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From The Field Of

Conditions leading Big Four leagues to jersey sponsorships

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**BILL
SUTTON**

A corporate sponsor's name or logo will appear on the game uniforms of one of the Big Four American sports by 2011. Why? Simply stated: It's time.

The economic and marketing conditions combined with the expiring labor agreements with the respective player associations make this new business paradigm inevitable. Let's examine each of the storm conditions to see why this will happen.

1. Difficult ticket sales and sponsorship revenue renewals.

The only revenue stream in line with its projections is revenue from national television contracts (over-the-air and cable/satellite) and, in some cases, local broadcast contracts. Each of the Big Four (MLB, NBA, NFL and NHL) projects less revenue from ticket sales and lower attendance figures from 2007-08 levels, and the NFL is looking at more games being blacked out in local markets during the 2009 season than has been the case in many years.

In terms of sponsorship, we are now back in an era of high accountability and measured return on investment. Suites and other premium-seating options that were once a given in terms of their inclusion in a sponsorship package are now viewed as entertainment and possibly an expense easily excluded from the proposal. Funding from entertainment budgets may be gone for good because the emphasis is on business solutions and business development.

A jersey naming-rights deal might fit nicely within these parameters.

2. Industry acceptance of WNBA jersey sponsorships and NBA/NFL practice gear sponsorships.

It happened, and so far there appears to be little if any fallout. In fact, MLS has pioneered this revenue stream in the United States. Surely there is no consumer backlash to this point, as most of us have worn some type of sponsored jersey either as a child or while playing in adult sport recreational leagues and have suffered no stress or trauma as a result. While we have been exporting talent and marketing expertise to the English Premier League, it would seem that current economic conditions make this an opportune time to copy their jersey sponsorship model. In my opinion, to generate the true revenue potential of such a sponsorship, the U.S. leagues would have to offer a jersey deal very similar to the English Premier League, where the logo of the club becomes a patch on the uniform and the name of the sponsor occupies the chest space previously used for the team name and the home city.

3. The need to avoid lockouts, strikes and other forms of labor unrest.

Clearly this type of new sponsorship revenue, which would eclipse building naming-rights deals, could be significant enough to minimize the amount of givebacks that management (owners) will be asking from labor (players).

Naming-rights deals for buildings usually designate only a portion of the naming-rights fee as being related to the sport played in the venue. Uniforms are clearly related solely to the game. That makes jersey naming rights a much more desirable source of revenue for the players and their representation.

4. Shortage of new revenue streams.

Global dollars, which include broadcast, merchandising, some forms of new media, and exhibitions — and, at some point, sanctioned competitions and a true world championship,



potentially at least in baseball, basketball and hockey — are the last identified frontiers in terms of new revenue. While these possibilities are still in evolutionary or conceptual development stages, the uniform sponsorship could be implemented almost immediately. Jersey naming rights represents one of the last large untapped sources of revenue with an extremely high percentage of those dollars being net dollars after expenses.



5. Globalization opportunities.

Given the international broadcasting of American professional sports and the appeal in other countries, particularly as more foreign-born players appear on MLB, NBA and NHL rosters, jersey naming rights and appropriate international activation would be an excellent branding and product awareness vehicle for U.S. companies trying to enter new markets, as well as international companies wanting to secure a piece of the U.S. market.

In writing this piece, I am sure that each of the respective leagues has had a team working for some time on how such a jersey sponsorship could be implemented and how the funds would be allocated. They are preparing for this to happen and are trying to figure out how to control it and what types of guidelines need to be implemented. Some of the key issues that would need to be worked out include:

- Team-controlled revenue or league-pooled and shared revenue.

I am most concerned about this for baseball. The current competitive imbalance (no matter how the powers that be try and spin it) combined with the lack of a salary cap would not bode well for the small-market teams that under a team-controlled scenario could see the Red Sox, Cubs, Mets, Angels, Dodgers and, in particular, the Yankees receive far more for their rights than anyone else and could further distance themselves from the rest of the pack.

Obviously, a league-think model — doing what is best for the league at the expense of some its most dominant franchises — would strengthen all of the teams and help provide some type of competitive balance as the pooling of broadcast revenue has shown in the past.

- Drawing the line on the types of products and services that could be represented, although current economic conditions have necessitated a much softer stance on alcohol and gambling.

- Creative ambush marketing that might result in potential conflicts between how teams are named and the venues in which they play. Consider, for example, the Atlanta Coca-Colas playing in Denver at the Pepsi Center, or Adidas purchasing the naming rights for the Cleveland Cavaliers and Nike icon LeBron James.

There will be difficulties and issues related to this revenue stream, but I can assure you that if I were a team president, I would have my sales department working to identify potential naming partners and attempting to get a tentative deal in place to present to my respective league for consideration.

Bill Sutton (wsutton@bus.ucf.edu) is a professor and associate director of the DeVos Sport Business Management Program at the University of Central Florida and principal of Bill Sutton & Associates.