Manchester City Football Club has announced a controversial, record-breaking deal with Etihad Airways, reportedly worth £400 million. Farmers Insurance has offered between $600 million and $700 million for the naming rights to a stadium, yet to be built, that would be the future home of an unspecified National Football League (NFL) team. Mercedes-Benz is putting its name to an 18,000-seat multi-purpose facility in Shanghai. In the Philippines, the Big Dome in Cubao, Quezon City, has been renamed the Smart Araneta Coliseum. Corporate brands are on the stadiums and arenas of around two-thirds of the major league football, baseball, hockey and basketball teams in the United States. Globally, the trend is growing because of the additional revenue stream available to owners of sports stadiums and arenas.

In the past, owners of strong brands could easily justify the high annual costs of such naming rights as a brand-building vehicle. However, as the cost of sponsorship deals has risen, the outlay for naming rights has become increasingly difficult to justify. Such deals are more closely scrutinised and have become more creative, with elaborate rights and benefits packages. Companies are now using traditional brand valuation methodologies to quantify drivers of brand demand. The amount of money paid depends on subjective and objective factors related to a sponsor’s brand value and the related investment in its brand.

Defining the brand?
A brand is a relationship between the identity of a product or service and its consumer. Brand identity is a complex combination of identifiers, which can include legal protection (eg, trademarks, service marks, certification marks, collective marks, patents and copyright), logos, packaging, colour and a story.

The emotional bond between a brand and a consumer can be defined by drivers – elements that motivate the purchase of the brand. Drivers are affected by the attributes of a particular brand or the emotion attached to it, which affect the individual purchase decision and the consumer’s brand loyalty.

Brand strategy begins with a brand being advertised to the public. A consumer identifies the brand with quality or value, and that quality or value is delivered.

The consumer then seeks out the brand and buys more of it or is willing to pay a premium for the product or service associated with it. Brand strength derives from an emotional bond between the consumer and the product or service.

A strong brand has credibility, recognition, visibility, differentiation, longevity and goodwill. It earns them by exposure through advertising and marketing. A strong brand can change the way in which a consumer behaves by becoming a catalyst for a purchase decision to use the brand.

The global naming rights explosion
The outlay of large sums of money each year on marketing and advertising is critical to maintaining a strong brand. Marketing and media analysis company eMarketer estimates that advertisers around the world will spend nearly $500 billion in 2011 on various forms of media. Industry commentators put the annual worldwide spend on sponsorship and naming rights at around $5 billion.

Historically, the naming rights trend was most prominent in the United States, but the market for sponsorship effectively froze between 2008 and 2010. However, economic recovery and the desire for new revenue sources have revived the idea of selling naming rights and corporate sponsorship opportunities, and a predominantly US market has now gone global.

Naming rights are being bought and sold as part of the sports business model on the sale side and as brand strategy for the buyers. A company may choose to invest in its brand through naming rights in order to increase exposure and brand awareness, but the global explosion of naming rights is being driven by the desire of teams and stadium owners to increase revenue streams.

What determines the price of naming rights?
In the United States, naming rights have generally gone to the highest bidder. More recently, sponsors tend to be stable consumer brands in the financial services and insurance industries, such as Citi, Farmers and MetLife. Sports teams and stadium owners are looking not only at the size of the bid, but also at reputation, financial strength, enforceability and security of the contract and safety from controversy. Synergistic relationships are an essential aspect of deals, particularly co-marketing opportunities. Sponsorship agreements are trending towards long-term, multi-
Faceted, strategic brand-building strategies. The Manchester City/Etihad deal and MetLife’s deal for the home stadium of the New York Giants and the New York Jets deals exemplify the changes in deal structure and how value is justified through traditional brand valuation methodologies.

In a recent study, 120 sponsorship decision makers around the world were asked about the sponsorship decision-making process. Their responses suggest that the top five motivations are to:

- create awareness and visibility;
- increase brand loyalty;
- change or reinforce corporate image;
- showcase community and social responsibility; and
- access a platform for experiential branding.

In evaluating how much it should pay for naming rights, a company must quantify these qualitative marketing reasons. In order to arrive at a figure, it must identify demand drivers and determine the role that the brand contributes to each of them, thus determining how they affect the naming rights opportunity. Companies typically apply a complex financial model that assigns scores to each demand driver.

The scores are subjectively weighted, based on their importance to the naming rights exercise, then factored into a discounted cashflow analysis.

Media exposure
There are a number of demand drivers to consider. The first is media exposure. The number of media impressions that sponsorship receives is one of the driving forces behind the large amounts that companies are prepared to pay. The United States is the largest television market in the world, which is one of the reasons why most large deals are struck there. The named brand is exposed whenever the stadium is televised or mentioned.

Digital impressions (including social networking), news, print media, radio and first-person visual impression by fans at the stadium also generate statistics that can be tracked. Sports Business estimated the value of the top 10 global sports properties in 2010 – in television terms alone – at $18.5 billion.

Attendance in numbers
There is an obvious positive correlation between stadium attendance and the price paid for naming rights. In monetary terms, naming rights for the NFL are the hottest in the world, with UK football close behind.

Manchester City’s deal with Etihad Airways means that the City of Manchester Stadium will be renamed the Etihad Stadium under a 10-year agreement, subject to the financial rules of football’s European governing body. The terms of the deal have not been formally disclosed, but The Guardian newspaper has reported it to be worth approximately £400 million. Manchester City Chief Executive Officer Garry Cook confirmed the comprehensive partnership agreement, calling it an “exciting opportunity for our two organisations to cooperate more deeply, commercially and on media and community initiatives, in the future”.

One of the drivers of the deal for Etihad was Manchester City’s fan base and attendance numbers. Etihad Chief Executive Officer James Hogan believes that the club’s well-established name and loyal fan base have allowed the company to tap into a new and increasing global audience.

In 2004 Manchester City’s Premier League rivals Arsenal agreed a deal with another airline, Emirates, which was reportedly valued at approximately £90 million. The 15-year deal allocated revenues of about £48 million to shirt sponsorship and £2.8 million a year for naming rights (£42 million in aggregate).

Audience financial demographics
Sports fans are a desirable and extremely sought-after consumer group for many brands. As a subset of this lucrative demographic, the primary user of sports website ESPN.com is a young, educated, affluent, male sports fan who spends money online. Sports fans are prime targets for consumer brands because they have money and are willing to spend it.

The MetLife Stadium deal is an example of a sponsorship partnership that exploits a strong demographic and an important fan base. The New York City area is one of the largest media and fan markets in the world. The city’s two football teams, the Giants and the Jets, share a new $1.6 billion stadium.

The teams aggressively maximised the value of access to this market in a naming rights partnership with MetLife and through agreements with three other strong brands as cornerstone partners. Cornerstone partnerships are a sponsorship concept which seeks to maximise revenue for a stadium owner and provide exclusive and strong brand marketing for the partners. The cost of the cornerstone partnerships was £1.1 billion.

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partner deals is estimated at $8 million each, while the MetLife naming rights partnership is estimated at between $17 million and $18 million a year.

MetLife understands the value of accessing the largest media market in the United States to build its brand. Chief Executive Steven A Kandarian has said that his company wanted to form a partnership with a world-class venue that would expose its brand at a higher level.

Along with the naming exposure, MetLife will also be a cornerstone partner and is the official life insurance company of the Giants and the Jets. The sponsorship arrangement fits perfectly with MetLife’s significant sports promotion strategy, which includes its three airships and its premier television network partnerships for coverage of golf and US baseball and football.

Anheuser-Busch, Pepsi and Verizon are the other cornerstone partners. Each partner received exterior branding on the stadium, a main entrance to the stadium, a special zone within the stadium and extensive signage on a corner scoreboard. The specifics of each partnership vary; therefore, each brand has different drivers for its deal. However, the common factor is that access to the market and the demographic profile of the fans are expected to prove to be lucrative.

The MetLife Stadium sponsorships give each company access to the largest combined fan base in the United States, the largest US television market and a cross-section of loyal consumers with disposable income.

Location
Politically, sponsors that acquire naming rights provide a unique source of income that may offset the tax costs of establishing a presence in a hometown. In terms of localised marketing, this establishes goodwill and communicates the message that the company is committed to serving the community.

The Farmers Insurance Exchange, the largest auto insurance company in California, and AEG, developers of STAPLES Centre and LA LIVE, recently announced a naming rights agreement for the new football stadium and event centre in downtown Los Angeles. The 30-year deal provides naming rights for a stadium that is also designed to host other sports and entertainment events. The stadium will be called Farmers Field and is touted as a boon to the Los Angeles area.

Timothy J Leiweke, the president and chief executive officer of AEG, sees the agreement with Farmers as the most significant step towards creating the stadium and event centre and bringing an football team back to Los Angeles. Farmers has stressed that the partnership will allow the development of the stadium to be privatised and will benefit the area economically.

Manchester City’s deal was also partly driven by a desire to help the local area. Charles Johnston, the property director of Sport England, has stated: “This announcement is positive for grassroots sport and people in Manchester. The renegotiated stadium agreement will generate further investment in community sport and sports facilities in the local area.” Among other things, Manchester City Council sees the relationship between club and
partner as supporting Manchester’s international profile and its ability to attract leading brands to invest in job opportunities.

Long-term investment versus short-term advertising
From a marketing perspective, sponsorship is a rapid and effective way for a brand to establish a high level of awareness in new geographic markets and to sustain awareness in future. Sponsorship deals for more than 10 years are common, serving as part of a long-term marketing strategy.

One of the world’s most iconic motoring brands, Mercedes-Benz, is putting its name to an 18,000-seat venue in Shanghai which will host music and cultural events, basketball games, other sports events and lifestyle and family shows. AEG and the National Basketball Association plan to take over the management of Mercedes-Benz Arena and the surrounding development, which includes a six-screen cinema, an ice rink, a bowling alley, a live music club and 20,000 square metres of retail space. Mercedes-Benz will receive the typical in-arena signs as part of the agreement, as well as a sales centre within the facility and cars on display in the arena’s concourses.

Mercedes-Benz hopes to reinforce its long-term contribution and commitment to the thriving culture of Shanghai. This sponsorship deal is part of a strategy to continue to sell cars and build brand equity in a growing and influential Asian economy.

Popularity of sport
In Europe and Asia, the popularity of most sports is relatively static. The main exceptions are basketball and other sports popularised in the United States, and the introduction of variations on traditional sports, such as Twenty20 cricket. However, the United States appears to have a constant appetite for additional spectator sports and since it has the largest media market, there will always be opportunities to introduce a new sport and foster its acceptance.

A sport’s popularity and corresponding media exposure are key factors in the price that a company will pay for naming rights. The growing popularity of Major League Soccer (MLS) in the United States is led by the Seattle Sounders, with an average attendance of over 36,000. This average gate would rank ninth in the US major leagues and is comparable to that of Premier League clubs Aston Villa, Tottenham Hotspur and Everton.

The MLS team Portland Timbers recently signed a multi-year deal for stadium naming rights with Jeld-Wen, an Oregon-based manufacturing company. Industry analysts estimate its value at about $2 million annually.

Many MLS teams have stadium naming rights deals and it would be no surprise to see incrementally larger deals for MLS stadiums in well-attended markets as soccer becomes more popular in the United States.

Contents of agreement
A naming rights deal can be valued higher or lower depending on the entitlements negotiated in the sponsorship agreement and their effect on the sponsor’s brand exposure. The value of a deal may be increased by category exclusivity, co-media branding, business cooperation, on-site brand/product integration, signage, brand recognition on video boards, VIP hospitality and luxury suites, tickets to events, preferred parking inclusions and other entitlements.

The agreement between Etihad and Manchester City points the way to deals that do much more than name a stadium. They encompass other elements of collaborative brand building, such as cross-branding agreements between the venue and sponsor, site development opportunities, combined with media, business, community and sometimes even international cooperation. Etihad Stadium will be the centrepiece of Etihad Campus, a large part of the SportCity site in East Manchester. The deal will include:

- shirt sponsorship;
- match coverage and DVD material on Etihad’s in-flight entertainment system and website;
- joint media initiatives in shared target markets;
• sharing of existing customer databases and loyalty programmes;
• business cooperation at operational level, drawing on hospitality, customer service, ticketing and training capabilities;
• joint community initiatives in the East Manchester area; and
• an Etihad/Manchester City branded aircraft.

Potential negative effects
The potential of a stadium naming rights deal to have a negative effect on the stadium or the sponsor should always be considered. Due diligence on a potential sponsor can include floating a public relations balloon to determine whether public outcry over a new name might outweigh the economic benefits to a stadium owner. A public relations nightmare was averted when, before the MetLife deal, the owners of the Jets/Giants stadium ended discussions with Allianz, a company with ties to Hitler and the Third Reich. According to the *New York Times*, Allianz’s Nazi-era dealings might have offended people in the New York market, possibly resulting in negative publicity and economic boycotts.

Sponsors can potentially suffer brand impairment from a stadium with a bad reputation. Recently, a mis-hit baseball broke the glass casing in front of a catwalk light at Tropicana Field in St Petersburg, Florida, temporarily halting the game. The next night, a lightning strike nearby caused some of the stadium lights to fail. Some commentators have questioned whether ‘the Trop’ has the feel of a major-league ballpark. However, a Tropicana spokesperson rejected suggestions of brand degradation. The company stated: “We’ve only experienced goodwill through our sponsorship, which we use to benefit local charities, reward our employees and entertain customers. We have a long-term agreement that we don’t see changing anytime soon.”

Other drivers
In the case of a successful team, a company may want to sponsor a home stadium for bragging rights or association with a winning brand. Etihad has stated that its alignment with Manchester City is sensible from a business perspective at a time when the team is enjoying greater success on the national and international stage.

Stadium naming also raises various potentially controversial issues which may have an impact on the success of the sponsorship – in particular, the popularity of the team and individual players and the stadium’s location, capacity and heritage. Chicago’s well-known Wrigley Field could hardly be renamed Pepsico Field without a major uproar and damage to both brands. A company’s decision to sponsor a perennial favourite team may convey its enduring commitment to a genuinely classic sport and venue. Many iconic teams from major sports, including FC Barcelona, the New York Yankees and the Dallas Cowboys, have not entered into sponsorship deals for their stadium’s name.

Comment
These examples of brand value drivers are subjective factors that can influence the price paid for stadium naming rights. The subjective values involved can be made quantifiable by determining their importance to a particular company or to the stadium, depending on which entity is justifying value.

Depending on the party determining the value of the sponsorship deal, the drivers will be weighted for importance and factored into the cash flows over the term of the projected agreement. These cash flows are then discounted back to a current date, using an appropriate discount rate to calculate the overall deal value in today’s money. This model can be used as a brand-tracking device to measure return on investment for the sponsorship with a programme of consistent and reliable market research that measures the drivers.

How much brand value increases will determine how much a sponsor is willing to put on the table for the naming rights. Sponsorship can be highly effective target marketing – increasing visibility and recognition of the brand, establishing an emotional connection and loyalty with consumers – and its return can be measured through traditional brand valuation methods.

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