

Sponsorships in South Africa

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The global economic crisis has undoubtedly impacted severely on sport sponsorships in South Africa and has resulted in major industry role players including the likes of Vodacom and Standard Bank reducing their investments in recent years. The economic downturn was a rude awakening for the sponsorship market in the aftermath of an extremely successful and profitable World Cup period for South Africa.

Although we revelled in the hype and success of the 2010 FIFA World Cup, we did anticipate a slow-down in the market primarily due to the fact that there was significantly more investment in sponsorships in the build-up to global football's biggest spectacle. However, the current economic situation both locally and globally wasn't expected because there was an underlying belief that we had largely recovered from the 2008 recession, and as a result we've witnessed many of our listed entities and major sponsors, which are global companies too, withdrawing their investments and being more pennywise in the face of cutbacks and retrenchments. A typical example would be that of Standard Bank, who invested heavily in many other foreign markets with one of their biggest shareholders being a Chinese corporation, but they had to retrench staff and cut back on market spend aggressively resulting in a review of their marketing strategy and sponsorships. The impact of which was felt tremendously in South Africa when they pulled out all investments in cricket, which is a huge disinvestment in sponsorship.

It's not all doom and gloom for the South African sponsorship market because we've seen sponsors renewing their sponsorship deals in football, cricket and for Team SA to the Olympic Games.

The patriotism and pride in our country during the Olympics was undeniable as our athletes returned with six medals, three gold, two silver and a bronze and even though they didn't achieve the targeted 12 medals, the excitement and jubilation of improving our tally from the previous Olympic Games in Beijing resonated across the country. However, sentiment aside we really need to assess our achievements in London and ask ourselves some difficult questions. The most important of which would be, have we set the bar too high in terms of medal expectations considering the limited investment for these athletes? There is a direct correlation between investment and the athletes and unfortunately in South Africa, we don't come anywhere close to the top three nations at this year's Olympics namely the United States of America, China and Great Britain. To achieve such success or perhaps try to replicate it, we would need massive injections of cash into our non-mainstream sports codes. It was a good outing for Team SA with six medals and 23rd place on the medal table that ended with SA being the top African nation. But again, that needs to be put into perspective because it is only due to the fact that more weight is placed on a gold medal than any other that we finished as high as we did. Ethiopia (7) and Kenya (11) finished below Team SA yet picked up more medals than we did. The reason both these countries continue to dominate on the continent and particularly in athletics, is because officials in both these countries have invested heavily in athletics and female athletes.

I also believe that we missed a great opportunity to capitalise on the World Cup by not bidding for the 2012 Olympics. Hosting two global events and not one would have been a massive boost for our economy. Brazil was quick to catch on, hence the 2014 World Cup and the 2016 Olympics in Rio. With the current economic situation and global trends, in my opinion a 2024 Olympics in South Africa is highly unlikely.

Cricket South Africa (CSA) this year announced a new six-year deal with Momentum and in the last week of July, extended their deal for another four years with Sunfoil. And, no-one can deny that our domestic football market is growing in leaps and bounds with the R600 million deal signed by Orlando Pirates and Kaizer Chiefs with Vodacom, along with the PSL's new three-year deal with MTN for the Top Eight competition and of course the R2 billion five-year broadcast rights deal between the PSL and SuperSport International.

Any major sporting property will always attract larger sponsorships, so it goes without saying that the two giants of South African football namely Orlando Pirates and Kaizer Chiefs will by their very nature and history always attract the biggest deals. I thought it was unwarranted and perhaps unjustified that there was such an outcry about their Vodacom sponsorship deal. These two teams are the most attractive properties in domestic football and as such will get more money than the other teams. It does however have a significant impact on the capacity of the remaining clubs in the League to compete on the same level. A bigger budget suggests greater spend in the transfer market, thereby giving Pirates and Chiefs an advantage when bidding for players, but this is the nature of football and in fact every sporting code globally. Of course, having millions of Rands at your disposal doesn't necessarily translate into success on the field of play as many clubs around the world have learnt the hard way. Another club with a smaller budget can, as difficult as it may be, compete and win silverware as SuperSport United managed to achieve three times on the trot.

I get a sense of fear among football fans that the impact of such deals will see our League becoming similar to La Liga, which is essentially a two-horse race between Real Madrid and Barcelona year in and year out, but we have to remind ourselves that their television rights deals are structured differently. Unlike the English Premier League and the Premier Soccer League where the TV rights money is split equally among all the clubs, Barcelona and Real Madrid sell rights to their respective games globally, resulting in additional income for these clubs, hence the advantage. Both Spanish teams are the wealthiest clubs in the world by virtue of who owns them, much the same as Manchester City which means they have better buying power, the capacity to invest and are of course extremely lucrative properties for potential sponsors.

The very nature of sponsorship dictates that you have to have a significantly aggressive approach to your marketing mix in order to incorporate sponsorship and if you take into account the love of sport in a country like South Africa, a vast majority of companies do want to invest in sponsorships. There are of course similar types of companies investing in our sport and these are typically banks, insurance companies and medical schemes but we are seeing a willingness among non-traditional sponsors to get a piece of the pie.

Although Sasol has had a long-term relationship with SASCOC, I think the sponsorship deal announced just before the start of the London Olympic Games was an opportunistic one that will prove to be a successful move not just for the sponsors but for the athletes as well. I would imagine that SASCOC had made an urgent plea to Sasol to invest as a sponsor because they wanted to incentivise the athletes, so with those specific objectives in mind, this appears to be a brilliant move on the part of Sasol. Team SA has already clinched two gold medals thanks to the outstanding performances of Cameron van der Burgh and Chad le Clos in the pool, which means that the money received from Sasol's sponsorship will be used for the incentives promised to the athletes prior to their departure.

We often hear about the crises in football and cricket with regards to sponsorship based on the administrative difficulties facing those particular organisations, but we need to remind ourselves that football and cricket generally have sold out inventories. When one sponsor pulls out, there is a long line of major players in South Africa waiting to fill that gaping hole.

Despite the World Cup boom and the financial successes of our domestic league, truth be told there are still serious flaws in the way football is structured locally. One of the biggest problems is that our local clubs don't have home grounds, which means that matches are moved to various cities across the country. This is beneficial for the bigger clubs but the smaller teams ultimately lose out. Another flaw in the system is the lack of weight placed on the need to market the clubs, mobilise their supporters and create that capacity-crowd experience at each and every one of their games in the season. Clubs have perhaps taken the view that it's just not worthwhile to invest in marketing and publicity campaigns and don't see gate takings as their primary revenue drivers within their business models. There is also the distinct possibility that they lack the commercial skills required to do what is needed to replicate the successes of clubs in the EPL, La Liga, Ligue 1 and the Bundesliga.

There is only one solution to getting fans back to the stadiums but it would take a bold move, one that I'm pretty certain none of the clubs would be willing to undertake. A total blackout of live games in the region that the game is being played, resulting in a loss of broadcasting revenue, but the fans would attend matches in their numbers. In the short-term, clubs need to identify specific objectives and primary measurables and then design their marketing campaigns and any expenditure around those objectives in order to ascertain if such campaigns are working for them or not.

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