



# SPORTING CHANCE

Emerging trends in global sports sponsorship and implications for brands and sports franchises

# INTRODUCTION

**With sponsorship levels within sport having surpassed \$30bn worldwide, and premier sporting competitions only growing in attractiveness to sponsors, sports sponsorship will continue its strong growth – providing opportunities for associations, owners, rights managers, agencies and sponsors alike.**

## Executive Summary

Sport is an increasingly effective way to reach customers in a world where the number of marketing possibilities is fragmenting – driving strong growth in the sports sponsorship market. Sport provides an unrivalled opportunity to connect with consumers through an association with their passion and it's a great way for a global brand to connect with a global audience in a coherent manner. Global events such as the Olympics can help drive short term spikes, however a combination of macroeconomic and effectiveness factors are driving a longer-term trend towards uptake.

Within this overall picture there are some interesting trends

- Latin America is set for a period of strong growth due to stronger recent economic performance in the region and the award of the FIFA World Cup 2014 and Rio 2016 Olympics (with the Olympics a \$3bn+ cycle).
- The emergence of developing markets as hosting opportunities for global events is noticeable, with sports sponsorship to grow from its relatively modest base today.
- Global sporting events, elite European soccer competitions, Major Leagues in the US, and Formula 1 remain the largest sponsorship categories, attracting billions of dollars a year.
- However there are a set of emerging challenger sports such as cricket, NASCAR and golf that provide alternative sponsorship opportunities, growing at a fast pace. With the growth in professionalisation, participation and viewership for 'smaller' sports they are now credible sponsorship opportunities for global brands.
- Sponsorship is migrating towards sporting events, which are seen as lower risk than investing behind a particular team or individual.
- There are countless ways to 'activate' your sponsorship locally with fans, members, participants and generate a real, long term association between your brand and your message.

These trends are providing opportunities across the entire industry as brands seek to better connect with audiences, facilitated by sponsorship. Sports associations, owners, rights managers, agencies and sponsors need to take advantage of the opportunities available.

With 10+ deals announced over \$100m in 2011 alone, the importance of analytics has never been higher.

## 1. The Big Picture: Global Trends in Sports Sponsorship

Sponsorship of sporting events has been growing fast, at an overall rate of 6% pa 2009-12. This outperformance of the overall advertising market can be attributed to a number of trends that make the advertising medium attractive and, consequentially, a competitive arena for investment.

Today we are faced with more options to consume content than ever before – fragmentation and attracting consumer attention is one of the hardest problems for media owners. Content propositions are often accompanied by advertising messages, with the consumer receiving endless marketing messages from brands from an ever increasing number of channels. The research showing the effectiveness of many types of advertising (for example online banner type advertising) does not make pretty reading. As such, achieving cut-through for a brand marketer is essential – and sports sponsorship is an effective manner to make the brand's message stand out from the crowd clamouring for attention.

Some of the benefits of sports sponsorship include:

- It has the ability to build brand association and consumer loyalty with an authentic proposition. There are strong emotional binds to sport, creating long-term commitments and associations. Sports are more trusted and less faceless than many brands
- Sports sponsorship is attached to one of the few content types that is considered non-time shifted usually from start to finish
- Sports can be global, allowing a globally consistent message for brands
- Sponsorship can be activated through linkages, such as on-pack promotions supported by outdoor, digital, experiential and TV marketing activity

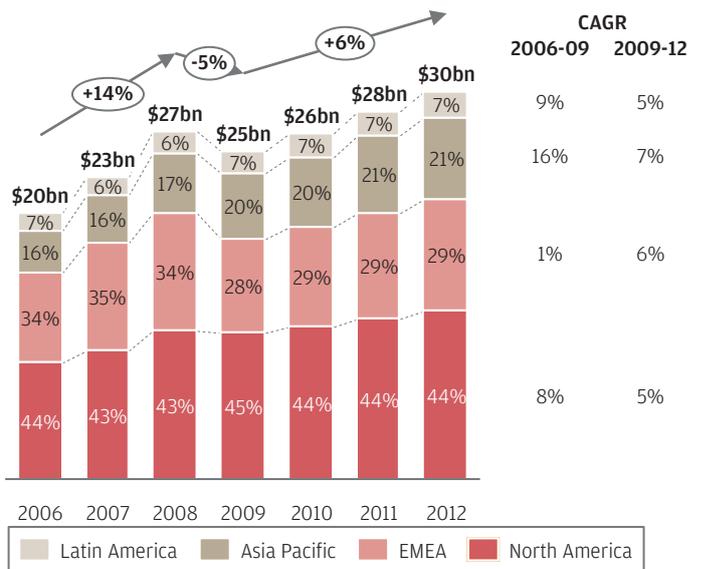
## 2. The Regional Perspective

Historically, sponsorship levels have increased in all regions, and whilst North America remains the powerhouse of sporting sponsorship, all regions are growing, with Asia Pacific performing especially well. Sponsorship growth in North America (the world's largest and most developed sports sponsorship market) has been stable, with the big 5 sports (NASCAR, NFL, NHL, MLB and NBA) all performing well since 2009.

Looking over the next 5 years, whilst **historic sports sponsorship growth in Latin America has trailed other regions, we expect it to be leading from the front in coming years.** Growth of 6% pa is expected between 2013-2015, strongly influenced by the short term benefits of hosting of two premier global sporting events - the FIFA World Cup & Rio 2016 Olympics. These benefits have already been seen in Brazil, with sport sponsorship revenues rising 32% pa 2008-2011, after winning its bids for these respective competitions in 2007 and 2009.

### Sponsorship Revenues and Shares By Region

\$bn / % Share



### 'Developing Markets' Growth

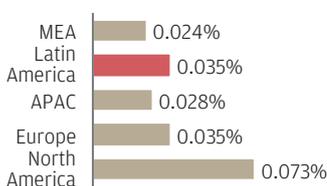
Growth in emerging markets is being driven by 2 complementary factors.

Firstly, growth will be supported by 'catch-up' growth from a lower base today. Emerging economies will see sponsorship growth driven by 3 macro factors which act in tandem:

- 1 Fast GDP growth as the BRIC/ MINT and other economies develop
- 2 Adspend growing as a share of GDP growth (economies with higher GDP have a higher share of GDP on advertising)
- 3 Sponsorship growth as a share of advertising, as economies mature

#### Sport Sponsorship as Fraction of GDP, 2012

%



#### Sponsorship Revenue per Capita, 2012

\$/ Capita



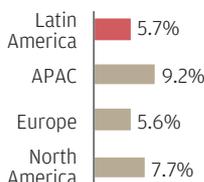
#### Sponsorship Revenue per Capita (PPP Basis), 2012

\$/ Capita



#### Sport Sponsorship as Fraction of Advertising Spend, 2012

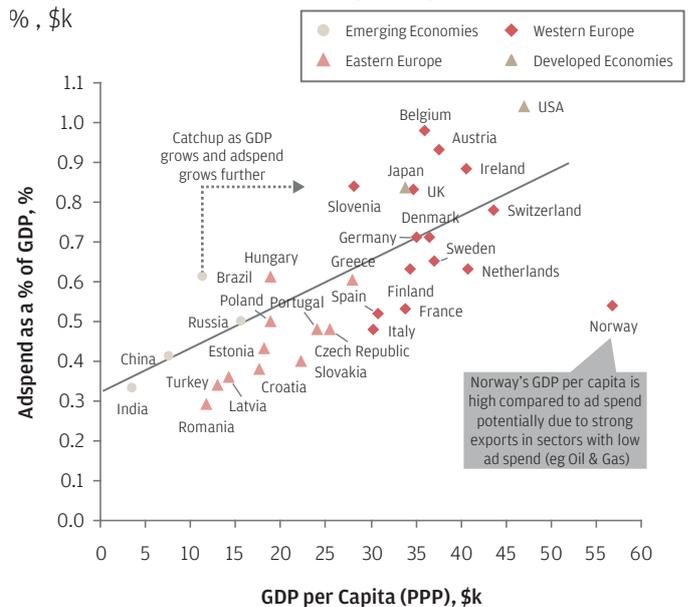
%



1. Marketing spend includes PR, market research, direct & specialist marketing, and sponsorship  
Source: Group M TNYN, IEG (Sponsorship.com), PwC, EIU and OC&C analysis

### Adspend as a % of GDP vs GDP per Capita (PPP), 2010

%, \$k

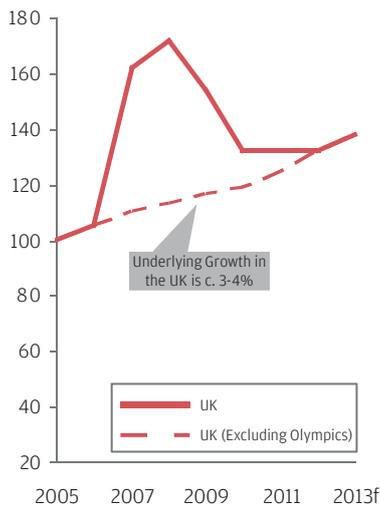


Secondly, Brazil's hosting of 2 major events (World Cup, Olympics) is expected to have a material impact on regional growth. The influence of global events is very clear on regional growth. Hosting global sporting events has historically prompted large spikes in a country's sporting sponsorship investment. Prior to the London 2012 Olympics, sport sponsorship revenues in the UK almost doubled, peaking in 2008.

Ahead of the two major sporting competitions being held in Latin America, sponsorship revenues are expected to grow rapidly, driven by investment in Brazil, where growth is expected to eclipse that previously seen in the UK. After the competitions have come to an end, the sponsorship market in these countries historically falls back in line with its underlying growth projections, suggesting that the benefits from hosting these competitions is only temporary.

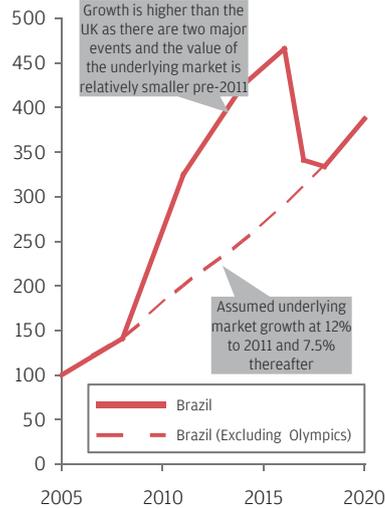
### Impact on UK Sport Sponsorship Revenues

(Indexed 2005=100)



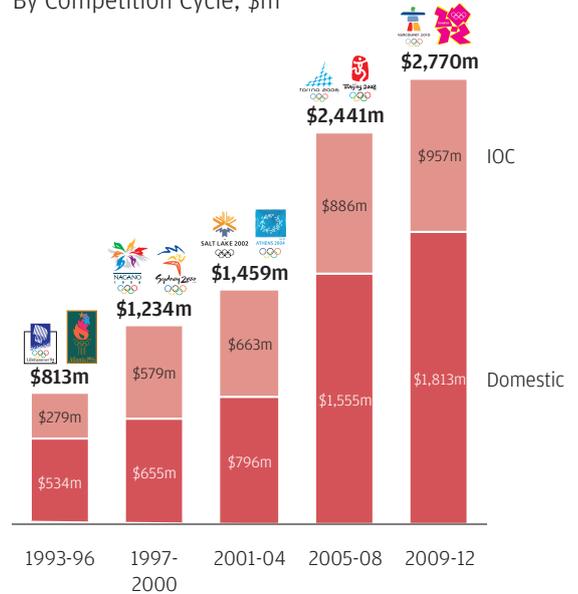
### Expected Impact on Brazil Sport Sponsorship Revenues

(Indexed 2005=100)



### Olympics Events Sponsorship<sup>1</sup>

By Competition Cycle, \$m



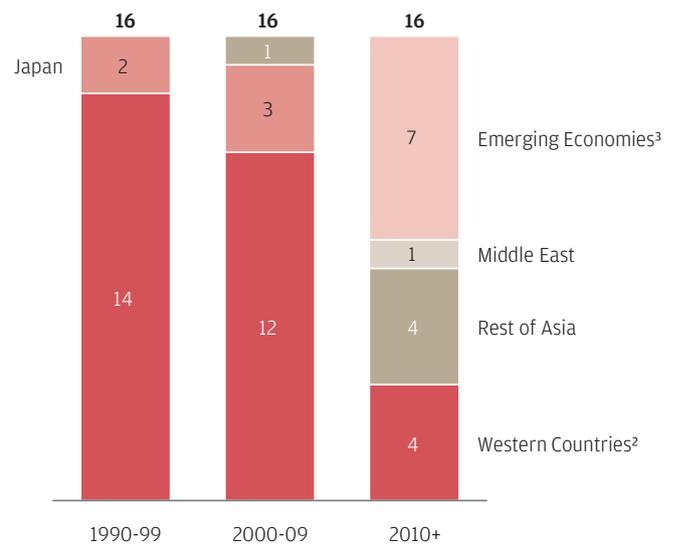
1. Both Summer and Winter Games; excludes team and personality sponsors  
Source: IMR, Group M, FIFA, IOC, National Audit Office and OC&C analysis

This phenomenon is not just limited to Brazil. Many emerging economies will benefit from a similar shot in the arm. Over the last 20 years, global sporting events have been predominantly held in Western countries, with developing countries given little opportunity to host.

However, recently we have seen a dramatic shift towards Asia, Middle East and other emerging economies, with 75% of all recent major events being awarded to these regions as federations try to increase their exposure to growing markets and grow their global franchises. Rio and Tokyo have been awarded the next two Olympic Games, South Korea will host the Winter Olympics in 2018, and Qatar has been awarded the FIFA World Cup in 2022. Aside from the macro positive factors above, these events will drive sponsorship in these regions.

### Locations of Five Major Events<sup>1</sup>

Number of Events Announced

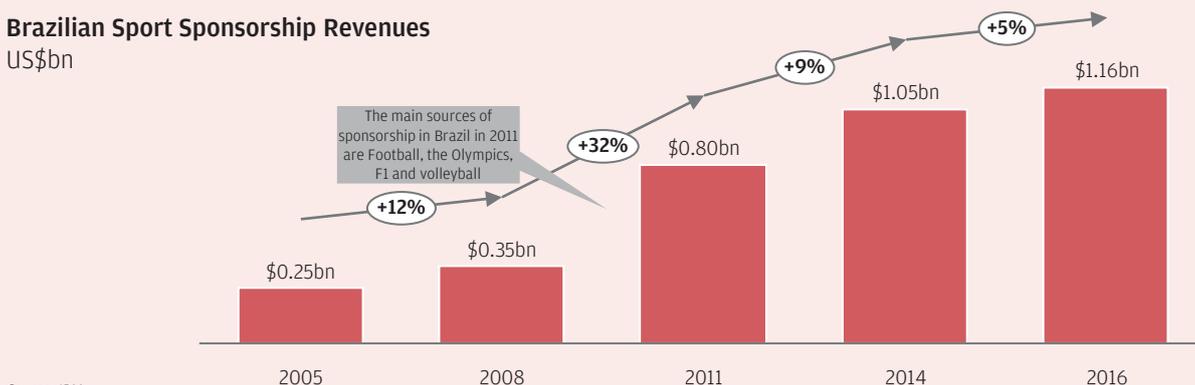


1. Defined as Olympic Summer and Winter Games, the World Cup in football, and the World championship in athletics and swimming  
2. EU countries, North America and Australia / New Zealand  
3. Remaining European countries, Africa (south of the Sahara Desert) and Central / south America  
Source: Danish Institute for Sports Studies

Brazil's growth is further illustrated by the size of individual sponsorship agreements recently seen, with Banco Bradesco investing \$320m over 5 years (\$64m per annum) for its sponsorship of the Olympics. This is a big step up from AmBev's sponsorship of the Brazilian Football league just over a decade ago, a \$10m pa investment. However, revenue growth of the underlying market is also likely to be strong, with increasing GDP and prosperity leading to greater sponsorship activity.

### Brazilian Sport Sponsorship Revenues

US\$bn



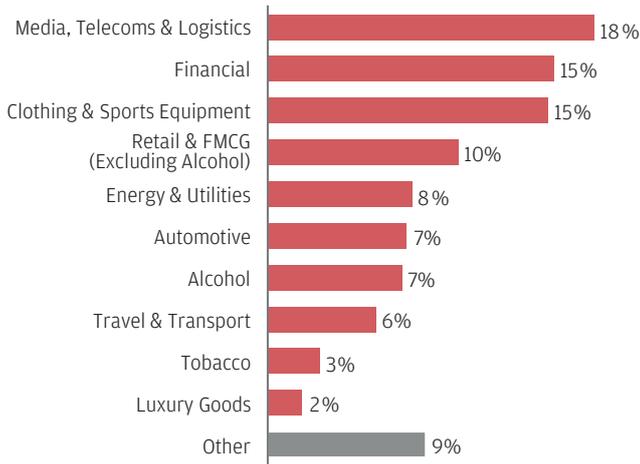
Source: IRM

### 3. Who Wants It? Sector Origin of Sports Sponsorship

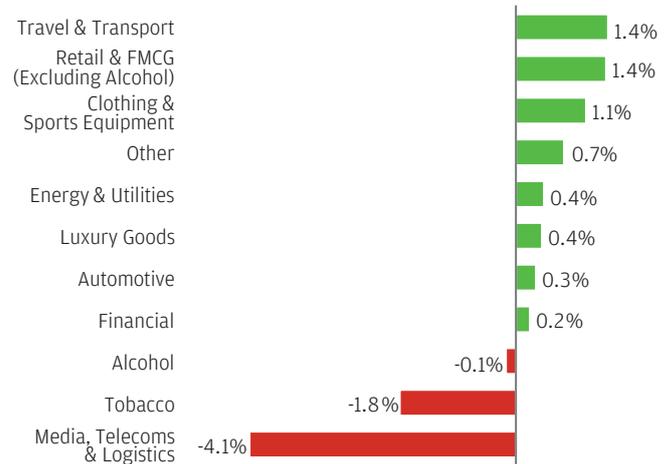
Sports sponsorship is dominated by a few sectors, with the top 3 industries accounting for nearly half of total spend. The largest sector is Media, Telecoms & Logistics, with the largest of these sponsors including Nextel, Sprint and Sony. Multiple hundred million dollar deals are not uncommon (such as Sprint's \$225m NASCAR deal or their previous \$600m 5 year NFL deal). Financial services players, like Banco Bradesco and Visa, as well as Clothing & Sports Equipment retailers such as Nike and Reebok, invest nearly as much.

Since 2006, most sectors have maintained or slowly grown their share of market. Despite its incumbent position as the market leader in sponsorship investment, the biggest loser of share since 2006 is Media, Telecoms & Logistics. Industries such as tobacco and alcohol, have also been scaling back their investment.

**Top Sponsor Sectors by Share of Sponsorship, 2011**  
%



**Share Delta, 2006-11**  
%



Source: IFM Sports Marketing Surveys and OC&C analysis

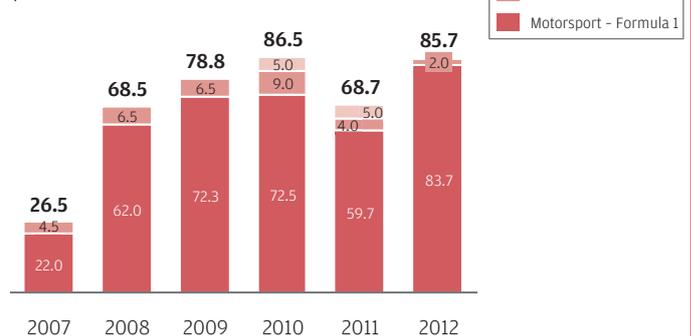
Within these sectors, there were 13 deals with announced values in excess of \$100m; 4 in energy and utilities, 3 in TMT, 2 in clothing and sport and 1 in each of financial services, alcohol. FMCG and tobacco (pre the ban).

Region	Sport	Event or Activity Title	Sponsor	Category	Announced Value \$m	Reported Years	Annual Value \$m
North America	American Football	NFL	Pepsi	Retail & FMCG	\$950	10	95
Latin America	Olympics	Rio 2016	Embratel & Claro	Media, Telecoms & Logistics	\$320	5	64
EMEA	Soccer	Bayern Munich	adidas	Clothing & Sports Equipment	\$289	8	36
EMEA	Soccer	Spanish National Team	adidas	Clothing & Sports Equipment	\$262	8	33
EMEA	Olympics-Winter	Sochi 2014	Avaya	Media, Telecoms & Logistics	\$200	4	50
International	Olympics	TOP 2012- 2020	GE	Energy & Utilities	\$200	8	25
International	Formula 1	McLaren	ExxonMobil	Energy & Utilities	\$175	5	35
International	Formula 1	Ferrari 2012-2016	Marlboro	Tobacco	\$160	4	40
EMEA	Olympics	Russian Olympic Committee	Gazprom	Energy & Utilities	\$130	3	43
North America	Multi-Sport Events	IMG College	UPS	Media, Telecoms & Logistics	\$120	6	20
International	Soccer	Champions League	UniCredit	Financial	\$119	3	40
EMEA	Soccer	Schalke 04	Gazprom	Energy & Utilities	\$108	5	22
North America	Hockey [Ice]	NHL	Molson Canadian	Alcohol	\$100	7	14

#### CASE STUDY

Santander has increased their sports sponsorship significantly in recent years, almost entirely through Formula 1. Santander was a corporate partner of the McLaren Mercedes race team since 2007, with previous F1 champions Lewis Hamilton and Jenson Button heavily promoting the brand. Recently they switched to favour Ferrari. Santander has also become the title sponsor of the British, German and Italian grand prix, further re-enforcing its high brand presence in the sport. This has been a strong reason for the rapid acceptance of the Santander brand in the UK post the rebranding of the Alliance and Leicester Building Society.

**Santander Sponsorship Investment**  
\$m



Source: IFM Sports Marketing Surveys

## 4. Still at the Top

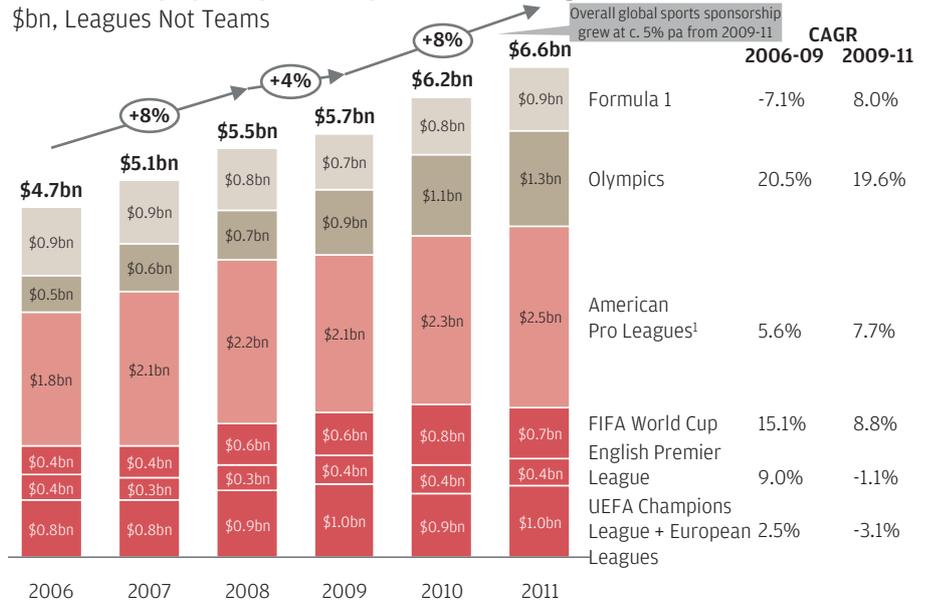
The most attractive sports for sponsorship investment include football, American major league competitions, the Olympics and Formula 1. These are not only the largest in terms of annual sports sponsorship, but they also continued to outgrow the market between 2009-11. The highest growth is shown by the Olympics and FIFA World Cup, the two largest sporting events, which attract in the region of \$1bn of sponsorship each per year.

**"The FIFA World Cup unites people of all cultures, ages and socioeconomic levels like no other event, and we're excited to tap into this passion and reach to further impact health and wellness around the world"**

- Brian Perkins, Corporate VP, Johnson & Johnson

### Estimated Top Sport Sponsorship Revenues for Organisations

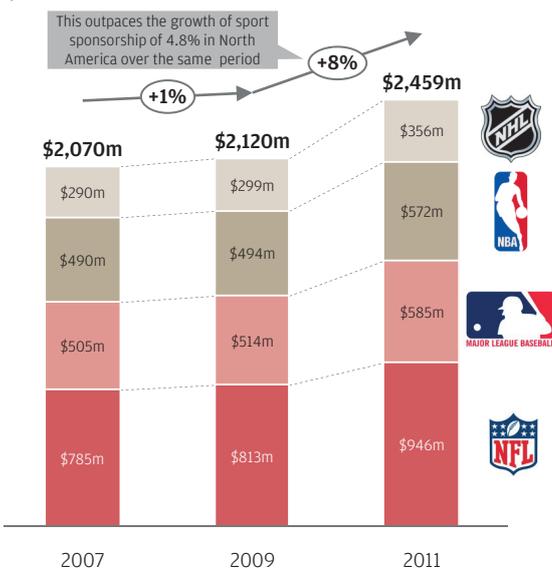
\$bn, Leagues Not Teams



1. Includes NFL, MLB, NBA and NHL  
Source: IEG, IFM Sports Marketing Surveys and OC&C analysis

### Estimated American Pro Leagues' Sponsorship Revenue

\$m, 2006-11



Source: IEG and OC&C analysis

CAGR  
2007-09 2009-11

NFL	1.5%	9.1%
NBA	0.4%	7.6%
MLB	0.9%	6.7%
NHL	1.8%	7.9%

Post-recession, there has been strong growth across all major league sports in the US

American Pro Leagues attract the largest sponsorship levels of any domestic sport, and continue to outpace the North American region as a whole, with all four major leagues showing strong sponsorship rises. Within these competitions, the National Football League (NFL) continues to attract stand-out signature deals of enormous scale. Bud Light's sponsorship of the NFL for \$1.2bn over 6 years was the largest ever, along with Pepsi's 10 year deal for \$950m.

**"The NFL is the premier professional sports league in the United States, and its popularity delivers an unprecedented passionate audience, and a wide range of events that appeal to virtually every demographic"**

- Antonio Lucio, Chief Marketing Officer, VISA

### New Kids on the Block - Emerging Opportunities in Sporting Sponsorship

Below these behemoths, there are a series of emerging sports such as golf, cricket and cycling, which currently attract lower sponsorship revenues, but are growing at significantly faster rates. As sport professionalises, more sports are realising there is financial opportunity in becoming more commercial. We have seen new levels of coverage of historically less mainstream sports, as well as the emergence of new global "superstars" in sports which previously had less "star" quality.

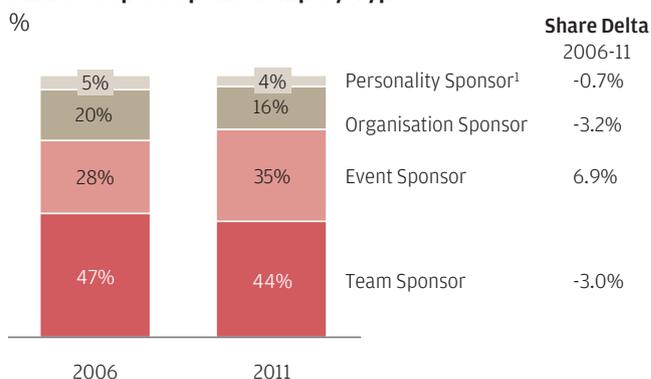
Golf is the largest challenger market, offering an attractive proposition due to the affluent demographic mix of its audience and players. Investment in cricket has been helped by the introduction of new format versions and leagues, whilst NASCAR in the US has grown its sponsorship since 2009 faster than any other tier 1 or challenger sport. Cycling remains the smallest of these challenger sports, but has been growing at over 15% pa since 2006, with increased sponsorship borne out of the rapidly increasing popularity of the sport, in spite of the negative media attention that drug scandals have brought.

Golf	Cricket	NASCAR	Cycling
<ul style="list-style-type: none"> <li>Growth of golf sponsorship is strong and stable, increasing at rates between 8-10% since 2006</li> <li>In absolute terms it is the largest sponsorship market of the challenger sports, at \$400m in 2011</li> <li>Personality sponsorship continues in spite of the damage done by the Tiger Woods scandal, with a record \$250m deal over 10 years for Rory McIlroy with Nike announced in Jan 2013</li> <li>Golfers are more easily tied down to single sponsors as they aren't part of a team</li> </ul>	<ul style="list-style-type: none"> <li>Cricket sponsorship was valued at around \$250m in 2011, having grown rapidly at c.14% pa since 2006</li> <li>Growth has been strongly driven by increased commercialisation of the sport, as T20 format grows and the IPL becomes established</li> <li>Major driver of more recent growth has and will continue to be the emergence of in the Indian sponsorship market, where following is greatest</li> </ul>	<ul style="list-style-type: none"> <li>Historically NASCAR has been a highly crowded sponsorship market</li> <li>Sponsorship levels were affected significantly between 2006-09, falling by c.10% pa</li> <li>However post recession investment recovered strongly, with sponsorship of the sport growing at c.30% pa 2009-11</li> <li>More recently however there have been high profile exits (eg Nationwide, Napa Auto Parts) in addition to major sponsors scaling back (eg Pepsi, Anheuser-Busch and Time Warner Cable)</li> </ul>	<ul style="list-style-type: none"> <li>There has been strong growth in cycling, especially recently, with professional cycling team revenue rising 11% pa 2009-12 to c.\$300m</li> <li>The major reason for growth in sponsorship is the increased popularity of the sport - there has been a huge increase in television coverage of the sport, with a 54% increase in the number of hours broadcast from 2011-12</li> <li>Growth has also been delivered in non-traditional geographies, with 57% of UCI World Tour Riders originating from outside traditional cycling markets</li> </ul>
<ul style="list-style-type: none"> <li>Example Sponsors <ul style="list-style-type: none"> <li>Nike, Rolex, Lexus</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Example Sponsors <ul style="list-style-type: none"> <li>Pepsi</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Example Sponsors <ul style="list-style-type: none"> <li>Sprint, PepsiCo, Anheuser-Busch</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Example Sponsors <ul style="list-style-type: none"> <li>Sky</li> </ul> </li> </ul>

## 5. Evolving Trends in Sponsorship Type

We have recently seen an evolving mix of sponsorship type within sport, between events (eg FIFA World Cup), teams (eg shirt or stadium sponsorship and players) and organisations (eg World Tennis Association). The major trend has been the increased revenue for events, which has grown at 7% per annum, as sponsors look to focus on investing in “high impact” environments, while reducing the risk of backing a single team or person. History shows that this shift is another reversal consistent with a long-term cyclical trend.

### Share of Sport Sponsorship by Type



## 6. Going for Gold - Strategies in Sponsorship

As the level of interest in sports sponsorship heats up, expect increasing competition across the board, but particularly within the top end. The days of simply having your name on the local football strip are long gone, with increasing levels of sophistication being shown both from competitor sponsors as well as the sports themselves.

There are a series of questions brands and franchises should answer.

### Questions for Brands

With brands regularly spending over £100m to claim coveted exclusive sponsor opportunities (eg the Olympics), it is vital to ask a number of key questions to ensure that you're getting real value from the association:

- How well does my brand align with both the viewer demographics and the associated brand values of the sport/team/event?
- Is there an opportunity to champion one of the challenger sports, helping them to drive their growth forwards?
- How do I value the rights on offer and how much of the exposure is really reaching my customer groups?
- How do I bring the sponsorship to life through activation?

### Questions for Sports Franchises, Teams and Events

With sponsorship becoming an increasingly significant cash-stream, it is vitally important to approach potential sponsors with a clear strategy and value in mind; ad-hoc deals may generate short-term benefits, but are not as effective in the long-run. Building deeper relationships with sponsors allows for longer-term deals, generating more cash, as well offering tangential business development opportunities.

- What is my sport worth and to whom is it worth the most?
- What is the best sponsorship structure to maximise my income potential?
- What are the best ways I can promote myself beyond my current TV time-slots?
- What is my digital strategy and how can I use technology to improve my proposition?
- How can I access new segments of potential focus globally?

## Offices

### Belo Horizonte

T +55 31 3481 0092

### Boston

T +1 617 896 9900

### Düsseldorf

T +49 211 86 07 0

### Hamburg

T +49 40 40 17 56 0

### Hong Kong

T +852 2201 1700

### Istanbul

T +90 212 2854020

### London

T +44 20 7010 8000

### Mumbai

T +91 22 6619 1166

### New Delhi

T +91 11 4051 6666

### Paris

T +33 1 58 56 18 00

### Rotterdam

T +31 10 217 5555

### São Paulo

T +55 11 3053 0434

### Shanghai

T +86 21 6115 0310

### Warsaw

T +48 22 826 24 57