

# STREET & SMITH'S SportsBusiness JOURNAL

This Week's News

## Bulletproof? We'll see

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The future of the oft-repeated phrase, "sports are recession-proof," may be as troubled as the future of the economy.

Such was the prevailing sentiment voiced by dozens of senior property, sponsorship and marketing executives over two days at last week's SportsBusiness Journal/SportsBusiness Daily Relay Worldwide Sports Sponsorship Symposium in New York. In the shadow of Wall Street's meltdown, many questioned the long-held belief that the sports industry is impervious to economic downturns.



"Anyone who says this isn't a different time is either not in touch or not telling the truth," said John Brody, MLB's senior vice president of corporate sales and marketing. "This is a different time and people are evaluating how they're going to spend their dollars not just for next year, but for next month."

Noting that everyone in the sponsorship business is under pressure right now, Citi's global strategic media director, Mark Ingall, said, "What we start to think about is moving money around rather than slashing budgets, but it is a little worrying. As long as the fundamentals are in the sponsorship, that's going to survive."

While a belief that sports sponsorships face difficult times prevailed, the sentiment wasn't universal. During a keynote address that opened the conference, Saatchi & Saatchi CEO Kevin Roberts called the \$250 billion sports marketing business "a raging bull" that is "bear proof."

"Why?" he asked. "Because it's life itself. It's pure escapism, it is pure passion and it is something we can all revel in no matter what other crap is going on in our life."

Tony Pace of Subway echoed that sentiment on a panel later in the day.

"I'm very optimistic about both the economy and the sports landscape because the fact of the matter is: American consumers are passionate, passionate, passionate sports fans," he said. "And in that regard, it's important to be there."

But optimism about the future health of the sports sponsorship business was far from universal.

Several sponsorship executives said their companies were in the midst of one of their best years. State Farm set a record with more than 42 million auto policies this year, Autotrader.com's business is up 28 percent to date, and Anheuser-Busch executive Tim Schoen said the beer company just completed the best summer it has ever had.



SHANA WITTENWYLER

**Kevin Roberts of Saatchi & Saatchi discusses emotional connections to brands.**

Despite those business results, executives said there wouldn't be an increase in sponsorship spending next year.

"We're going to remain flat from a spending perspective on properties, but we're going to do a little more from an activation standpoint," said Don Dixon, Autotrader.com's senior director of local sponsorship and promotion. "We're not adding any new sponsorships next year, but doing more with what we have."

Sharp Electronics' sponsorship division was making the same decision, but for different reasons. The company had seen corporate margins fall, forcing it to maximize existing relationships.

"It's not about new, it's about activation 100 percent," said Judah Zeigler, Sharp's associate vice president for retail and consumer marketing.

Sponsorship executives at other brands, including Gatorade, Bank of America and Sprint, said they had pushed back planning for 2009 as a result of the weakened economy.

Gatorade traditionally develops its business model for the upcoming year in July or August, but this year that has been pushed to September, October or November "so that we've got a clear line of sight about what things can directly affect our business," said Jeff Urban, Gatorade's senior vice president of marketing partnerships.

Bank of America sponsorship marketing executive Ray Bednar said the delay in planning has sponsors asking not only if they can pay sponsorship fees but also if they will have the money to activate a new sponsorship.

"It's a challenge we've faced in the past, but now it's really acute," Bednar said.

Schoen predicted that when sponsors do cut new deals, many would try to offset the pressures of the economy by signing shorter deals.

"Ten-year deals aren't going to happen in our shop," Schoen said. "What's the perfect length of a deal? That's the only impact today that the current economy might affect us."

Properties have already begun to react to those shifts in the marketplace. NHL sponsorship chief Keith Wachtel said the league has begun selling more one- and two-year deals because of potential sponsors' resistance to long-term deals.

"It's a difficult market," Wachtel said. "We're hoping we can bring a sponsor in and convince them to come back once they see the strong fundamentals we have in place."

MLB's Brody agreed, saying, "I don't know that anyone can say how they're going to spend for next year because we don't know what's going to happen next week."

With companies cutting back and looking to be more efficient with their spending, it will be incumbent for properties to understand potential sponsors' business needs and approach them with cost-effective solutions, said Mark Tatum, NBA senior vice president of marketing partnerships.



SHANA WITTENWYLER (3)

(top)  
**Ray Bednar (left) from Bank of America and Judah Zeigler of Sharp discuss the sponsorship environment from the sponsors' side during the Sponsor and Property Roundtable at the Relay Worldwide Sports Sponsorship Symposium last week.**

(middle)  
**Hundreds fill the ballroom at The Pierre in New York City. Featured speakers included Neil Golden, senior vice**

"If we continue to do that," he added, "we can continue to satisfy the needs of those companies looking to do business in sports."

Marketing executives at several agencies predicted that things will get worse before they get better. Relay Worldwide CEO Wally Hayward opened the two-day conference by saying that 53 percent of Americans make less than \$50,000, which leaves them \$2,400 in discretionary spending. This year alone, he said, average annual gas costs have increased by \$2,600, wiping out the majority of Americans' discretionary income.

"Yet people are still going to sporting events," Hayward said. "How is that? A lot of them are doing it through debt, which is a scary thought."

It's clear that consumers will be thinking about their wallets as much as ever, and the consequences for that have begun reverberating across the sports sponsorship landscape.

"You can't assume anyone has a budget anymore, and they're shifting where they are spending their dollars," said Larry Weil, president of the Texas-based agency Sports Sponsorship Universe. "The scrutiny is probably tighter than it has ever been."

*Staff writers Eric Fisher, Terry Lefton and Jon Show and correspondent Nick Owen contributed to this report.*

**president and chief marketing officer of McDonald's, and Under Armour founder and CEO Kevin Plank.**

**(bottom)**

**Beijing silver medalist Dara Torres joins Russ Spielman of The Agency onstage for a session on "Aligning Athletes With Brands: Making the Best Match."**