

## **Naming: A new financial opportunity for clubs?**

### **Definition and origin**

Sports naming is a particular sponsorship technique that consists of explicitly associating the name of a company or a brand with an event (the Lancôme Golf Trophy, the Transat Jacques Vabre), a team (Red Bull-TAG Heuer in Formula 1, Groupama-Française des Jeux in cycling) or a competition and training venue (Allianz Arena for Bayern Munich, Groupama Stadium for Olympique de Lyon). This name concession results in an official, unique and exclusive name. The seller of the naming rights can also be a public authority, a resident club or a marketing agency commissioned for this purpose [Bourg and Gouguet, 2017].

Naming has the dual function of identification (conferring an existence) and differentiation (creating an image) to raise brand awareness and increase the turnover of the sponsor company. This process tends to demonstrate to fans the existence of a link between the event, the athlete or team, the site and the title sponsor.

In general, a movement to privatise public space and urban heritage is growing in North America, Japan and Europe. The areas of application are varied: theatres, museums, opera houses, hospitals, universities, squares, metro stations, and cultural arenas. Increasingly more sports venues are specifically being named after brands or companies. The first recorded forms of naming sports facilities appeared in Europe in 1913 with Philips (electronics) for the PSV Eindhoven football stadium, in the United States in the 1920s with Wrigley (chewing gum) for the Chicago Cubs baseball stadium, and in France in 1970 with Ricard (alcoholic aperitif), which financed the construction of the motor racing circuit in the French Var region which bears his name.

The development of sports stadia naming stems from the professionalisation of competitive sport. After the change in the status of clubs from the 1950s in North America and the 1980s in Europe (limited companies), and the evolution of their financing from the 1980s to the 1990s (TV broadcasting rights, advertising and shareholders), naming constitutes a further step towards the privatisation of professional sport, although there are strong disparities according to the countries and the disciplines.

### **Value and interest in naming for sports clubs**

The investments made by sponsors and the duration of contracts vary greatly depending on the value of the support in terms of quantity and quality, visibility and citation. Empirically, it is possible to say that the level of economic development of the country, the

national and international audience of the discipline, the size of the hinterland of the stadium, the notoriety of the resident club and its media potential contribute to the hierarchy of the sums involved.

An econometric study conducted over a 23-year period and with a sample of 112 contracts for major and minor league stadia in North America shows that the value of naming is primarily determined by the size of the potential audience, including the economic and demographic size of the metropolis in which the stadium is located, the stadium's capacity to host, the level of the resident club and league, the degree of diversity of activities in the use of the stadium, its multifunctionality and modernity [Gerrard, Parent and Slack, 2007].

The United States is the main market for naming rights, with a total cumulative turnover of 3.5 billion euros, an average of 70 million euros per site, and an average contract duration of 17 years, i.e., an annual revenue per club of 4 million euros, which can frequently exceed 20 million. Almost all the clubs in the five main North American leagues (baseball, basketball, soccer, American football and ice hockey) have signed such agreements.

In Europe, the record is held by Manchester City's Etihad Stadium, a club owned by an Abu Dhabi sovereign wealth fund, for which the Emirati airline pays 32 million euros each season. Overall, football clubs benefit most from such a windfall, which increases and diversifies their revenues, allows them to recruit new talent while complying with the financial fair play rules imposed by UEFA and thus increases their competitiveness. More than 80% of the stadiums in the professional top flight in Germany and more than 40% in England have a naming rights agreement.

In France, only 20% of first division stadia have taken the name of a company (Matmut Atlantique for Bordeaux, Groupama for Lyon, Orange for Marseille, Allianz for Nice). This is despite a context that should have favoured the conclusion of such contracts thanks to the construction or renovation of infrastructures linked to the hosting of the 1998 World Cup and Euro 2016. Moreover, the marketing of these contracts is for relatively small amounts (between 2 and 3 million euros per year) and fairly short periods (less than ten years).

Naming can provide an essential or complementary contribution to the financing of infrastructure: 50% for the *New York Mets' Citi Field* (baseball), 45% for the *American Airlines Center* in Dallas (basketball, ice hockey), 25% for Arsenal's *Emirates Stadium*, 25% for Bayern Munich's *Allianz Arena*, but still less than 5% for French stadia.

### **What return on investment for the sponsors?**

Given the congestion of the traditional advertising market, a sports stadium can be an innovative and immediately identifiable

vehicle for a sponsor company, benefiting from extensive media exposure over a long period. This sponsorship of a facility generates repercussions in terms of memorisation. The impact of the naming of the Munich stadium by the Allianz insurance company in terms of spontaneous awareness is ten times greater than that of the sponsorship of the Bayern shirt while costing much less (6 million euros per year instead of 22 million).

However, beyond the recognition of the brand by the fans, it does not seem that a naming action is profitable for the sponsor. Studies in the United States show that this communication tool has no lasting and significant impact on the profitability of the companies that buy these exploitation rights [Leeds, Leeds and Pistolet, 2007]. Greater visibility and media exposure of the brand do not lead to increased consumption of the product by the club's fans.

Large companies, capable of investing tens of millions of euros in naming, are not only looking for a direct return. They are also carrying out an internal communication campaign for their employees. Indeed, many American and German sponsor companies, leaders in this field, choose to name the team that plays in the city where their headquarters are located and where thousands of their employees work.

The development of naming is held back in Europe (particularly in France) by several obstacles of a societal nature. The first is the problem of naming a private brand after an infrastructure that is financed entirely or mainly by public funds. A second handicap lies in the symbolic character of a stadium, which constitutes a marker in the life of a city. Its name, its architecture and its history are anchored in the emotional, personal and collective memory of the fans.

The communicative impact depends on the acceptance of the name by the general public because, in the end, the supporter is, or is not the final consumer of the spectacle offered by the club, as well as the advertiser's products. This is why the iconic stadiums of Old Trafford (Manchester United), Anfield Road (Liverpool) and Stamford Bridge (Chelsea) have not changed their identity despite the financialisation of the Premier League. The same is true of the Stade de France in Saint-Denis and the Parc des Princes in Paris. Moreover, in the latter two cases, a possible naming would have to associate itself with the original identity of the stadium, as was done for the 'Orange Vélodrome' in Marseille.

### **Further information:**

Jean-François BOURG et Jean-Jacques GOUGUET, « Le naming : aspects économiques, modalités juridiques, contraintes politiques », dans Jean-

François Bourg et Jean-Jacques Gouguet, *Sport et territoire. Les enjeux pour les collectivités locales*, Presses Universitaires du Sport, Voiron, 2017.

Bill GERRARD, Milena PARENT and Trevor SLACK, "What Drives the Value of Stadium Naming Rights?", *International Journal of Sport Finance*, vol.2, 2007.

Eva Marikova LEEDS, Michael A. LEEDS and Irina PISTOLET, "A Stadium By Any Other Name. The Value of Naming Rights", *Journal of Sports Economics*, vol. 8, issue 6, 2007.

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