Big brands buying stadium naming rights: Is it worth it?

by Staff Writer

As a Giants fan, I must admit, it's difficult for me to refer to my favorite football team's home field as *"Met Life Stadium"*. Though it's only been little more than a month, and *"New Meadowlands Stadium*" didn't exactly flow off the tongue either, it got me wondering if I'll ever be able to call it anything but "*Giant's Stadium*" -even though *that* was a completely different building.

Oh, and a side note to Met life: no matter how hard you try, THIS will always be "*The Met"*.

It got me wondering if a contract of $20 Million/year for 25 years could ever return a positive ROI from the marketing value of such a purchase? It's a growing trend among new sports arenas, stadiums, and ball parks…even performing arts centers. Does it really work? If so, where's the proof? As I researched and considered both sides the the argument, I found myself torn. So we present you with a few common arguments for both sides so you can decide for yourself. Let us know what you think in the comments.

Some arguments against:

- **Historically, nothing indicates a positive ROI for these moves.** Depending on how you quantify it, you could even make the argument that company value actually declines after purchasing the naming rights of stadiums. Citigroup needs a $300 Billion bailout 2 years after purchasing the naming rights of Met's Citi Field. Even fruit of the loom, with what was Pro Player Park, a sports friendly brand with a more than acceptable name for a football stadium, couldn't save them from chapter 11 bankruptcy. Of course in both of these cases one had nothing to do

with the other. If owning naming rights to a stadium has a positive ROI on brand value, there's little proof to back that claim. In fact, even if by complete coincidence, there *appears* to be a **negative** correlation between the two.

- **I will be no more likely to buy [Met Life Insurance].** I've even heard a few Giants fans proclaim that they'll, in fact, be less likely (from spite?). While I understand their frustration, I don't necessarily agree with their stance, but I certainly don't feel more *compelled* to go with Met Life either. For this purchase to have positive ROI, am I supposed to believe that they will earn $500 million more **in profits** if they hadn't done it? That's hard to imagine…even after 25-50 years. How many people would this need to convince? Where are they? I don't believe I've never met one. Not in NY, anyways.
- **The tactic is being abused, so any positive effects are diminishing.** Not only are some of the contracts short lived (stadiums change names too regularly), but some brands (such as American Airlines) own the right to multiple stadiums. The Miami Heat play in the American Airlines Arena, and the Dallas Mavericks play in American Airlines Center. Or is it the other way around? It's being treated like billboard advertising. So not only is this where a lot of the growing animosity about the 'purity/history of sports teams' comes from, but it also diminishes the effectiveness of the tactic altogether.
- **The teams just don't need it**. If the Giants and the Jets play in their new stadium for 80 years, the naming rights alone will have paid for the entire initial building cost ($1.6B) But two football teams in the largest market in the U.S. sharing the cost is more than enough to make it profitable. Unless this deal reduces the cost of tickets to the fans, it just seems greedy.

Some arguments for:

- **Branding on this scale is not about ROI, it's the *cost* of staying relevant.** From a business perspective, This type of branding is not meant to convince people to buy your product. It's simply to remind people your brand of product(s) exist. It's to create top of mind awareness to products you don't (necessarily) have a personal preference for. To stop spending money on this form of branding may (in fact) improve short term profits, but at the expense of long term market share.
- **Compared to TV advertising, it's a bargain** – a 30 second television spot costs about $2.5 Million during the superbowl. Met Life Stadium will host the superbowl in 2014 where the total advertising revenue will be more than $200 Million. The stadium (and it's name) will be front-row-center for the two weeks leading up to the game as well as the prominently displayed branding message during the game. This is only a single event among many in a 20 year contract.
- **Some matches are better than others.** Not all brands are the same, and not all teams are either. Even though Met Life is headquartered in NYC, doesn't mean that the people of the big apple will embrace it. As a brand and family name, Heinz is more locally engrained in Pittsburgh, than MetLife to NYC. But it's also a brand you can easily associate with football. It's a near perfect match. The only better match I can think of is if JetBlue had won the contract in the Meadowlands as was rumored. Then Jets and Giants fans alike would have had a lot less to complain about…for obvious reasons.
- **It is becoming the new norm.** There may be a diminishing effect for purists and the older generations, but for the newer generations (arguably the target audience for the long-term), this will be the norm for stadium names. And still (but also to reinforce the last point too) there are teams that you just can't touch (yet?): Yankees, Red Sox, Green Bay Packers just to name a few…
- **It's easy money for the team**: If the Giants and the Jets play in their new stadium for 80 years, the naming rights alone will have paid for the entire initial building cost (Yes I repeated that from the last argument against) So not only is it too profitable to pass on, if you don't have 2 teams sharing the cost in the largest market in the U.S. you may *need* some extra income to help pay for the cost of a new stadium.

Quebec City sells arena naming rights

March 1, 2011

QUEBEC -- The Quebecor media empire has scored the multimillion-dollar naming rights for a future hockey arena in Quebec City and says its next goal is finding an NHL tenant to play there.

Quebecor president Pierre Karl Peladeau stressed at a wide-ranging news conference that he will continue trying to bring an NHL team back to the city, once home to the Quebec Nordiques.

He promised Tuesday to develop amicable ties with the league and lobby discreetly -- an oblique reference, perhaps, to the league's long-running feud with billionaire businessman Jim Balsillie, who has loudly campaigned for another Canadian team.

"We all know there is no guarantee from the league, for the moment, that we will have a hockey team in Quebec," Peladeau stressed.

"But that won't stop me from continuing to promote the file ... because we have all the necessary conditions."

He also hinted at the marketing approach he intends to take with the building, and perhaps also with a future team: Peladeau cast it as a rival to Montreal, competing with the bigger city for top-name concerts and the affection of Quebecers.

Quebecor will manage the facility, under terms of the deal.

If the building fails to attract an NHL team, Quebecor will pay $33 million for naming rights for 25 years, another $3.15 million per year for management rights, and it will also hand the city 15 per cent of profits from the building.

Those terms would sweeten considerably if the city landed a team -- with the fee for naming rights jumping to $63.5 million.

In return, Quebecor gets to manage an arena built entirely with taxpayers' money; the estimated $400 million cost is, so far, being footed exclusively from provincial and city coffers since Ottawa has not yet jumped aboard.

The federal government continued Tuesday to distance itself from the controversial project.

Josee Verner, the Tories' senior minister for the region, insisted she needed to see more "substantial" participation from the private sector.

Ottawa's moves are being watched closely in Saskatchewan, which announced Tuesday that without federal help it would have to mothball plans for a new football stadium.

But Quebec City's tenacious mayor made it clear he would continue pushing for federal money. Regis Labeaume said he would be sending Verner more details of the project over the coming days.

Labeaume did unleash a flood of new details on the arena project at a joint news conference with Peladeau.

Financial terms announced Tuesday are specific to the building, slated to be constructed by 2015. Profits generated by any future NHL team would be separate.

Quebecor, which owns the Sun media chain in English Canada, has long expressed interest in bringing NHL hockey back to the provincial capital, which lost the Nordiques 15 years ago.

But funding for the project has been mired in uncertainty since last summer, when the idea of a federally-funded arena touched off a political furore across the country.

As part of the deal, Quebecor has promised to make the building available 30 days each year for cultural events.

Peladeau's public statements seemed designed to delight a rest-of-Quebec audience, outside Montreal.

He mentioned Montreal several times at the news conference, always as a rival. Peladeau said people in northern and eastern Quebec would no longer have to travel to the bigger city to see major shows.

He quipped that perhaps, one day, Montrealers would have to drive up Highway 20 to the provincial capital if they wanted to see top-name concerts.

"Our objective is to turn the traffic the other way," Peladeau said.

GM Place renamed Rogers Arena

July 6, 2010

BY WEB STAFF
sportsnet.ca

The Vancouver Canucks will now play their home games at Rogers Arena, not GM Place, after the team signed a new 10-year naming rights deal with Rogers Communications.

Financial details of the agreement have not been released however the deal also includes telecommunications rights.

The arena, which also hosts concerts in addition to hockey games, has been known as GM Place since it opened in 1995 but the rights agreement with General Motors has expired.

"This is an exciting and significant announcement for our organization," said Victor de Bonis, Chief Operating Officer of Canucks Sports & Entertainment. "As an organization we are committed to building relationships with partners that have the same corporate and community values as we do.

"Rogers is an industry leader and innovator focused on enhancing customer experiences and fostering community partnerships. Our Arena is where we engage our loyal fans and host our most important partners; we are thrilled to have Rogers as an integral partner in our business."

Rogers is no stranger to the sports landscape in Canada, owning the Toronto Blue Jays, Rogers Centre and national sports network Rogers Sportsnet.

"This is an important strategic alliance and we're thrilled to partner with an outstanding organization like the Canucks," said Nadir Mohamed, President and CEO of Rogers Communications. "B.C. is a critical market for Rogers and this announcement further enhances our investment in the province and builds on our powerful sports legacy. We look forward to partnering with the Canucks to engage fans and to connect Canadians to what matters most, including their passion for sports and hockey."

Naming-rights deal must strike balance for sponsor, property

MARK S. BISKAMP

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With the cost of new sports facilities, such as Cowboys Stadium topping $1 billion, the price being asked for naming rights is also increasing.

A naming-rights agreement involves a delicate balance between a facility owner and a potential sponsor. The facility owner needs to maximize revenue by selling the naming rights while preserving as many rights as possible to sell to other sponsors. The naming-rights sponsor will be paying significant fees and will want as many rights as possible. Naming-rights agreements are also typically lengthy agreements that must account for changing circumstances over time. Understanding key provisions in naming-rights agreements helps in negotiating the most favorable deal.

Who can sell what rights?

The project documents relating to the development of the sports facility need to be reviewed in order to determine which entity can grant naming rights as well as any limitations on such rights. An entity affiliated with the team that plays at the venue may have been created to lease the facility and be able to grant naming rights but not other rights in relation to the team. As a result, the sponsor may require that other parties join the naming-rights agreement or enter into other licensing arrangements in order to provide the sponsor the full bundle of rights it needs.

The sponsor will want to make sure that the project documents actually bind the team to play its home games in the new facility and prevent the team from relocating during the term of the naming-rights agreement. The sponsor may also want covenants requiring compliance with the project documents and preventing modification in a manner adverse to the sponsor's rights under the agreement.

The naming-rights agreement will of course name the facility, but the sponsor may want rights to name additional structures, like a lounge or a parking garage (such as the Lexus Lounge and Toyota Tundra Garage in the Toyota Center). The sponsor will want to be the dominant

presence on all interior and exterior signage related to the facility. The parties will need to address, among others items, the exterior of the facility (including the roof, for aerial views), the interior bowl (especially signage visible on television), concourses, club and suite levels, scoreboards, electronic signage, banners, cups, brochures, menus, uniforms, tickets, parking passes, facility credentials, billboards, city and highway directional signage, and, perhaps, the arterial street leading to the facility.

A company may want to change its name in the future due to a change in corporate marketing strategy or merger or acquisition and in such event will want to correspondingly change the facility name.

The sponsor will want category exclusivity in regard to its line of business as it will not want to see prominent signage of a competitor in the newly named facility. However, the facility may want to host a special event sponsored by a competitor to its naming-rights sponsor, such as a Coca-Cola-sponsored all-star game event hosted at the Pepsi Center. The parties will need to address how such events effect naming-rights signage at the facility.

Payment issues

The dollar amount of naming-rights fees over the term of the agreement needs to be addressed, as well as any circumstances that might affect payment. For example, will the sponsor be required to pay the full annual rights fee if the facility is unusable for sporting events due to damage or destruction of the facility from fire, an adverse weather event, or a season-ending strike or lockout? The sponsor will not receive the exposure that it contracted for if such events occur.

There are a host of sponsorship benefits that can come with naming-rights agreements. Examples of such benefits include, among others, television and radio advertisements (including for pregame, halftime and postgame); sponsorship for coaches' shows, cheerleader shows, and other team-related media events; scoreboard and other electronic advertisements; facility and team Web site presence; press backdrops; official designations; allowances to be used for appearances of players, cheerleaders and mascots; merchandise; tickets (including playoffs and special events such as an all-star game, World Series or Super Bowl); luxury boxes; sideline and other passes; promotions; contests; VIP receptions; and golf tournaments. The sponsor will prefer much specificity in these provisions. For example, tickets can be on the 50-yard line or in the end zone, and television advertisements can consist of sponsorship of the halftime show or brief mentions at an inconsequential point in the broadcast.

The parties will need to consider many other provisions for the naming-rights agreement, as well, such as a right of first negotiation to renew the agreement at the end of the term; representations and warranties of each party; intellectual property ownership; default and dispute resolution (such as by arbitration); insurance; indemnification; and assignment of the agreement by either party.

With good communication between the parties, flexibility and creativity, the sponsor and facility owner can craft an agreement that serves as the foundation for a successful and long-term sponsorship relationship between the entities.

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Exterior visibility, such as this Staples Center view, should be outlined in a naming-rights agreement.