Star Sports Marketing.

Sports Sponsorship & the Consequences of Debt.

It is many years since professional football clubs of any status could fund their operating expenses through gate receipts alone. Various ingenious commercial schemes and wheezes have been employed to part long-suffering fans from their hard-earned cash including the ubiquitous replica shirt and other club merchandise, membership schemes, mobile applications, subscription digital media and the premium pricing of the traditional half-time pie and a pint (if the ever-lengthening queues actually allow you to get served before the second half starts).

However, the tried and tested method of filling the widening gap between gate receipts and players' wages is sponsorship. Even after the annual price hike of season tickets and the exponential rise in corporate hospitality costs, sponsorship is the main area of income growth potentially available to the bigger clubs, particularly those with large international followings. There are several reasons for this:-

- The pricing of a sponsorship agreement can be arbitrary and like fine art is worth only what a sponsor is prepared to pay. The value chain between the price and the services delivered is sometimes unclear and often irrelevant.
- The operating margin on a sponsorship contract can exceed 90% with many of the inventory rights never actually utilised as they generally come as part of a standard package irrespective of the sponsor's needs.
- It is almost impossible to measure and quantify the absolute value delivered from a sponsorship in terms of a direct impact on product sales or other key performance indicators. The best that can be done is to measure the brand exposure from TV, perimeter advertising and other media distribution.
- It is not unheard of for sponsorship arrangements to be activated simply to satisfy a Director's ego or as a demonstration by the media planning department that it can identify a new and novel marketing channel.
- Sponsorship can offer valuable and relatively low-cost brand exposure but can also backfire on both parties in the event of negative exposure such as bankruptcy or club/employee misdemeanour.

If large corporations with more money than sense are prepared to throw money at our impoverished football clubs just for the privilege of shaking hands with their playing heroes, then what is the problem? It's that as sponsorship fees rise and become more significant as a proportion of total commercial revenues, sponsors will become more discriminating in the rights packages they need to justify their investment and will begin to demand a greater say in the running of the club. How soon will it be before club colours are changed to fit with a sponsor's brand palette?

Similarly, those clubs with a mountain of debt loaded into their balance sheets by owners keener to leverage the assets of the club than to invest their own cash are being forced into a new, more predatory approach to managing sponsorship relationships. The trend for elite clubs is to forget about renewal. The offer is half the rights for double the fee - take it or leave it. At one leading club, the relationship team is being replaced by a hard-nosed sales force with no link, understanding or affinity to the product it sells. Pile it high and sell it dear. This myopic view pre-supposes an infinite number of eager sponsors falling over themselves to invest.

The winners in this race to keep revenue generation ahead of debt interest payments will be the clubs that stay true to their culture, traditions and the loyalty of their natural fan base. The losers face the abyss with only their glorious history to contemplate.