Relevent

September 2015
FREE

TIME TO CLEAN HOUSE

THE BEST PRACTICES
for renewing and exiting sponsorship agreements

RENEWING & EXITING

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INTRODUCTION

There's a well-known adage in sales: it's easier to keep a customer than to get a new one.

The same goes in the sponsorship world. However, the conditions that enable partners to generate value and to maintain a good relationship aren't that well understood. Furthermore, when a brand exits a sponsorship, it is often ill equipped to do it properly, which can make the situation even more awkward.

Renewing and exiting sponsorships are topics that—despite their huge importance—don't tend to be well covered and for which there are few resources. That's why we decided to devote our attention to the subject in this edition.

We will cover exiting a sponsorship at contract renewal time, or when a scandal strikes; the impact of a sponsor exit on fans; and the relationship between the sponsor and the property—a subject rarely touched upon, but which has significant consequences on the success of the partnership. We will also supply data that sheds light on these aspects of the sponsorship industry.

Enjoy!

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ABOUT ELEVENT

We are an agency specialized in sponsorship marketing strategies and evaluation.

Our mission is to offer accessible, cutting-edge sponsorship evaluation tools.

Our team has decades of experience in evaluating sponsorships for major advertising agencies and national brands.

We have provided the brands that have put their trust in us with innovative solutions to complex communications challenges—because that's what makes us tick.

WHAT WE DO:

- Create sponsorship strategies
- Audit target achievement and activations plans
- Negotiate partnerships
- Assess performance
- Analyze and optimize partnerships
- Undertake custom valuations and measurements
- Offer online tools

We are industry leaders in online sponsorship evaluation.

Discover the value we bring today.

To find out more, visit www.elevent.co

The first online sponsorship evaluation tool for marketing professionals

WHY YOUR SPONSORS ARE YOUR GREATEST ASSETS

It may seem obvious, but in an ever more competitive market, properties are under mounting pressure to gain revenues from sponsorship, and this gets even harder during sluggish economic times. As in the consumer market, attracting new business is a much costlier endeavor than retaining existing partners. This is why your sponsors are your greatest assets. We are firm believers in the concept of shared value. Properties and sponsors might not always agree, but they do have common goals that can create added value for both partners once achieved.

WHAT ARE THE THINGS BOTH PARTNERS VALUE?

Besides the revenue gained from a sponsorship deal, properties will also seek objectives of their own like visibility, ticket sales, brand image and networking opportunities, to name a few. Sponsors will sign a sponsorship deal for various reasons like visibility, awareness, affinity with the target audience, brand image, sales or to mobilize their employees, for example.

ACTIVATION

It is well documented that sponsorship activations are a must for sponsors to achieve their communications goals. Properties greatly benefit in various ways from sponsors' activation programs. These programs generate both visibility and awareness: great ways to catch the interest of other potential sponsors. Depending on the industry of a specific property, such publicity will also help to sell tickets or generate increased traffic.

IMAGE TRANSFER

Sponsorship can also be regarded as a co-branding enterprise. Managers must be aware that the influence on the brand is not one-way. The image of the sponsor will affect, positively or negatively the image of the property. In such, careful planning must be put forward when managing the sponsorship portfolio, which is like managing a super-brand through sponsorship. By efficiently doing so, properties can effectively enhance their image and thus their desirability in the market.

THE POWER OF THE NETWORK

Properties can become a networking platform to have their sponsors interact and create business opportunities. The benefits might not be obvious in the short term, but having sponsors generating sales through a sponsorship alliance will have a positive influence on the sponsor's trust and commitment. A property taking the role of a consulting service, efficiently helping its sponsors reach their marketing goals, will increase the sponsor's renewal intentions and even increase investments. Injecting time and effort into your relationship with sponsors will ensure that it fructifies to yield a better return, more so than a purely money-based business deal.

TENNIS CANADA AND ITS PARTNERS: A LOVE STORY WE ALL DREAM ABOUT

Having an exclusive event like the Rogers Cup in a sports category in constant evolution isn't the only thing that accounts for the remarkable success of Tennis Canada. The organization has an excellent reputation for holding on to its sponsors, boasting partnerships of 12 years with Stade Uniprix, 11 years with the National Bank of Canada and more than 25 years with Rogers, among others.

Claude Savard, Vice-President, Corporate Sponsorships at Tennis Canada, shares his vision on the keys to success in sponsor retention.

First, it's about **getting to know one another**. To create real symbiosis, the sponsors need to have clear objectives and properties must be able to highlight the distinctive features of their events. All sponsors want a return on their investment, but that return can take a variety of different forms, for example in the case of a product launch or brand repositioning. Tennis Canada offers customized solutions rather than a generic list of benefits. From the very first meeting with a prospective sponsor, the event proposes a number of targeted activation options that demonstrate the event's potential for the brand.

Be **flexible**. Whereas new partnership agreements generally last for three years, Tennis Canada reassures its partners by offering them an exit option at the end of the first year, trusting that "they will be fully satisfied and they will accept to renew for many years."

The secret is to **engage in the relationship**. Beyond delivering excellent customer service, it is essential to get involved financially. Tennis Canada is one of the exceptions in that it invests jointly with its sponsors in more than 75% of cases. This helps create activations that yield results both in terms of the return on investment for sponsors and of the quality of the event itself, producing a positive impact on the sustainability of the relationship: "We are so confident of the results that we see it as a long-term investment, because we know they're going to renew."

View the **relationship as atemporal** and nurture it above and beyond the event. On top of the requisite post-event wrap-up, Tennis Canada provides its sponsors with an international report on the value of the televised broadcast coverage to use as a comparable and even allows some sponsors to include specific questions in the annual survey conducted on event-goers. It's important to stay in contact with partners year-round by organizing meetings in the spring or activities during the December holiday period.

Tennis Canada has succeeded in building solid relationships rather than "just leave the money on the table" arrangements by raising the buy-in to attract the right kind of partners who are willing to invest in the union and by offering them a top-notch sponsorship environment in return.

BEST PRACTICES FOR MANAGING A SUCCESSFUL SPONSORSHIP:

- Remain flexible in terms of sponsorship rights.
- Invest jointly in initiatives.
- Build strong relationships between partners.
- Be proactive by proposing activations that are relevant to brands and their objectives.
- Gauge and share information.

THE RIGHT REFLEXES AT CONTRACT RENEWAL TIME

A sponsorship contract is not a nominate contract mentioned in the Civil Code of Québec, in that it's not a contract specifically defined by a detailed set of rules that apply only to it. As a result, though sponsorship contracts must respect general contractual rules dictated by the Civil Code of Quebec, each contract follows, to a certain degree, the law of the parties.

That said, when sponsorship contracts come up for renewal, there are a number of valuable basic practices to observe.

BE AWARE OF DEADLINES

Termination and renewal clauses and even the right of first refusal often have specific deadlines that the parties must respect in order to exercise their rights. Generally, these clauses state that one party must send the other party a notice a certain number of days, weeks or months before the end of the contract. Such deadlines are critical, as the failure to send the required notice on time can result in contractual clauses being automatically modified or in the contract ending or renewing automatically.

AUTOMATIC RENEWAL DOESN'T MEAN IDENTICAL RENEWAL

Be attentive to automatic renewal clauses, as they don't always state that the contracts will be renewed with the exact same terms and conditions. In fact, with clauses of this kind, contracts can be renewed for a shorter or longer period than the initial duration. Fees can go up, and the obligations of the parties can change. It is therefore important to read the automatic renewal clauses carefully so you're not caught off guard.

THE RELATIONSHIP IS IS WORKING . . . FOR NOW

When a business relationship between two parties has been established for a while and they are both comfortable with the way the partnership is being managed, it can be tempting to minimize the importance of their contract and to let it expire, thinking that their relationship will continue to go well. Never forget that the contract forms a legal basis between the parties. If the relationship falters and the contract that was up for renewal is terminated, or is automatically renewed with conditions that one of the two parties doesn't agree with, or the deadline to apply the right of first refusal has passed, the parties can find themselves in an awkward situation.

This leads us to our next important point:

SEIZE THE OPPORTUNITY

Why not take advantage of the contract renewal as an opportunity to reinforce the relationship between both parties? If the parties have developed certain ways of managing their relationship that don't appear in the initial contract or that are different from the contract, the renewal process can be an opportune time to make modifications and add clauses that better reflect the real agreement between the parties, which will go a long way toward avoiding problems in the future.

It's also a great opportunity to re-evaluate each party's risks and advantages and to negotiate the necessary changes so that everyone is happy for the duration of the next term.

In any case, don't let your sponsorship contracts gather dust in the bottom of a drawer until a problem arises. And remember to read termination clauses, renewal clauses and right of first refusal clauses very carefully.

Why not take advantage of the contract renewal as an opportunity to reinforce the relationship between both parties?

The trends driving partnerships

The sponsorship industry is evolving and so is the relationship between sponsors and properties. Sponsors are now making more strategic choices when it comes to their investments, and they're looking for properties that will provide win-win relationships. They're also starting to see the importance of establishing long-term relationships that will bring added value. Because of this, we're seeing that their desire both to exit sponsorships and to take on new partners has declined since last year.

However, though sponsors are more inclined to invest in relationships, they are also demand more of the properties they support, making it important for properties to ensure that their offer aligns with their partners' goals. Generally speaking, the benefits sponsors are looking for extend far beyond mere visibility. They want to see the tangible results of their investment, and are looking to their partners to provide adequate measurement tools. They remain unsatisfied on that front, and filling that gap will be crucial to ensuring complete satisfaction between both entities—the kind of satisfaction that leads to successful contract renewals down the road.

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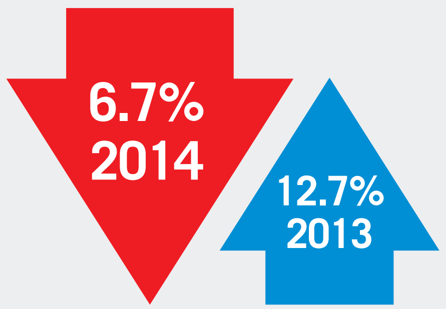
THE INDUSTRY'S GROWTH HALTED WITH LOWER INVESTMENTS.

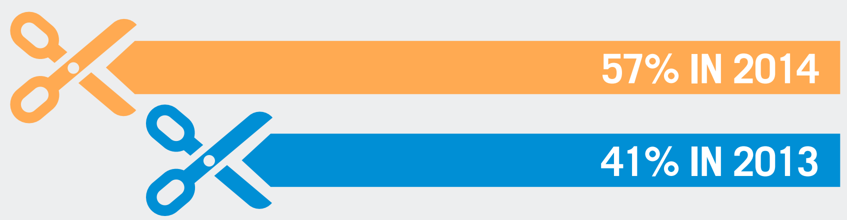


However, this is related to smarter spending.

Source: 9th Annual Report of CSLS

SPONSORS ARE BECOMING MORE DEMANDING.

Sponsors who are looking to drop out of a current sponsorship:



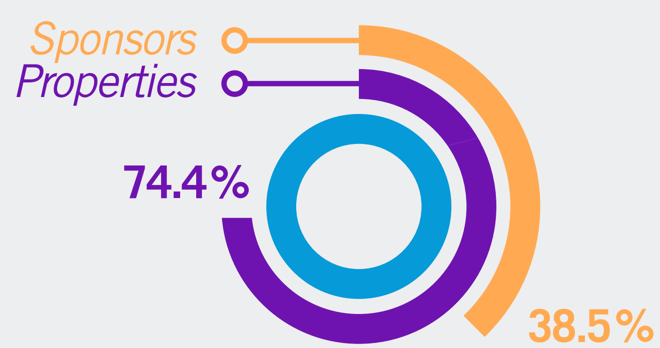
Value accorded to the following property-provided services:

- ASSISTANCE MEASURING ROI: 42%
- AUDIENCE RESEARCH ON PROPENSITY TO PURCHASE: 42%
- AUDIENCE RESEARCH ON RECOGNITION/RECALL: 34%
- AUDIENCE RESEARCH ON ATTITUDE/IMAGE: 32%
- POST-EVENT REPORT: 32%
- LEVERAGING IDEAS: 25%

Only **27%** of sponsors said properties met their expectations in helping to measure **ROI**.

Source: IEG/Performance Research 2014 Sponsorship Decision-Makers Survey.

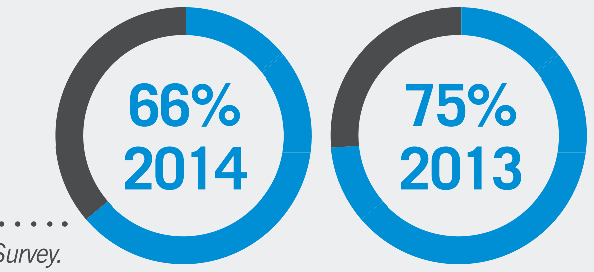
Satisfaction with Sponsorship ROI according to:



Source: 9th Annual Report of CSLS

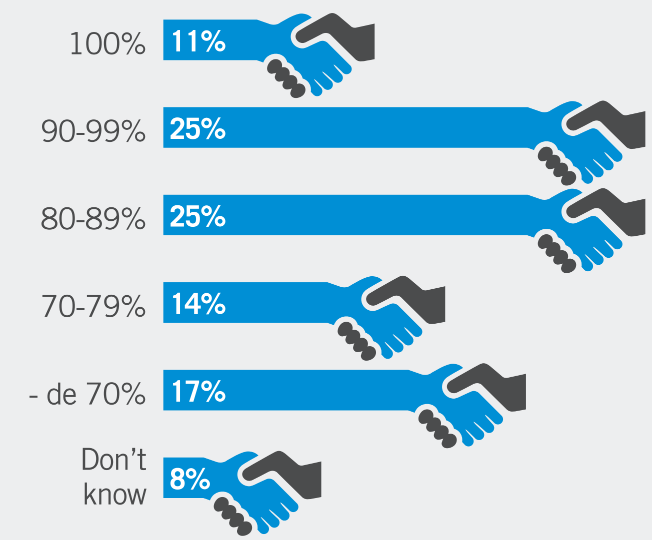
THE MAJORITY OF SPONSORS ARE IN THE MARKET FOR NEW PARTNERSHIPS, BUT FEWER SPONSORS WERE CONSIDERING FIRST-TIME DEALS COMPARED TO 2013.

Sponsors who are considering new relationships:



Source: IEG/Performance Research 2014 Sponsorship Decision-Makers Survey.

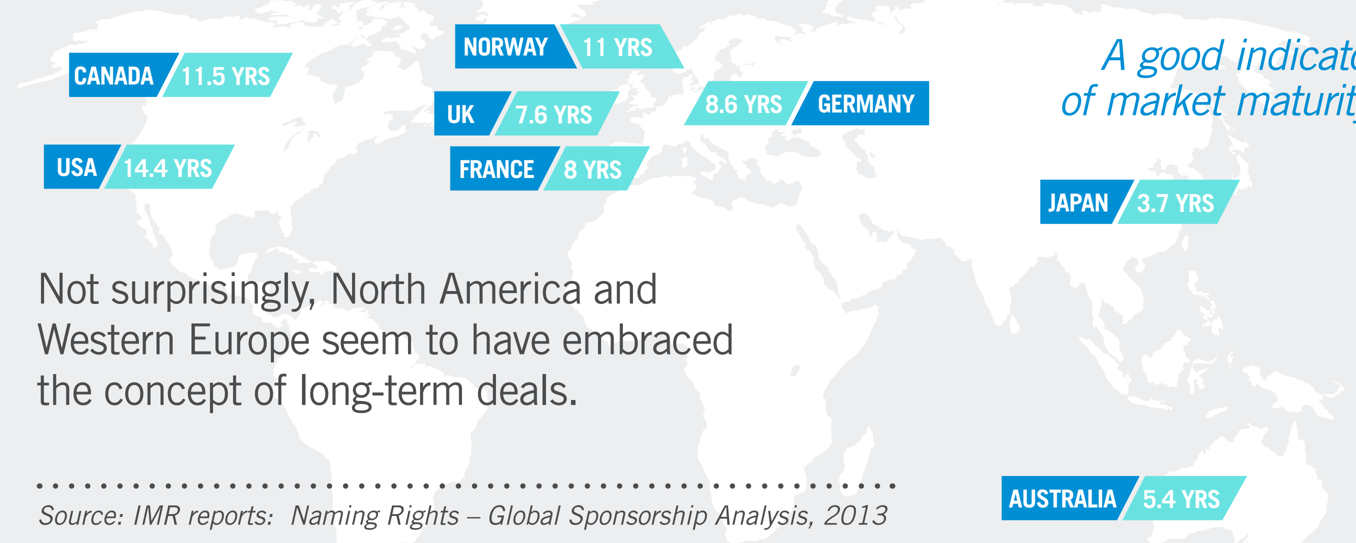
Sponsorship property renewal rate:



The majority of properties renewed at least of their sponsorships. **80%**

Source: IEG/Property Benchmarking Survey 2014.

NAMING RIGHTS DEALS BY AVERAGE DURATION BY COUNTRY:



A good indicator of market maturity.

Not surprisingly, North America and Western Europe seem to have embraced the concept of long-term deals.

Source: IMR reports: Naming Rights – Global Sponsorship Analysis, 2013

HOW TO EXIT A SPONSORSHIP

You spend years building a partnership between a brand and a property and then, for various reasons—objectives not being met fast enough, lack of vision at the management level, a changing of the guard or simply the strategic realignment of a scattered portfolio—the time comes to call it quits.

No matter how good the reasons are for leaving, every brand needs a solid exit strategy. There are multiple players involved, from the property to the media to fans and the general public, and their reactions should not be underestimated. You don't want to run the risk of having years of hard work crumble with a single news story.

THE PROPERTY: A PLAN

Announcing your exit can hit the property like a ton of bricks. It can generate a lot of insecurity, most notably regarding the securing of new sponsors and the fact that the financial engagements of events are often made far in advance.

The key is to give the property a good heads-up, ideally more than 10 months prior to the event, so that it has sufficient time to make any necessary adjustments. A common reflex is to wait for the contract to come to an end to avoid any discomfort between the two parties, but it's best to prepare your exit as far in advance as possible. This helps keep bad press to a minimum and gives you the time to end the partnership on the best possible terms.

Announce the news in person. This will prevent any bad blood between the two parties and keeps negative comments from being made on the public stage. Then follow up with written confirmation and be sure to copy all administrators. Never lose sight of the fact that a sponsorship is a business deal between two organizations and is a contractual agreement. Written proof of the sponsorship ending will prevent any ambiguity when it comes to renewal clauses, option clauses or the right of first refusal (which can go beyond the end of the contract).

A divestment plan can serve as a good middle ground for both organizations. For example, when the property is delivering positive results, the brand can progressively pull back over two or even three years, slowly diminishing its status as a sponsor. It's also possible to keep only the assets that are valuable to the company. For example, if you don't want to maintain visibility across the entire site, but you do want to pursue business development initiatives, you can continue to run a hospitality program. The inverse is also true if it becomes difficult attracting clients to the corporate box.

With such an approach, you can issue a clear press release indicating a change in the investment level or status without having to manage a total exit—a compelling option if you're a title sponsor or an event presenter.

PR AND MEDIA GO HAND IN HAND

Media outlets looking for a sensational story could be eager to jump on news of a sponsor exiting an event. Have a PR plan in place before you even announce the news to the property. Your message will be more credible if it's controlled by a third party, and you can share your plan with the property so it too can communicate a positive message. Another good reason to maintain a healthy relationship even as you're backing out.

THE FANS: A POSITIVE TONE

With any sponsorship, fans are the ones you're trying to reach. There are two possible strategies when exiting a partnership: thanking fans directly for their support or taking a more corporate tack. Generally speaking, the arrival of brand partners on the scene causes more upheaval than their departure. What's more, the public has become accustomed to brands rotating in and out when it comes to big events. The bigger risk is if the exiting sponsor leaves the property in a vulnerable position with regards to its future, as can be the case with more niche cultural and regional organizations.

WHAT IF YOU ARE EXITING SEVERAL PROPERTIES?

The major divesting of several regional properties or a large-scale exit can have a far greater effect on brand sponsors that if they are backing out of only one property. In such circumstances, it's a good idea to let the blade fall swiftly rather than to stretch out the bad news over a long period of time.

SOME KEY ELEMENTS TO KEEP IN MIND WHEN EXITING A SPONSORSHIP:

- Let the property know as soon as possible to maximize its chances of securing new sources of revenue.
- Notify all the interested parties in writing to avoid any ambiguity regarding option clauses and the right of first refusal in the sponsorship contract: these clauses are often open to interpretation.
- Task internal teams or an agency to build a communications plan or a contingency plan for public relations and social media.
- Remember that you will continue to be associated with the property for a certain period of time (the effects of sponsorship can last several years after the sponsor exits).
- From a public relations standpoint, keeping quiet can be a favourable option when a sponsor exits because of a scandal *(How to react after a celebrity endorsement scandal)*.

Despite the risk associated with exiting a sponsorship, it can be good for the brand. A case in point: British American Tobacco pulled out of its various disparate sponsorship activities and invested heavily in one platform: a new Formula 1 team that fits its communications objectives to a tee. Though it's easy to worry about the immediate impact of exiting and its negative consequences, the key for any brand is to make the best decision for the long term.

THE CONSEQUENCES OF CHANGING SPONSORS

SERIES ON THE SCIENCE OF SPONSORSHIP

This series introduces readers to university publications on sponsorship. It offers a summary of the article and highlights the impact of the findings on sponsorship management.

Change in a Sponsorship Alliance and the Communication Implications of Spontaneous Recovery
Original authors: Anna R. McAlister, Sarah J. Kelly, Michael S. Humphreys, and T. Bettina Cornwell

When sponsorship deals are up for renewal, we often see a tide of change when it comes to the organization's partnerships. And that brings about a communications problem: the public continuing to associate events with previous sponsors.

Given that brand recognition is the key benefit of sponsorship, this is bad news for new partners and has serious repercussions on how properties and new sponsors approach partnerships.

This phenomenon is especially problematic when it comes to major sponsors, including title sponsors, but its effects are felt on all partners.

Former sponsors can cast a long shadow on the communications efforts of new partners. As a rule, new partners must understand that former sponsors will continue to benefit from their sponsorship even after parting ways with a property.

In fact, the longer the association with a property, the longer the effects of the association will last—up to seven years after the end of a partnership.

KEY FINDINGS:

- The study notes that the first sponsors of new annual events have increased equity.
- Becoming a lower level sponsor after being a title sponsor enables brands to communicate and maintain the awareness of more prominent partners.
- New sponsors are more susceptible to ambush marketing.

WHAT TO DO:

- To overcome the phenomenon of erroneous association, new sponsors must develop a unique platform with the partnership.
- It's important to invest heavily in activations and communicate with the public often to establish connections between brands and properties.

And that brings about a communications problem: the public continuing to associate events with previous sponsors.

HOW FANS RESPOND TO SPONSORS CUTTING TIES WITH PROPERTIES

SERIES ON THE SCIENCE OF SPONSORSHIP

Original article: And now, goodbye: Consumer response to sponsor exit, *by Julie A. Ruth and Yuliya Strizhakova, 2012*

All good things come to an end, and partnerships between sponsors and properties are no exception. Financing sponsorships is becoming an increasingly costly endeavour, and when contracts come up for renewal, there are times when brands decide to walk away. The results of the above study suggest that even if pulling out of sponsorships is negatively perceived by consumers, brand sponsors can mitigate that response by paying special attention to how they announce the news and when they decide to make it public.

From objectives not being met to loss of profits, the reasons for ending a partnership are myriad. However, according to the results of the same study, it's best for brand sponsors to clearly articulate their motives for pulling out without making reference to commercial concerns. This prevents any possible ambiguity when the media releases the story, and enables sponsors to position themselves as acting in the interests of the community. For example, when CA Technologies, a software corporation, ended its partnership with the World Golf Championships, the PGA publicly thanked the company for its involvement over the four previous years, during which time it not only supported the rich tradition of golf but also gave back to the community.

The consumer connection to the category can also reduce the negative perception towards exiting sponsors. If brands want to leave on good terms, it's best to avoid ending partnerships prematurely. Fans generally express a degree of gratitude towards brands that leave after several years, especially if other partners are associated with the property. The future of the event isn't threatened, and consumer perception is less negative.

IN SHORT, IF A BRAND WANTS TO SAY GOODBYE TO THE FANS OF AN EVENT, IT MUST TAKE THE FOLLOWING INTO CONSIDERATION:

- **The duration** of its involvement: it's preferable to wait a few years before exiting an event to gain a certain level of recognition.
- **The number of sponsors** connected with the event (to avoid leaving the property without support).
- Lastly, it's important **not to draw attention to the commercial reasons** for ending a partnership, especially publicly.

ENDORSEMENT: HOW TO REACT TO A SCANDAL

{ *ORIGINAL TEXT: HAKIM AZROUR, M.SC.* }

For the past few years, morality clauses have been cropping up in a lot of endorsement contracts, enabling companies to end their associations with celebrities and distance themselves from negative events should they occur. This is how endorsement contracts came to an end between McDonald's and Kobe Bryant, Kate Moss and Chanel, and H&M and Burberry, not to mention Tiger Woods with Accenture, Gatorade and Gillette.

Because of the extravagant nature of celebrities—or maybe just because they're human—endorsement scandals are inevitable. Unfortunately, such scandals are also totally unpredictable, and companies generally have no advance warning when their highly paid spokespeople decide to stray from the script. The one thing companies can control is their reaction when the media is in an uproar about their associations with offending celebrities.

The most striking case in recent imagination is no doubt the nearly $100 million investment Nike had to extend, not just once but twice, to attract Tiger Woods.

It's important to remember that some companies invest to such a high degree in endorsements that the spokesperson becomes the very essence of the brand. Nike does that quite well in fact, as we've seen with its Air Jordon shoe line or its Tiger golf collection. It's well known that the Nike golf line is a brand of considerable value today, thanks to a substantial and sustained investment in R&D and in brand equity. So Nike had to take all of this into consideration when it decided not to cut ties with Woods during the infidelity scandal, and but rather to throw their support behind him during the media storm.

It's important to keep in mind that scandals coming to light in the media aren't an end in themselves, but the beginning of a time of upheaval both for the celebrities and for the companies being endorsed.

It's difficult to identify exactly what brands should do when they're mixed up in celebrity scandals. What would you have done if you had to answer on behalf of the Accenture consulting firm and you were told that the best golfer in the world, who also happens to be your marketing ambassador, has had extra-marital relationships with more than a hundred women? Or maybe you would have preferred to handle the Subway story when a photo of Michael Phelps smoking marijuana from a bong surfaced only a few short days after you offered him a lucrative endorsement contract to represent you. Or if golfing and swimming aren't your thing, why not try your hand at baseball . . . ah yes! Unless you're MasterCard, and your ambassador Barry Bonds—a bigger-than-life, all-time home run record holder—swears up and down that he never took steroids from the BALCO lab.

History has shown that companies that find themselves in these situations can take different tacks. Should they support the celebrity, abandon ship, or simply do nothing?

An analysis of 60 real cases of endorsement scandals representing 23 sponsoring firms and 32 celebrities confirmed one thing: companies pay big for the scandals of the celebrities who represent them. When studying a scandal, you see that there are two "moments of truth": First, there's the announcement of the scandal in the media, then, usually a few days later, the announcement of the company's reaction to the scandal. Results have shown that, when you add up the financial losses of these two announcements on the day they're released in the media, the market evaluates the average financial impact of the scandal at 0.75% of the company's market capitalization. When you consider that the value of some companies reaches into the millions and even billions of dollars, you quickly see that the repercussions of such endorsement scandals take on a dimension that fully justifies the firm's concerns.

What's more, studies have also established clear guidelines for brand managers who are confronted with an endorsement scandal. When the time comes for companies to react to a scandal, the position to adopt in order to protect their share value is to simply keep quiet. This can be attributed to the fact that if companies decide to react, either by supporting or renouncing celebrities, the market would interpret the gesture unfavourably, thinking the companies were trying to curb financial disaster. By keeping quiet, companies keep from sending signals to the market that could be seen as a desperate attempt to limit financial losses.

In practice, opting for silence isn't the most intuitive path for any manager to take, as the powers that be in any company tend to expect some kind of response, and they could interpret a passive reaction as a lack of reaction. Fortunately, the current study empirically confirms, for the first time ever, the favourable effects of silence on company value. Managers can now abstain from making waves in the media—which could be negatively interpreted—in total confidence.

However, it's important to remember that this recommendation is made with one thing in mind: optimization of a company's market value. We advise managers to keep an overall vision of the scandal so they can make decisions based on ethical judgment, market conditions (e.g. the risk of another company picking up the celebrity) or clauses in the endorsement contract (e.g. the monetary consequences of terminating the contract).

IN SUMMARY:

- Scandals implicating brand endorsers are more and more frequent today, which is why morality clauses have cropped up enabling companies to cut ties with the celebrity in question.
- Endorsement scandals are very hard on sponsoring companies, costing approximately 0.75% of their market capitalization.
- If firms want to minimize the negative impact of a scandal on their market value, their reaction should be to remain quiet and to abstain from issuing a press release or a statement to the media.
- In spite of everything, an informed managers should consider every aspect of the situation before reacting to the scandal (support, renouncement or silence).

THE ART OF HANDLING A SCANDAL: FIVE CASES AND MULTIPLE SOLUTIONS

When a scandal breaks, keeping quiet can seem like the most appropriate course of action for sponsors. But there are, in fact, many different tacks sponsors can take when the times comes to distance themselves from important properties.

TURN THE SCANDAL INTO A BUSINESS MOVE: THE FESTINA AFFAIR

1 Long before Lance Armstrong, the Tour de France already had a number of scandals under its belt (hence the nickname: the Tour of Doping). The most significant scandal was the Festina Affair in 1998. For the first time in the history of cycling, an entire team was excluded from the Tour de France after their soigneur was arrested at the border with large quantities of doping products in his car. It was tough for Festina—the luxury watch brand sponsoring the team—to distance itself from the scandal when its name was peppered all over the media. The Festina team put an end to its activities in 2001, and the brand redirected its involvement in the event: it remained the official sponsor of timekeeping for the Tour de France and set up a foundation to prevent doping.

THE 1998 IOC SCANDAL: HOW TO BULLY YOUR WAY TO REFORM

2 No doubt the most important scandal to rock the Olympics erupted in 1998 when members of the International Olympic Committee (IOC) were accused of taking bribes from the Salt Lake City Organizing Committee during the bidding process for the 2002 Winter Olympic Games. Afterwards, David D'Alessandro, CEO of the insurance company John Hancock, was the only sponsor to react—and he reacted strongly. He publicly criticized the Committee, demanded an investigation and called on the Committee President to resign. He removed the Olympics logo from all his communication materials and cancelled his television advertising for the Atlanta Summer Olympic Games. But he didn't stop there: he pushed for reform and transparency within the IOC and in the process became a polarizing figure that some considered an attention-seeking bully.

A NEW CONCEPT: SUSPENSION OF SPONSORSHIP ACTIVITIES AFTER THE STERLING SCANDAL

3 In 2014, a scandal broke when an audio recording was released in which Donald Sterling, owner of the LA Clippers basketball team, made racist comments to his girlfriend about a photo she had taken with basketball legend Magic Johnson. Reactions were swift, with Barack Obama weighing in and several people offering to buy the team, including Magic Johnson, Oprah Winfrey and finally former Microsoft CEO, Steve Ballmer. Some partners reacted quickly by pulling their sponsorships (Carmax, Virgin America, Mercedes-Benz and Chumash Casino Resort) while several others like Corona, Kia, Red Bull and Samsung opted to suspend their partnership. Because suspending their sponsorship likely wasn't an option in their contract, technically they remain sponsors of the team, but at a safe distance that's far removed from the controversy. This new option will no doubt become commonplace in sponsorship jargon as it offers the best of both worlds.

A HIERARCHY OF REACTIONS: ONE SCANDAL AFTER ANOTHER FOR THE NFL

4 In 2014, the multiple cases of domestic abuse involving players of the NFL deeply tarnished the image of the League, from Ray Rice (conjugal violence) to Adrian Peterson (child abuse). Though sponsors criticized the League for not taking swift action in punishing the players, they didn't terminate their partnerships. Even Cover Girl stayed on board, despite activists altering one of their ads to draw attention to the brand's inaction. Brands certainly didn't want to be associated with a controversy of this magnitude, but they weren't ready to walk away from the NFL altogether. So what did Nike do? They stopped sponsoring players who were involved in the scandals, thereby distancing themselves from the violence while still remaining associated with the League and its attributes of excellence in sport.

THE FIFA SCANDAL: GIVING INTO FAN PRESSURE

5 May 27, 2015 wasn't a good day to be a FIFA sponsor. This was the day when US investigators uncovered years of corporate corruption dating back to 1991. One such scandal involved the Qatar bid to host the 2022 World Cup, which also came with damning reports of the country's treatment of migrant workers, raising deeper ethical and humans rights issues. To date, FIFA's major sponsors—Coca-Cola, McDonald's, Budweiser and Adidas—have all expressed their concerns but none have gone any further than that, with the exception of Visa, which has threatened to end its sponsorship if the Federation doesn't institute meaningful change. Social media reaction created an unprecedented crisis for sponsors, in that consumers now see the power of sponsors and demand that they pull out and end their partnerships when properties are corrupt.

In weighing the consequences of a tarnished image against the benefits of a platform that offers access to millions of fans, brands also have to consider the fact that consumers are increasingly choosing brands not only for their products but for the values they support. In short, there's no easy answer when it comes to dealing with scandals. Brands must weigh all their options—and, in the process, never lose sight of consumers or the market.

CONCLUSION

Final thoughts

One thing is clear: sponsors have no shortage of options in the current marketplace. As for properties, they have to deal with cycles where brands tend to reduce their investments or pull out from their partnership deals entirely. We can confirm without a shadow of a doubt that it is currently a buyer's market.

In this context, an imbalance can emerge between sponsored properties and sponsors where it can be tempting for the partner with the most power to put pressure on the other partner to gain the upper hand.

It's important to remember that when the balance between partners is respected—both in terms of the business relationship and value sharing—the benefits are always greater.

There can be very justifiable reasons for exiting a sponsorship agreement: potential damage to the brand, a realignment of the portfolio, an overly expensive sponsorship generating marginal benefits, etc. However, too many companies find themselves in awkward situations when the time comes to leave. There can be significant legal costs and the brand's reputation can be seriously affected.

To avoid such outcomes, it's important to proceed in a methodical fashion and to keep a clear head.

Let's talk!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