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Could sponsor alliance spread to North American sports?

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RICK BURTON

We recently read with great interest the following news brief out of Europe. Since many North American sports practitioners don't follow Formula One closely, we thought it worthwhile to represent the sponsorship tidbit in its full form:

F1 sponsors form alliance



NORM O'REILLY

LONDON: The top 100 Formula One racing sponsors have formed an organization aimed at adding their voice to the direction of the sport. Dubbed the F100, the alliance comprises individuals and sponsors that support the teams including Diageo, Puma, LG, SAP, Shell and Vodafone. The aim of the group is to provide sponsors with the opportunity to shape the future of the sport and maximise their investment. Formula One commercial rights boss, Bernie Ecclestone, will review the proceedings, with the first of three proposed annual meetings taking place in London on 1 September.

Did it make you wonder what might happen if sponsors of the NFL, NASCAR or NHL suddenly grabbed power in a bloodless coup? What if sponsors from all major North American sports were to form a syndicate? Could the minnows (even though some of them spend in excess of \$50 million a year on sponsorship) redirect the whales?

What about the possible benefits for the sponsors and for sponsorship in general? In the case of the F100, they invest a reported \$705 million in the sponsorship of F1 annually and believe that an alliance will enhance their benefits. Are they right? Could formalization actually lead to improved sponsorship activation and evaluation?

First, we have to ask if the thought of sponsor collusion or strategic alliance (depending on your point of view) in the North American context is even remotely possible.

Your first reaction might acknowledge that most sports leagues and teams draw the majority of their revenue from broadcast rights packages and ticket sales. Sponsorship to these rights holders is critical, but many treat sponsors as something to be endured:

We'll take your money ... thank you very much ... but don't get too pushy. Remember, we are the rights holder. You (the sponsor) only have cash, perhaps a bit of useful product, and some advertising to offer.

But lately, certain sports leagues and teams have pushed their overhead costs to the limit, rendering the revenue from sponsorship necessary. When a team loses a key sponsor, it can mean the difference between profitability and running a loss. In turn, the resulting decreases in available payroll could change a contending, playoff-bound club into an also-ran. This dichotomy is important to examine. The team, league, sanctioning body or event frequently considers sponsorship to be a messy third-tier revenue stream, but when the money isn't there, the house of cards starts to wobble.

So what would happen if North American sponsors bound themselves together and brought their collective muscle to bear on every single property? What if they demanded ratings data similar to what we find via advertising? What if sponsors told leagues, No more drugs?

What if partners told sponsees that they wanted to be treated differently? What if they demanded evaluations of sponsorship effectiveness based on conservative and reliable metrics? What if they had claw-back clauses based on athlete, coach and team off-the-field behavior?

Where could this go?

Much of this discussion depends on your perspective. Are sponsors trying to take power or merely asking for greater opportunities to be heard (and to be recognized for their increasingly important status in the sports business)? More importantly, will leagues feel threatened by this behavior or welcome it?

"The time has come for the sponsors to share peer knowledge, index various properties and get their say on how sponsorship should be run," says Paul Pednault, director of the recently formed International Guild of Sponsors. "Sponsorship directors have come a long way, from sales promotions considerations to integrated brand activations. Many now have degrees in marketing, research and sports management. Some are lawyers or have Ph.Ds. It's logical that sponsoring corporations will eventually share their knowledge and experience to promote the health, the growth and the craft of sponsorship worldwide."

Industry analyses support what Pednault is saying and further emphasize why sponsors have the option to take a stand where they didn't as little as a decade ago. The two best-known North American studies of the sponsorship landscape, IEG Sponsorship Report and the Canadian Sponsorship Landscape Study, have repeatedly reported increases in the expenditures on sponsorship, even during the recent recession. These annual studies also report sponsorship's increasing importance in the marketing mix of corporations and the increased sophistication (i.e., use of agencies, evaluation and activation) in its use.

So what does this all mean for the sports business? What has the F100 started? Has it awakened sponsors to the inevitable, that the need to form alliances for the better good of sponsors, and arguably sponsorship, is upon us?

This F100 concept is not particularly new, and sponsors of the Olympics (companies like Coca-Cola, Visa and McDonald's) have met privately in the past to point out their sponsorship concerns to the International Olympic



Vodafone is among the top 100 Formula One sponsors to join the F100 alliance.

Committee. While their objective was not to stage a revolution, they knew the economies of scale they controlled were significant.

But North American sports properties and rights holders should not be surprised if this groundswell continues and sponsors start to shift the paradigm. From where we sit, sponsorship is meant to offer an equally weighted partnership, where the benefit scales are balanced. Perhaps our European cousins believe this is not the case, or perhaps they are the first to respond to sponsorship's increasing importance in sport business. Stay tuned.

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