

How sport sponsors must protect their brand when right holder goes rogue¹

Elliot Butruille

ABSTRACT

Sport is becoming one of the most sensitive markets for sponsoring. Even that the amount of money generated by sport is going bigger and bigger, it is today very risky for the sponsor to start a sponsoring relationship. Indeed, with the advent of social network, athletes are the center of the attention and every move are looked at and analyzed by the public. In this context, it is very important for the sponsor to secure his own interest in a sponsoring relationship to keep control of his brand image.

By using the “Multi Attribute Decision Making”, this paper will develop the solutions for the sponsor to protect his brand in the event of right holder behaviour that harms brand image.

The author will demonstrate in this paper that from the different perspective selected: the confidential arbitration and the public excuses are the best solution for a sponsor to protect his interests from the right holder and the public.

Key words: Sponsor, Sponsorship, Contract, Sport, Exclusivity, Brand representation, Moral clause

INTRODUCTION

The world market of sport sponsorship is often estimated at more than 60 billion dollars, and in the next 5 years it should increase more and more according to big sport world events coming... This market can be seen as an amazing opportunity to make business, but actually it is a really sensitive to deal with it.

If sponsor thinks that building a sponsoring partnership is only about writing a standard legal contract and discussing money, they will probably fail to secure their interests...

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The reason for it, is that a sponsoring includes two high powered stakeholder: the sponsor who own the money and want to promote his brand and the right holder who own a strong brand image and want to value it at maximum. Together they have to find the most suitable agreement to convince the third and major stakeholder: the fans or customers... This last stakeholder must never be underestimated because it has a huge impact. Whether you are a powerful sponsor or an influent right holder, you are always taking a risk because you are dealing with image and perception of your fan or customers.

Everyone remember the French Football Team “strike” in 2010 for the South Africa Football World Cup which cost 4.5 million euro to the “Fédération Française de Football” (French Football Organization) to refund sponsors. Lance Armstrong losing all of his sponsors in the next twelve hours after his confession about doping... Or more recently the Liverpool FC fans, who signed a petition against a new sponsor (Tibet Water Resources Limited) which they accuse of unethical behavior in Tibet.

Sponsoring is definitely a powerful weapon of communication, but all weapons are double-edged. At a time where “buzz” and social network are building or destroying reputation, it is compulsory to manage carefully your sponsoring relationship.

Step 1 - OBJECTIVE STATEMENT

In this paper, we will identify and analyse the alternatives for a sponsorship contract, to protect the sponsor’s brand in the event of right holder behaviour that harms brand image.

METHODOLOGY

Step 2 - ALTERNATIVE SOLUTION

1. Suspend the contract
2. Breach the contract
3. Request liquidated damages
4. Criticize publicly the right holder
5. Request public excuses from the right holder
6. Include a confidential arbitration

Step 3 - ATTRIBUTES TO EVALUATE ALTERNATIVES

The attributes selected are the following one:

- Severity against the right holder: we will evaluate the reversibility of the alternative and its level of sanction for the right holder.
- Public perception of the sponsor: we will evaluate the perception of the public for the action taken against the right holder.

- Compensation to the sponsor: we will evaluate the financial compensation to the sponsor to repair the harms.
- Reputation protection: we will evaluate the protection of the of the brand reputation.
- Ease of implementation: we will evaluate the ease of implementation between sponsor and right holder.

Step 4 - DEVELOPMENT OF OUTCOMES

In the development of the outcome, we consider event that harms brand image, such has athlete seen with a competitor's product, drug consumption, doping, juridical issue...

- **Suspend the contract**

The sponsor can suspend the contract if there is a moral clause, because it is causing a moral conflict between the sponsor and the athlete. This suspension will allow the right holder to defend himself with the sponsor. During all the suspension, the right holder will receive no more funding form the sponsor. This type of suspension is commonly used before a breach of the contract. Some well-known cases are for example Nike suspending his contract with Justin Gatlin who was positively controlled to doping, Maria Sharapova was suspended after a positive drug test...

- **Breach the contract**

The sponsor can also breach according to the gravity of the event. This can be done thanks to a moral clause in the contract which gives the right to the sponsor to terminate the contract in the event of moral harm. This penalty is very hard because it is non-reversible and usually it goes public. If the right holder has multiple sponsors, usually they will let him down one after the other. This is why the first step is often the contract suspension. But in some cases the termination is inevitable, like Lance Armstrong losing all his sponsors in the 12 hours after his confession about doping.

- **Request liquidated damages**

The sponsor can insert provision in the contract to request liquidated damages. This clause will compensate the sponsor losses with financial liquidity from the right holder. The amount of damage is usually estimated according to the potential losses of the sponsor. For example, if an athlete gets caught in public using a competitor product, the sponsor could request a financial compensation for the non-publicity of his product.

- **Criticize publicly the athlete**

The sponsor can also add a provision in the contract to criticize the right holder behavior. This is very useful when a scandal goes public, because it let the opportunity for the sponsor to explain his position against his athlete. In case of dispute, the problem is the association of the

brand message to behavior of the right by the public. This provision leaves the sponsor to disassociate his brand from his athlete.

- **Request public excuses from the right holder**

Public excuses are a very powerful way to be forgiven to the public and fans. The sponsor is in position to request public excuse from his right holder in the event of a behavior that harms his image. The excuses can be the athlete to the public or the athlete to his sponsor. This is very well perceived by the public because it a humility moment for the athlete to talk to his fan.

- **Include a confidential arbitration**

The best case to manage a dispute in sponsoring relationship is to avoid making it public. The public is uncompromising when you are dealing with their perception, either they like you or they hate you. The confidential arbitration is a very good opportunity to settle with the right holder away from public eyes. But it is also complicated to organize when the relationship between both parties is really degraded, there is usually very low chance that they agree for a settlement.

Step 5 - SELECTION OF THE ACCEPTANCE CRITERIA

In order to evaluate each of the alternatives, we will use the **Multi Attribute Decision Making (MADM)** process. This analysis will allow the sponsor to select the right alternative to manage dispute in a sponsoring relationship. We will accept alternatives which more than one green case. According to this we can already reject **liquidated damages** and **public critic**.

Attribute	Contract Suspension	Contract Termination	Liquidated damages	Public critic	Public excuses	Confidential arbitration
Severity	Medium	Very High	High	Medium	Low	Medium
Public Perception	Good	Good	Bad	Bad	Very Good	Very Good
Compensation	Very Low	Very Low	Very High	Very Low	Medium	High
Reputation Protection	Good	Good	Poor	Very Poor	Very Good	Very Good
Ease of implementation	Very Easy	Very Easy	Medium	Easy	Difficult	Difficult

Fig 1. Multi Attribute Decision Making

FINDINGS

Step 6 - ANALYSIS AND COMPARISON OF THE ALTERNATIVES

In order to use compensatory models to analyze those alternatives they will be represented quantitatively. To do so the relative options (low, medium, high, very high, etc.) will be turned into dimensionless values.

Attribute	Severity	Public perception	Compensation	Reputation protection	Ease of implementation
Very High/Good/Easy	0	1	1	1	1
High/Good	0.25	0.8	0.8	0.7	0.9
Medium	0.5	0.6	0.6	0.5	0.7
Low/Bad/Poor	0.75	0.3	0.3	0.3	0.5
Very Low/Bad/Poor	1	0	0	0	0

Fig 2. Quantitative representation of the attributes

Those values are next used to create the “relative weighting” of the alternatives.

Attribute	Contract Suspension	Contract Termination	Public excuses	Confidential arbitration
Severity	0.5	0	0.75	0.5
Public Perception	0.8	0.8	1	1
Compensation	0	0	0.6	0.8
Reputation Protection	0.7	0.7	1	1
Ease of implementation	1	1	0.5	0.5
Total	3	2.5	3.85	3.8

Fig 3. Relative weighting

Finally, we use the “additive weighting technique” by ranking each attribute by importance. The sum of each alternative can be compared to the normalized weight of 1, which is the score to reach. The attributes are ranked as following (Most importance to least important): Public perception > Reputation protection > Compensation > Severity > Ease of implementation.

Attribute	Ranking	Weighting	Contract Suspension	Contract Termination	Public excuses	Confidential arbitration				
Severity	2	0.13	0.5	0.06	0	0	0.75	0.1	0.5	0.07
Public Perception	5	0.33	0.8	0.26	0.8	0.26	1	0.33	1	0.33

Compensation	3	0.2	0	0	0	0	0.6	0.12	0.8	0.16
Reputation Protection	4	0.27	0.7	0.19	0.7	0.19	1	0.27	1	0.27
Ease of implementation	1	0.07	1	0.07	1	0.07	0.5	0.04	0.5	0.04
Total	15	1	SUM	0.58	SUM	0.52	SUM	0.86	SUM	0.87

Fig 4. Additive weighting technique

Step 7 - RANKING OF THE ALTERNATIVES

Finally, the “relative weighting” analysis shows that the best solution “Public Excuses” is a better choice than “Contract Termination” by 128%. The “relative weighting” shows also that some alternatives are almost equal: “Public excuses and” and “Confidential Arbitration”. What is interesting in the “Additive Weighting Technique” is that the same solutions are still almost equal but the “Confidential Arbitration” become the number one solution. On the other hand, the distance between the best and the worst is bigger in this analysis with “Confidential Arbitration” 150% better than “Contract Termination”.

We come finally to this ranking (best to worst): **Confidential Arbitration = Public Excuses > Contract Suspension > Contract Termination**

Step 8 - PERFORMANCE ANALYSIS

This analysis has been performed in order to find the best solution to protect the sponsor when the right holder goes rogue. We assume in this paper that the most important aspect to protect was the brand image of the sponsor. To monitor the performance, the following must be kept in mind: a good management of that kind of situation will result of a limited loss of revenue and a good brand perception from the public. We rarely expect to have multiple events happening but if the sponsor has already faced this kind of situation, a Pareto analysis can be made. The percentage of loss on the previous situation, with a different management, can be compared to the current one with the preferred alternatives. Also, an opinion survey of the sponsor can be performed with the public to compare before and after. This analysis can be performed only if the sponsor has stored data from the previous situation.

CONCLUSIONS

In this paper, we wanted to identify and analyse the alternatives for a sponsorship contract, to protect the sponsor brand in the event of right holder behaviour that harms brand image.

We can see that some solutions are more appropriate than other. We assumed in this paper that, the most important was to protect the brand image from the public. The 2 preferred alternatives were the confidential arbitration and the public excuses. These 2 solutions allow a good outcome for the public and the sponsoring relationship. But these alternatives have to be discerned from the will of the sponsor. For example, if the sponsor wants to sanction in priority the right holder, a contract termination would be more appropriate. If the priority is to repair the damages, the liquidated damages is the best solution. This choice depends on the focus of the sponsor and of course all these solutions are complementary. It is strongly recommended to include more than one of these alternatives to prevent all the situations.

Finally, the best way to manage this situation is to avoid it - "ounce of prevention is worth a pound of cure". Never forget that a sponsoring relationship is first of all a partnership between the sponsor and the right holder. With aligned goals and active relationship, the worst can be avoided...

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About the Author



Elliot Butruille

SKEMA Business School
Lille, France



Elliot BUTRUILLE, is a French fifth year engineering student specialized in Transport System and Logistics in Centrale Lille. Simultaneously, he is following a Master's degree in Project Management and Business Development in SKEMA Lille. He already performed successful experience in India by managing the implementation of the e-commerce reverse logistic of a sport company named Decathlon (€10 billions of turnover).

This dual competence will let him manage technical projects by providing a technical expertise from his engineering master degree and management skills provided by his business master degree. Passionate about sport he is interested in the challenge between business and sport and especially the sponsoring relationship.

He is looking forward for a challenging internship in project management or consulting services in supply chain and logistics starting in April 2017.

Elliot can be contacted at elliot.butruille@skema.edu