

Stadium naming rights deals – Top 10 tips



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Introduction

Naming rights deals are one of the most complex forms of sponsorship agreements. This inbrief guide seeks to get rights holders thinking about all the key issues which will need to be included in the agreement, before they negotiate any deal.

1 Scope of rights

The single most important thing is to define precisely what is being sold.

The stadium: With stadium naming rights deals there is normally an obvious physical structure to which the sponsor's name will attach – the stadium. But how should “the Stadium” be defined? As stadiums more frequently have multiple purposes or are built within a multi-use venue/destination, what does the rights holder actually control? Are there facilities at the venue (perhaps shops, restaurants, hotels, casinos, offices) which are integrated within the footprint of the venue, but over which the rights holder has no control? These may need to be carved out of the definition unless contractual obligations can be imposed on the relevant owners/lessees of the properties to use the ‘sponsored’ name throughout the term of the naming rights agreement.

Other properties: Are there other properties, away from the Stadium, which will also adopt the sponsor's name. Eg a training ground, park and ride facility, local station?

Branding: The branding and advertising which the sponsor will be offered will need to be clearly spelt out. Essentially, there should be a schedule to the agreement which sets out a complete inventory, with illustrations where appropriate. This should deal with branding on the physical structure, advertising sites around the stadium and field of play, signage and miscellaneous things like colours of seats or paint schemes, if these are being offered to tie-in to the sponsorship. If planning permissions/advertising consents are relevant and have not yet been sought, the agreement will need to make sure the branding inventory is subject to obtaining these. It should also be clear who will pay for the re-branding.

Other assets: If a company is coming on board as a naming-rights sponsor, they're likely to want to acquire other relevant assets, such as:

- shirt sponsorship
- hospitality/boxes
- tickets
- rights to use the stadium for events

- access to players, images, footage etc
- supply rights (see further below).

All of these additional rights will need to be carefully detailed.

2 Flexibility – Allowing for exclusions:

There are likely to be some events/activities/competitions which may take place at the stadium which will have an impact on the ability to use the new name or offer certain branding and supply rights. This will need to be catered for in the agreement.

Clean venues: Certain events will require a ‘clean’ stadium (eg Olympic Games, Commonwealth Games, Rugby World Cup, Champions League). If the rights holder may want to host such events in the future, this may mean changing the name, de-branding all or certain areas and/or adopting other suppliers’ products and services. For example, the Olympic Games requires their venues to be completely clean and the Olympic sponsors’ supply rights have to be respected (so for London 2012 the O2 became the North Greenwich Arena, concessions served Coca Cola and Heineken, and only Visa and cash were accepted). Similarly, for Champions League matches, the branding around the pitch will need to be passed on to UEFA's sponsors, although the name of the stadium may continue to be used.

Ground sharing: If the stadium is at any point likely to be shared, the impact of this will need to be considered. Can the rights holder impose the name on the sharing club? Do they have any conflicting sponsors? Etc etc.

3 Product category/exclusivity

The nature of the sponsor's goods and services may have a significant impact on the terms of the naming rights agreement, and even its entire viability. For example, it may be far harder to obtain relevant advertising consents in relation to an alcohol brand.

Even if the sponsoring company's product category is defined quite narrowly for the purpose of its exclusivity in the agreement, given the nature of naming rights, if the sponsor offers multiple goods or services across other categories (such as GE, or Unilever) how will this impact the rights holder? Although in the agreement the



rights holder may be able to retain the ability to sell to competitors in those other categories, if the sponsoring company is, or expands and becomes, closely associated with another sector, will this in practice narrow the rights holder's ability to sell to competitors?

4 Term and termination

Given the cost of re-naming and branding the stadium is likely to be very expensive, the rights holder is likely to want to achieve as long a term as possible, perhaps with mechanisms for increases in fees to reflect changes in RPI and the performance of the rights holder/club/venue.

Also consider how long it will take to transition the name from the old one to the new one. Does there need to be a runoff period for signage and materials etc.? This question applies at the beginning and end of the term.

What grounds will there be for termination?

Given the level of investment and the challenge of changing the stadium name and branding back, the right holder is likely to want to keep termination rights limited. Is termination on the basis of 'morality' issues appropriate?

The agreement should also address the cost of de/re-branding upon termination or expiry. Will the sponsor be expected to contribute to this in all/certain circumstances?

5 Supply rights

Companies operating in many categories are likely to want exclusive supply rights within the stadium. Food, beverage, sportswear and technology suppliers are perhaps obvious examples but providers of things such as utilities and payment services are also likely to require some sort of supply rights. And brands such as airlines may, in addition to requiring the resident team to travel with them, also want certain facilities or activation opportunities within the stadium. Perhaps the seats in the dug out will be in the style of the airline's seats...

Supply right provisions can often be complex and a separate agreement may be required. Third parties such as the in-house caterer or retailer may need to be considered. Service levels will need to be set, and the impact of third party rights (see point 2 above) will need to be addressed. Payment terms and/or the valuation of value in

kind will also need to be carefully detailed. The tax treatment of value in kind should also be considered.

6 Technology

Technology will impact the agreement in varying ways depending on the sponsor's product category. However, even if the sponsor is not a tech company, the agreement should be future-proofed to allow for flexibility to take advantage of technological advances. For example, Digital Replacement Advertising (through companies such as Supponer) enables perimeter advertising in different territories to be digitally replaced, enabling them to be sold on a territory-by-territory basis. If the naming rights sponsor is not a global company and/or goes by a different name in other countries, this may be something you want to take advantage of and accommodate in the agreement.

7 Ensuring observance by third parties

Consider who the rights holder needs to trickle down the obligation to refer to the stadium by its new name to and how to achieve this. Tenants? Other sponsors? Local authority? Leagues? Broadcasters? The Media? The rights holder may be able to impose obligations on some of these but others may just need informing/require persuading. The agreement should not therefore guarantee that all third parties will adopt the name.

8 IP & Merchandise

Intellectual Property issues should be addressed: if a composite or new logo is being produced for the stadium, who will own this and how will it be used? Relevant licences and approval processes will need to be in place.

If the rights holder intends to produce or allow its licensee(s) to produce merchandise with the name of the stadium on it, a licence will be needed for this particular purpose from the sponsor. The sponsor may not want its name on certain forms of merchandise and/or may have requirements as to quality and approval rights. They may also seek a share of royalties. All this will need to be considered and addressed in the agreement.

Similarly, consider what will happen to existing out-of date stock? If it is agreed that this will be withdrawn from sale, will the sponsor pay for this stock?

9 Obligations of the sponsor

The rights holder may want to impose some obligations on the sponsor in respect of their activation and use of the stadium. The sponsor may be crucial in enhancing visitor/fan experience, for example by undertaking particular activities or having an 'experience' centre within the venue (eg the Nissan Innovation Centre at the O2). How such initiatives are funded, managed and staffed etc, will need to be considered and addressed in the agreement.

The sponsor may also be obliged to (rather than just having the right to) promote events and run promotional competitions for customers.

An obligation on the sponsor to hold x number of their own events or utilise £x of hospitality at the stadium (at their cost) each year will also help in terms of venue utilisation and increased revenue from caterers etc.

10 Miscellaneous

It will be necessary to consider all ancillary agreements relating to the stadium – for example if the stadium is held under a lease, does the freeholder have any rights to approve the name or branding etc of the stadium; are there any funders who may be able to restrict the proposals (e.g. as a result of Lottery funding, or funding from a local Council)?

The PR implications should also be considered. Will the fans/ community be happy to adopt the name?

The obligation to use the new name should not be absolute – there may be times when it would be inappropriate to do so, or when third party rights impact on the ability to use it (see point 2 above). The stadium may have a nick-name or similar which the rights holder might want to adopt in certain circumstances. Or even for practical reasons such as when referring to the Stadium in a 140 character tweet, will the rights holder want to/be able to use the full name?

And finally, as ever, fees and payment terms will need to be considered and drafted very carefully.

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on this subject please contact:**

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