



COVID-19 SPONSORSHIP IMPACT

26th March 2020

Contents

Sections	Page
Introduction	3
The context	4
Executive summary	5
Sponsor support	6
The People Factor	8
Sustaining presence	10
A licence to create	12
eSport opportunity	15
Appendix	17

Introduction

COVID-19 is a global humanitarian, health and economic crisis, resulting in the shutdown of practically every live event in the world. This has had a major impact on the sports, entertainment and sponsorship industry and will bring about lasting change.

To get a real sense of this impact in Ireland, we spoke to 10 leading industry figures to get their views and perspective. In this report we highlight key themes emerging for Irish based sponsors and rights holders in recent weeks, based on telephone conversations between 20-24 March 2020.

We provide our own take on what we have heard and make some recommendations as a result. We hope it may prove useful to anyone in sponsorship grappling with tough decisions. We acknowledge that to many, both personally and professionally, sponsorship is not top of the agenda right now.

When the time does come to examine the impact on sponsorship, they may find some useful insight here. The situation is rapidly evolving. What seemed important yesterday could be insignificant tomorrow

or indeed what seemed under control this morning may be in disarray by this evening.

What is entirely evident is the depth of the country's love of sport, music, the arts and the stars they create. The strength of this passion will endure. It may be even stronger once events are rescheduled, when venues reopen and green fields and red tracks return to our screens.

With many important events deferred, we face an action-packed 12 months of much needed entertainment, when we eventually emerge from this crisis. That is both something to look forward to, and an opportunity for sponsors and rights holders to recoup lost momentum.

The context

Venues closed, concerts are selling in H2, festivals hopeful of going ahead as planned

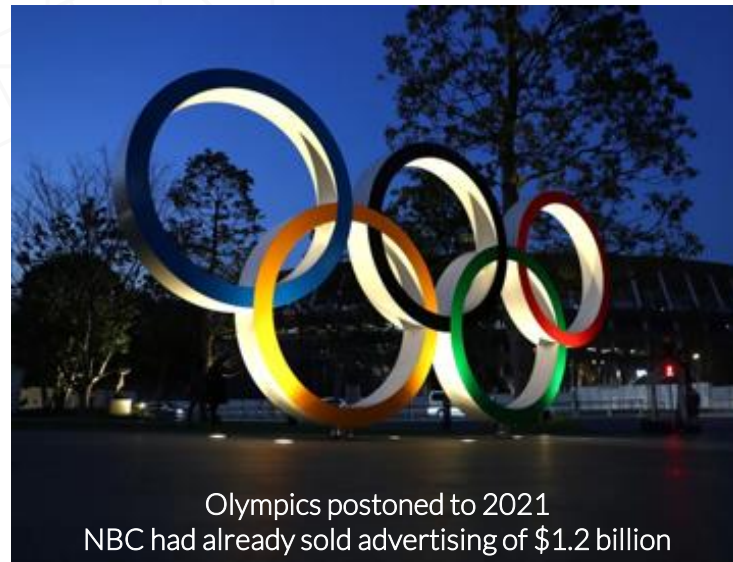


Randex Health Grand National (Aintree) cancelled costing UK bookmakers £100m+ alone

Guinness PRO14 deferred but hopeful of resuming in late summer



Euro2020 postponed to prioritise domestic leagues. FIFA assists WHO with 'Pass the Message'



Olympics postponed to 2021
NBC had already sold advertising of \$1.2 billion

Masters & USPGA postponed to Q4, impacting many tournaments in 2020 schedule



Executive Summary

Universally, everyone we spoke to held the view that the impact of COVID-19 on the world of sport and entertainment pales in the context of the humanitarian crisis we all face.

Nonetheless, with the tap literally turned off over night, there was widespread concern about immediate commercial revenues and the long term impact on sponsorship. The lack of foresight is troubling, and with no clear end date in sight, planning is difficult.

Across Core, we see three clear planning phases emerging and from speaking to our sponsorship industry colleagues the same three phases emerged:

- **Adaptation:** Dealing with immediate impact of the new measures being introduced.
- **Reaction:** What now? As these measures become the norm, what (if anything) should we do?
- **Recovery:** Planning for when the measures are lifted, building the business case for the new plan.

At the time of the conversations, all were in the **adaptation** phase. Colleagues and player welfare were the first thing on everyone's mind. It was people first for everyone while adapting to the new reality.

By now, some are moving into the **reaction** phase and starting to plan ahead for the **recovery** stage.

When pressed on the implications for the business and for sponsorship certain commonalities emerged:

1. Importance of sponsorship revenue

Rights holders are counting the cost of lost gate receipts and rebates to broadcasters, right now. Sponsorship revenue is next on the list.

On the other hand, sponsor businesses are deeply impacted and sponsorship budgets may be seen as a luxury.

2. Mutual levels of concern; being supportive for partners (brands/rights holders) at this time is crucial. The priority was to be supportive.

3. Lost brand exposure; even if delivered at later dates a significant brand vacuum exists right now.

4. Creative opportunity; universal recognition of the opportunity to engage starved fans and finally crack brilliant online activation – but incremental spend unlikely.

5. Is this eSports' time? Careful consideration is required with a much more demanding and unforgiving fan base (if you get it wrong!).

SPONSOR SUPPORT

Rights holders need sponsor support more than ever

Sponsorship is not yet in the spotlight but could that be an issue down the line?

The pausing of sport globally is already putting a large strain on commercial revenues for rights holders. Thus continued support from sponsors is absolutely critical and both parties need to work together to make stronger return on investment arguments.

The Rights Holder perspective

Rights holders, particularly those who have major broadcast deals have two things on their minds:

1. Loss of gate receipts, for example 48%* of GAA revenue comes on match day, its sponsorship & broadcast revenues combined are 27%*
2. Potential large rebates to broadcasters. The Athletic quoted that Premier League clubs would have to repay £762m if the 2019/20 season is not finished. Such an occurrence would put some clubs in financial peril, as TV revenue is critical in meeting their biggest outgoings (player wages).

Although this scale of TV rights does not apply to the Irish market, many rightsholders here have significant TV deals in place. Sponsorship is an important revenue line for all but will losses elsewhere distract from keeping sponsors satisfied during this time? Proactivity and strong communication will be key.

The Sponsor perspective

For now, sponsors will continue to support rights holders, and are actively looking at ways they can help. Good relationships and trust which they have built up, often over many years, means at this stage contracts have not been scrutinised. Sponsorship simply hasn't come into the spotlight, with much bigger priorities for businesses to consider.

However, it is inevitable that these questions will come so clear communication is needed from partners. They will need strong evidence of success in the partnership if revenues are to be protected. Even then, the gravity of what is unfolding may mean, despite excellent service and relationships, sponsors have no choice - one said *"we can't be sponsoring large events while colleagues are losing their jobs."*

Our view: Be patient and proactive

Now is a time for patience and support with most rights holders confident they will deliver contractual obligations or alternative value this year. All sides must be cognisant of the impact lost revenues will have on grassroots and protect these were possible.

Proactively assess all the data, KPI's and metrics delivered to date and in previous years. This will help build the business case for the **Recovery** phase.

A close-up photograph of two hands shaking over a blue rolled-up document. The hand on the left is darker-skinned, and the hand on the right is lighter-skinned. The background is a blurred blue and white gradient.

THE PEOPLE FACTOR

Relationships matter more than ever

In 2015 'The People Factor*' highlighted the value of strong personal relationships for making sponsorship work effectively. Why? Because good relationships produce trust and mutual respect, factors critical to the success of any partnership. Now more than ever these relationships matter. Here are critical things to keep in mind:

Communication

Savvy rights holders are increasing their value and trust by keeping regular and proactive contact with sponsors to ensure their partners have up-to-date information. Hearing from them first, not the media.

Support

Where possible rights holders have offered sponsors support, recognising the challenge facing businesses at this crucial time. Equally, sponsors are genuinely investigating how they can help keep clubs and organisations to stay afloat. Each are offering the offer the unique talents and services at their disposal.

Flexibility

With the prospect of continuing lack of clarity for now, a degree of flexibility needs to be shown on both sides to give time for proper assessment of the impact.

This is particularly relevant for contracts close to the end of their term. Break clauses may be tempting but is it really in the best interests of the sponsor, rights holder and fans?

Our view: Play the long game & play to your strengths

The foundation of sponsorship is mutual respect between all stakeholders – rights holder, sponsor and fans. Now is not the time to undermine and break this unwritten contract. Doing so could have significant fan fallout and negative backlash. Sponsors get into sponsorship for long term so they shouldn't get out of it for the short term.

Use different assets to deliver value to sponsors/rights holders at this time. Things like player influence, access to music acts and archived footage can all be leveraged for the sponsor benefit.

Strong relationships will endure.

Sponsors who remain supportive should reap benefits in the long term.



SUSTAINING PRESENCE

Assessing the exposure gap

The sponsor exposure gap must be properly analysed in the context of the entire marketing plan.

The shutdown of sponsored events, in particular televised sports, will impact the amount of sponsor brand exposure delivered via programme stings, perimeter boards, interview back drops and jerseys. In some cases this impact is significant.

Brand presence

While short term sales driving activity will have ceased for many categories, there is much evidence to suggest brands should, where possible and appropriate, keep some brand presence.

The longer the exposure gap continues, the more significant the impact on sponsors brand presence and mental availability. Thus, limiting the propensity of a brand to be noticed and/or thought of in future buying situations.*

Assessing the damage

It is critical for sponsors to get a thorough understanding of the exposure gap and to assess whether other activity can plug this gap if needed.

Analysing in the context of the overall marketing plan is crucial here. If you turn off or pause all advertising

at the same time as all exposure through sponsorship has stopped, you may cut too deeply, too quickly.

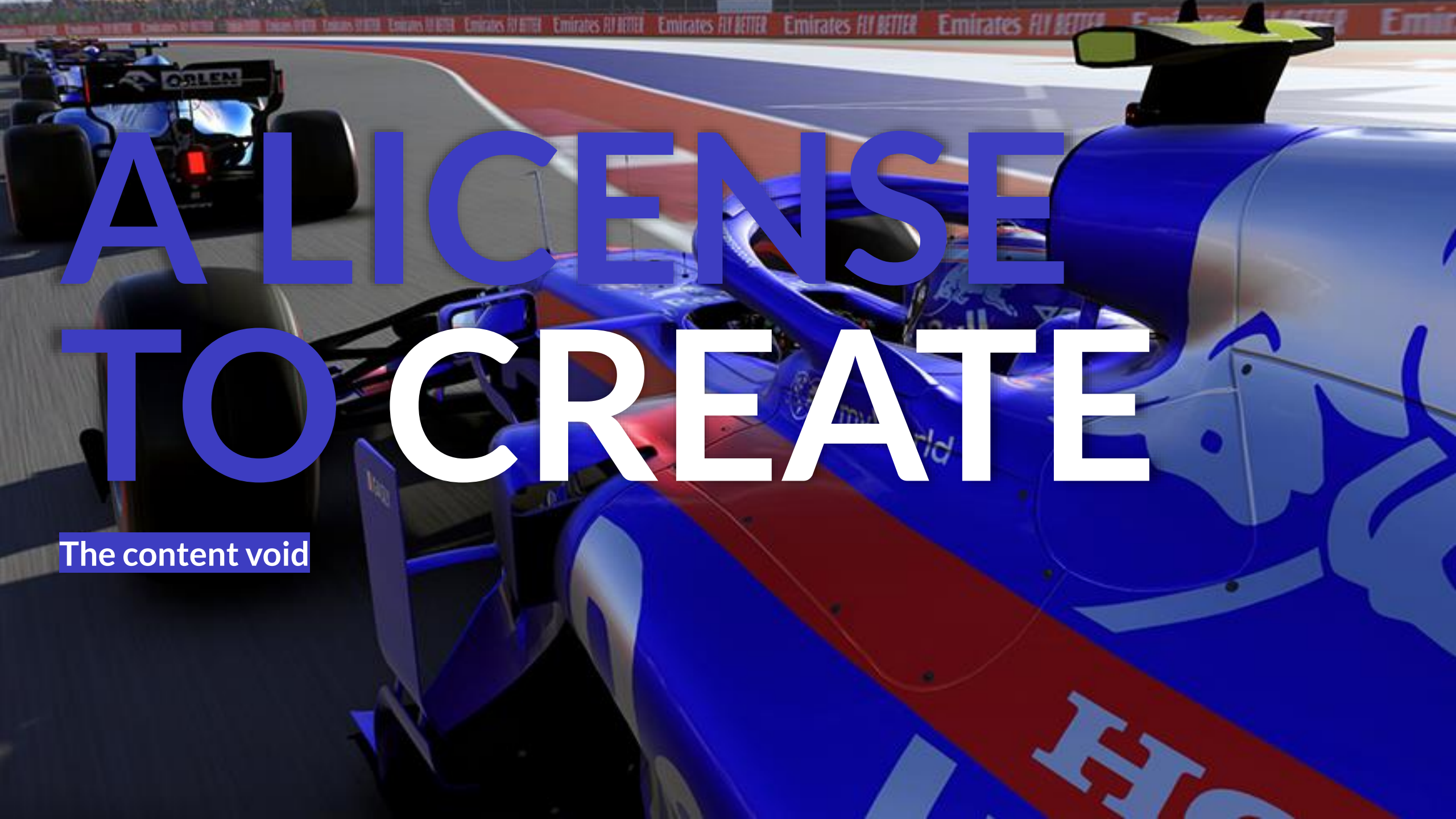
When assessing any main sponsor of an ongoing league, their typical brand presence at this time of the year could halve from loss of broadcast stings, related ad copy and exposure from on-field branding.

For example, using proxy data, we estimate that via on-field exposure and broadcast stings, Vodafone has (temporarily) lost approx. 800 net adult GRP's (gross rating points), with the postponed broadcast of the Guinness Six Nations fixtures. This exposure gap is significant if maintaining brand presence and mental availability is a priority at this time of year.

Our view: Where needed plug the gap

While it may not be possible to create or support brand ad copy right now, consider whether maintaining some presence is important and count loss of sponsorship exposure into this mix.

The value of media sponsorship should be considered. Not only has consumption of TV, Radio and Online media increased during COVID-19 but media sponsorship can provide more depth and meaning compared to spot buying alone, replacing some of the brand engagement lost at this time.



A LICENSE TO CREATE

The content void

This unprecedented situation is the perfect opportunity for creativity and is a license to experiment.

While rights holders and sponsors are facing unique challenges, they are bound together by the sponsored sport/team/event and, of course, fans. How fans perceive sponsors and rights holders are acting now will have long-lasting implications.

License to experiment

The shutdown has fostered an environment for creativity. We have all witnessed, engaged and enjoyed the proliferation of humorous, engaging and heartfelt content created by individuals on social media in recent weeks.

Some of the largest rights holders globally have reacted quickly here e.g. NFL, NBA and Formula 1 (see next slide). As we all enter the **Reaction** phase now is the time to consider how to add value.

The ability to activate rights using social and digital has not changed, neither has the fact that fans are passionate about their teams, events, artists etc.

The rights holders we spoke to strongly urged sponsors to work with them here, using their assets creatively, one remarked *“you are still the sponsor, even through this difficult time”*.

Our view: Generate goodwill

The key here is to listen to what fans are saying, be accessible, genuine and real – and authentic to the sponsored property.

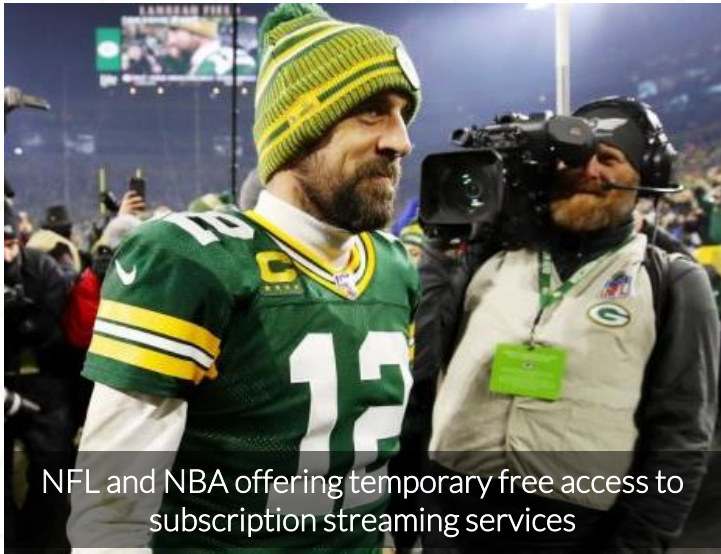
For example – by providing Q&A's with players, providing daily fitness routines from elite coaches, surprise phone calls to season ticket holders, live and intimate acoustic performances from musicians. These are happening organically without the sponsors and this is a missed opportunity.

It must be stressed that the correct tone is paramount, but sponsors that still have the capacity and resources to do so can be bold with creativity, prove their relevance and provide an antidote to fear and unease. Doing so will generate goodwill from fans.

The National Sponsorship Index (NSI) informs us that sponsors which add value to the fan experience generate goodwill, translating into commercial uplift. Sponsorships which succeed in generating goodwill amongst fans enjoy a 71%* uplift in commercial effects (propensity to purchase/brand affinity).

So, in addition to creating enjoyment for fans, sponsors can benefit commercially but everything must be seen through the lens of the fans mood right now.

Creativity in action

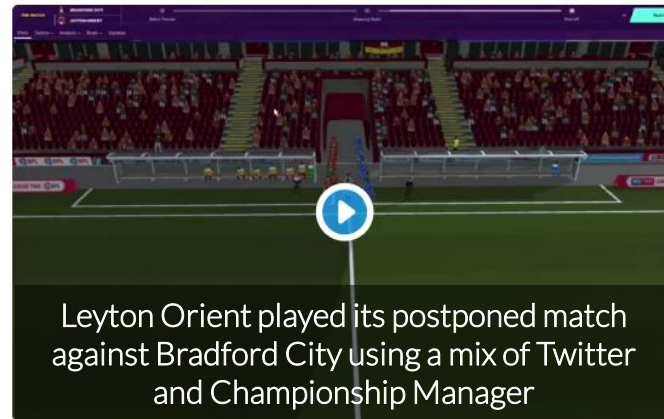


 **Leyton Orient** ✓
@leytonorientfc

👏 Here come the teams...

It's Bradford City v Leyton Orient at Valley Parade, in a distant world where Corona is still just a Mexican beer.

Who's ready to take charge?#LOFC #FM2020



👍 760 2:55 PM - Mar 14, 2020



Videos



Wasps players to call fans in isolation | Video | Watch TV Show

Wasps Rugby Club has also delivered food to vulnerable members of the community

ESPORT OPPORTUNITY

But listen and learn from the fans

Esports and Gaming have already benefited from the sports broadcast blackout as they operate virtually, further increasing their appeal to sponsors. However brands need to stop and think before they jump in here.

Esports boom

The Esports market has strengthened in wake of the cancelation of live sports. Steam, the world's largest and most popular PC gaming marketplace, reached its largest ever recording of concurrent users, with more than 20m people on the platform at the same time (March 16th - 22nd).

Formula 1 is creating an esports version of every race of the season, streamed live across Twitch and YouTube with racing stars such as Max Verstappen already confirmed to enter. We have also seen stars from the NBA competing virtually against each other.

Our view: Sponsors beware

Esports is very attractive to brands as it attracts a large share of the key under 35 demographic. However the temptation for sponsors will be to rush into this area with traditional approaches e.g. intrusive branding, player endorsements etc. without understanding the sport and its fans.

Need to increase understanding

Sponsors must understand the culture and fandom of Esports before getting involved. A brand wouldn't sponsor the GAA Hurling Championship without understanding the sport's history and passion of the fans. A wrong move here is worse than doing nothing at all! Speak to the experts and listen to the fans to learn what they need and want and how you as a sponsor can contribute and improve.

Esports are increasingly attractive – sponsors should listen to fans before jumping in.

Appendix: Useful links

<https://www.gaa.ie/api/pdfs/image/upload/zqzwyx0xnugvpw4zirtp.pdf>

<https://www.sportbusiness.com/news/eurosport-events-moves-into-esports-with-virtual-wtcr-pre-season-series/>

<https://www.skysports.com/watch/video/sports/rugby-union/11960891/wasps-players-to-call-fans-in-isolation>

<https://sqn.agency/broadcast-sponsorship-thinking-outside-the-tv-box/>

https://drive.google.com/file/d/1cJl7j0bNx41YkDf_ODAg3eGRb387Z_A5/view

<https://www.marketingweek.com/mark-ritson-marketing-covid-19/>

<https://www.sportbusiness.com/news/sponsors-should-be-bold-and-engage-with-fans-in-shutdown-say-agency-heads/>

The background features a dark blue color with a network of light grey nodes and lines. The nodes are arranged in a circular pattern, with lines connecting them to form a complex web. The network is composed of several interconnected clusters, with some nodes having multiple connections. The overall effect is a sense of connectivity and structure.

About Core

We are Ireland's largest marketing communications company, collaborating across 9 practices, providing services in sponsorship, strategy, research, investment, media, creative, learning, data and recruitment.

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