running a sports entity is like running a business
9. Sports entities rarely embrace the rise of new innovative variations of sports
10. Only forerunners grasp the concept of The Long Tail
11. Charities that use sports as a platform show rapid growth
12. Most sports entities look at their societal role as a cost. They fail to see the huge opportunity

Chapter 2 The vision

Chapter 3 The benchmark



Photo courtesy of NOC*NSF

We kick off with the key observations that really struck us when conducting this research programme. The key observations set the stage for what opportunities are untapped, and detect the deficits in beliefs, organisation and culture, that hinder these untapped opportunities of sports sponsorship.

Chapter 1 Key observations

Chapter 2 The vision

- 2.1 The single most important point of departure: the consumer, the fan
- 2.2 How companies will respond to changing consumers and context
- 2.3 How sports entities can assist companies in facing their challenges
- 2.4 How the nature of cooperation between sport entities and sponsor will change

Chapter 3 The benchmark



Advertisement courtesy of Puma. Features dance company Streb that mixes dance with extreme sports and Hollywood stuntwork

Chapter structure

- Everything in business starts with the consumer. Everything in sports starts with the fan. We therefore kick off this vision chapter with what we consider the most important, but often forgotten, point of departure: the consumer/the fan.
- With a clear picture on changing consumers and context in mind, the second part of this chapter reveals how companies will respond, and in particular what role we envision for sports sponsorship in the solutions that will be deployed.
- The third part of the vision chapter relates to sports entities: how can they assist companies in facing their challenges? And how should they organise themselves to deliver the promise?
- The last part of this chapter discloses how the nature of cooperation between sports entities and sponsors will change when both parties really aim to maximise their revenues from sports sponsorships.

Introduction: achieving the vision

As the best practices in the vision chapter illustrate, several companies and sports entities already deploy certain elements of the vision.

However, fact is that no multinational or sports entity already implements the vision in a 360 coherent fashion.

To support participants in the sports sponsoring arena, VODW Marketing created a simple and concrete tool for self assessment and benchmarking against the best performing cases in sports sponsorship.

By using this benchmarking tool, companies and sports entities alike can determine their improvement potential and priorities. Furthermore, looking at the benchmark tool that is meant for the counterpart, also contributes to a clear idea about how a preferable counterpart should look like.

(E.g. a potential sponsor can see how best-in-class sports entities should approach sponsorships by looking at the benchmark tool for sports entities.)

The benchmark tool for sponsoring companies

Companies can use the benchmark tool in 3.1 to benchmark themselves against the vision elements from three perspectives

- The consumer, the fan: the single most important point of departure.
- Responding to changing consumers and context, by leveraging on sports sponsorships.
- Partnerships, leveraging on the cooperation between the sports entity and the sponsor.

The benchmark tool for sports entities

Sports entities can use the scan in 3.2 to benchmark themselves against the vision elements from three perspectives

- The consumer, the fan: the single most important point of departure.
- Assisting companies in facing their challenges.
- Partnerships, leveraging on the cooperation between the sports entity and the sponsor.

How does the benchmark work?

Assess yourself on each question, with 1 being 'major improvement potential' and 5 being 'aspirational level'.

The benchmark items are numbered in line with the numbering of the elements described in the vision chapter, which allows you to look up more details or best practices when needed.

We wish you success with utilising your improvement potential and getting more out of sponsorships!

VODW Marketing, P.O. box 135, 3830 AC, Leusden, The Netherlands, +31 33 432 6405, info@vodw.com

