Who needs protection?

There is no shortage of experts waiting to advise companies on how to exploit their sponsorship deals effectively, but brands must look beyond merely insuring against disaster, says David Benady

So confident was Nike in the brand-building abilities of Korean-American golf star Michelle Wie that the sportswear giant is reported to have struck a $5m (£2.8m) sponsorship deal with the prodigy before she turned professional on her 16th birthday.

That Nike was prepared to stake such a huge investment on the raw talents of Wie is indicative of the frenzy surrounding top sports stars.

Unfortunately for brand owners with smaller budgets, the rush to sign up the top stars and teams pushes up prices further down the chain. These spiralling costs have led brand owners to look harder for ways of getting the greatest impact from their investments. It is becoming increasingly important to ensure their associations stand out from the crowd as they attempt to forge a lasting relationship with spectators and consumers.

One reassuring piece of news for UK brand owners is that inflation in sponsorship rights has been stemmed in recent years by the gradual withdrawal from the scene of tobacco company sponsorship.

The sums spent by brand owners on sponsoring sports properties in the UK doubled between 1989 and 2000 to £400m, according to Ipsos Sportscan. By 2002, as legislation banning tobacco sponsorship was being introduced, the figure had risen to £429m. Since then it has dropped, and in 2004 the market was worth £413m.

Even so, sports rights owners have attracted a growing array of brand owners eager to attach their names to their properties. Naturally enough, there is no shortage of agents, branding specialists, research companies and even insurance brokers offering advice on extracting the maximum value for money from these deals.

Insurers say they can offset the risks for brand owners of sponsoring events, teams and sports stars by helping construct performance-related contracts requiring pay-outs for different levels of success.

Charles O'Reilly, marketing director of specialist insurance company Tyser Special Risks, believes that insurance can be used to help smaller-abudget sponsors "punch above their weight".

He says: "Linking sponsorship fees to performance through contractual bonuses for achievement and protecting the entire sponsorship budget against cancellation, curtailment or non-appearance of individuals is the crucial element in ensuring the campaign succeeds."

Insurance can also be used to make smaller budgets stand out through constructing prize games where the pay-out is insured. This is a specialism of PIMS-SCA, which helps design games with brand owners, works out the risks of people winning the prizes and insures against this.

CONVERSION POINTS

One example is Tetley's Bitter, which ran an on-pack promotion to back its rugby sponsorship and gave consumers the chance to participate in a rugby kicking event at the 1999 Tetley's Bitter Cup Final and win £1m. PIMS-SCA helped develop the contest to ensure the game was within the client's budget and the task was achievable to participants, as well as providing coverage for the main prize for only a fraction of the prize fund.

PIMS-SCA managing director Mark Kimber says the company had to mock up its own version of the kicking competition beforehand using people of varying degrees of skill in order to work out the probability of someone winning the top prize. In the event, one participant converted a try and won £50,000.

The Tetley's Kick for a Million worked well, but it has a limited appeal to sponsors and it depends on promotional marketing
Adam Wylie, 23red

However, some believe that there are more effective ways of exploiting sponsorships. 23red managing partner Adam Wylie says: "Insurance has a role to play. The Tetley's Kick for a Million worked well, but it has a limited appeal to many sponsors and it depends on promotional marketing." Wylie adds that an important way of ensuring value for money is through getting a number of brands working together in partnership.

23red worked with the England & Wales Cricket Board earlier this year to plan the "England's Big Summer" campaign around the Ashes. It organised a series of events called Cricket in the Park, where fans could watch Test matches on screens in parks near the grounds where the Tests were being played. Foster's was the lead sponsor, with contributions from npower and Vodafone.

Another partnership programme was run around the 2003 World Rally Championship in Wales. Channel 4, Mitsubishi, Sony PlayStation and The Times worked together to publicise a promotion where entrants could take part in a rally and win a new Mitsubishi Evolution car. "Everybody communicated through their own channels and the media costs were mitigated through the partnerships," says Wylie.

DON'T MISS OUT

But far from exploiting sponsorship deals to the maximum effect, many sponsors don't get full value from their deals, according to Product Plus International managing director Rowland Deighton. "Sponsors do not always make the most of all the different mechanisms available. There are traditionalists who only look at media exposure, billboard coverage and entertaining," he says.

And he warns that sponsorship programmes can even have detrimental effects in companies if the staff are not persuaded that it is a justifiable expenditure. "Many employees do not have direct involvement with the sponsorship campaign – other than reading about the amount their employers are spending on the sponsorship."

The sponsorship business has attracted all manner of consultants willing to give advice on maximising the value of tie-ups. In the end, however, the success or otherwise of a sponsorship comes down to the strength of the association between the brand and the property and the way that is communicated to fans and consumers alike.