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When the unexpected happens: avoiding an own goal in sports sponsorship

SPORT OPINION

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When Pepsi made the recent announcement that it was terminating its US$71 million title sponsorship of the Indian Premier League (IPL), the shock was felt far beyond India's borders. The IPL is 'king' in a country where competition is ripe to build brand equity, with over 1.2 billion citizens.

To walk away from a property that not only provides an unrivalled reach, but also a connection with consumers' biggest passion point, takes more than courage. In walking away from a competition which has been mired in corruption and match-fixing scandals, Pepsi has clearly decided there was too much at stake for a brand that was built over 122 years. It’s a bold move and one that many are often not prepared to make.

The sponsorship industry is estimated to be worth US$50 billion globally and there is a good reason for that. In a world where consumers are inundated with thousands of messages on almost a daily basis, sponsorship allows brands to occupy a space where consumers have deep emotional connections, providing for a very unique opportunity to build advocacy. When executed the right way, sponsorship can deliver substantial benefit to a brand’s overall equity as well as its bottom line.

The benefits and ROI associated with alignment with a team, league, competition or an individual athlete almost always outweigh the potential risks. However, the risks could be hugely damaging and should be considered carefully. In the event that negative publicity arises within a sport sponsorship, brands protect themselves so they are able to terminate the relationship, retain the sponsorship while showing public support or concerns, or distance the brand from the association.

One only has to look at recent developments at Fifa to see a number of these scenarios all playing out at once. When Fifa sponsors like Emirates and Continental committed tens of millions of dollars to align their brands with ‘The Beautiful Game’, little did they know that they would be associated with an organisation alleged to have ‘rampant, systemic, and deep-rooted corruption’.

It is unclear why five of Fifa's top partners have chosen to end their association, but it's safe to assume that at least some of them weren't comfortable with the idea of their brand suffering reputational damage. Others have voiced their concerns given the public pressure to boycott brands that haven't severed ties with the troubled organisation. Visa has been one of the strongest critics, saying that it will consider all options should Fifa fail to restore public confidence in its operation.

Brands are well aware that authenticity is fundamental in driving affinity and sponsorship provides one of the most effective platforms to connect with consumers. Once that connection has been established, consumers will hold the brand to a higher standard. This is particularly relevant where the brand is using the sponsorship to align with specific attributes of the property or personality. If a scandal erodes the credibility of those very attributes, then the brand has to act in the strongest way possible to disassociate itself.

Nowhere has this dynamic been more clearly demonstrated than in the fall-out from Tiger Woods' adultery scandal. At the time of his infidelity going public, Woods was one of the biggest sportsmen on the planet who was also perceived to be a squeaky-clean family guy.

The subsequent reaction of his sponsors demonstrates the difference between objectives and the potential impact that a scandal could have on a brand's reputation and bottom line. While sponsors including Accenture, Gillette, and Tag Heuer all dropped Woods because his behaviour undermined the image they were seeking to associate with, Nike and EA Sports stuck with the golfer. Upon closer examination, it's easy to see why. Nike and EA made it very clear that they associated with Woods for his sporting ability. His infidelity, while unfortunate on a human level, didn't diminish his endorsement value to golf consumers. So long as his behaviour didn't undermine his credibility as an athlete, as was the case with Lance Armstrong, sports brands weathered the storm.

Brands have to accept that, when sponsoring a team, the behaviour of some individuals within that team can adversely reflect on image. In these cases, the partner should deal with the situation in a way that protects the integrity and image of the brand. When English Premier League soccer team West Bromwich Albion failed to act against Nicolas Anelka following his much-publicised 'Quenelle' celebration, the club's lead sponsor Zoopla terminated its shirt sponsorship to send a strong message about its ethical position. For a company which used the sponsorship to connect with diverse communities, continuing to support an organisation that didn't deal with the player in the strongest way possible would have undermined their entire association.

Each situation has its own set of circumstances and brands need to make a decision based on the perceived level of harm to their image. As brands look to build closer ties to consumers, they can expect greater levels of scrutiny and expectation. However, they can take comfort in the fact that consumers have relatively short memory when holding companies responsible for the actions of others.

First published by Soccer Ex

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