

# The effect of the coronavirus outbreak on the sports and entertainment industry and thus sponsorship

 By [Judith Mugeni](#)

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A value-based definition of sponsorship by David Ross states that "Sponsorship is a mutually advantageous business relationship between parties in which the sponsor provides benefits for the sponsored in exchange for a result that can be measured against pre-defined objectives."



Image source: Mitch Rosen via [Upsplash.com](https://www.upsplash.com)

If we look at North American spend by property type with data by IEG, sport has over the years maintained receiving the lion share of sponsorship spend (70%), followed by entertainment (10% of spending or \$2,4bn), Causes (9%), Arts (9%), Festivals/Fairs and annual events (4%) then Associations and Membership Organisations (4%).

While these property types can indeed be consumed digitally, most of them involve engaging fans/attendees on the ground. After all, "If advertising is an announcement, then sponsorship is a handshake."

Headlines of events being cancelled or postponed amid the Covid-19/coronavirus outbreak such as the below prompted the writing of this article:

- "Coachella and stagecoach have been postponed due to coronavirus fear. The California music festivals were scheduled to be held in April, with lineups including Frank Ocean and Travis Scott as well as Thomas Rhett and Carrie Underwood. Coachella was set to be held in Indio, California, over two weekends from April 9 through 19 April. Coachella will now take place the weekends of 9 Oct and 16 Oct, and Stagecoach will take place the weekend of 23 Oct."
- "Kigali City suspends all public events over coronavirus," effective 8 March till further notice.
- "Coronavirus will make this a very hard year for sports fans. Teams are playing in front of empty stadiums in Europe. What does that mean for the NBA, MLB, NHL, and other major sports leagues and events?"
- "As one of the largest tourism marketing events on the African calendar and one of the top three 'must visit' events of its kind on the global calendar, Africa's Travel Indaba 2020 (12 – 14 May 2020) will go ahead as scheduled. However,

with constant developments on a daily basis, SAT will continue to keep industry stakeholders updated on any changes affecting the event."

- "Cape Town International Jazz Festival goes ahead, despite the withdrawal of Abdullah Ibrahim... The legendary artist's decision was taken in light of concerns around travelling, due to the coronavirus according to organisers. According to festival director Billy Domingo, the event will be going ahead as planned on 27 and 28 March 2020 at the CTICC, and a replacement will be announced: "as soon as possible."
- "Arsenal place players in self-isolation and postpone Manchester City game due to coronavirus"
- "Coronavirus: could the Tokyo Olympics be cancelled?"
- "Advertising Week Europe postponed over coronavirus concerns"
- "The Ironman African Championships are expected to take place on the 29 March"



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As someone who works in this industry and most of our clients host big events in the sport and entertainment industry, it's very hard to not do a risk analysis of the current landscape. We have already faced a postponement of a global event we were working on, a maiden edition for Africa, that would have brought international and pan African delegates onto the South African soil.

Thus for us, the question becomes how does this outbreak affect our industry as agencies, as sponsors/brands, as rights holders, as fans/attendees, for tourism and more?

The coronavirus adds to challenges that were facing the industry already. According to an article published by Julius Solaris in December 2019, the eventprofs survey already found that event owners were struggling with a few issues with regards to sponsorship:

- Finding sponsors is a big challenge for eventprofs: Finding sponsors was the second most popular response, agreed by almost half (49%) of respondents.
- Securing sponsors is a struggle for events: The concern over finding sponsors is likely due to the difficulty in securing sponsorship faced by events. A majority of event professionals (53%) agreed that finding sponsors for events is a struggle. Less than a quarter (22%) said that they weren't struggling to secure sponsors.
- Sponsor retention rates are also slipping: While 10% of event pros feel that sponsor retention rates have stayed about the same, 17% say they are decreasing, and 53% of planners agree that finding sponsorship is a challenge. This is a concern.
- Measuring success with sponsorship: Of those surveyed, almost half (42%) said that sponsor satisfaction was used as a measure of success. Sponsorship revenue was also an important factor for around a third (32%) of eventprofs.

Looking at the calendar of some of sport, entertainment and lifestyle events in South Africa, up and coming events include: Klein Karoo National Arts Festival (KKNK) – 24-29 March, Cape Town International Jazz Festival – 27-28 March, The Rand Show, 8 – 13 April | Johannesburg, Splashy Fen Music Festival- 9 – 13 April | Pietermaritzburg, Splashy Fen Music Festival- 9 – 13 April | Pietermaritzburg, Two Oceans Marathon - 10 – 11 April | Cape Town, SA Cheese Festival - 25 – 27 April | Stellenbosch, Comic-Con Cape Town, 1 – 3 May | Cape Town Stadium, Huawei Joburg Day in The Park - 16 May | Johannesburg Botanical Garden to name a few

## **Current status of the Covid-19/coronavirus outbreak**

As of March the 11th, 2020, 6:30 GMT time, global Coronavirus Cases stand at 119,243, deaths sit at 4300, recovered at 66,578. The coronavirus Covid-19 is affecting 119 countries and territories around the world and 1 international conveyance (the Diamond Princess cruise ship harboured in Yokohama, Japan).

The countries affected in top 10 ranking order include China (80,783), Italy (10,149), Iran (8,042), South Korea (7,755), France (1,784), Spain (1,695), Germany (1,565), USA (1,010), Diamond Princess (696), Japan (587). On the African continent – Egypt (59), Algeria (20), South Africa (7), Tunisia (6), Senegal (4), Morocco (4), Nigeria (2), Burkina Faso (2), Cameroon (2), DRC (1).

## **Sponsorship spend**

According to Warc's report shared with marketing dive and published in January 2020, sports sponsorship spend is set to increase the most in a decade in 2020. According to the report, it is predicted that global spend on sports sponsorships by advertisers is to total \$48.4bn in 2020, up 5%. While according to Nielsen, South Africa spend on advertising and sponsorships totals R45bn.

## Global sports sponsorship approaching \$50bn as growth outpaces traditional media

WARC Data

Global, Sports sponsorship ad investment, US\$ billions, current prices



Below are further predictions by Warc on sponsorship spend in 2020:

- The 2020 Summer Olympics in Tokyo is expected to garner \$5.94bn in sponsorship dollars, with \$1.95bn coming from Olympic partners including Coca-Cola and P&G, double the amount sponsors spent at the previous games.
- The report also predicts that local sponsors including Canon, Asahi and Fujitsu will spend \$3.33bn, four times the amount spent during Rio's 2016 games.
- The report also forecasts that brand investment in esports will total \$795m this year, up 23.1%, with \$584m going to sponsorships and \$211m to ad breaks.
- The majority of investment is concentrated in North America, fueled largely by the financial services sector (\$5.3bn in 2019) and automotive sector (\$2.4bn).
- US brand associations with the National Football League (NFL), Major League Baseball (MLB) and National Basketball Association (NBA) will reach \$3.97bn in value in 2020, just over a quarter of total spend of \$18.8bn this year. The value of NFL sponsorship is forecast to reach \$1.53bn in 2020, up 4.9% from 2019. MLB partnerships are projected to increase by 5.6% in value to \$1.05bn in 2020 and NBA tie-ins are expected to rise 7.1% in value to \$1.39bn for the 2020-2021 season.
- In the European market, sports sponsorships will grow 5% to \$12.9bn this year, with Germany being the largest market and a projected value of \$1.89bn. Asia is expected to account for 23.9% of the global total at \$11.6bn, followed by 5%, or \$2.4bn, from Latin America.
- With the above forecasts in mind, let us now look at whether these numbers will indeed be met with the fact that most of the properties either face postponement, cancellation or playing to an empty stadium.
- A snapshot look at events that have been impacted by the Covid-19/coronavirus outbreak.
- The Cape Town Cycle Tour, the largest timed cycling race in the world, took place successfully in South Africa on Sunday, 8 March. The first case of corona was confirmed in South Africa on the 5 March. The organisers had confirmed that a group of riders from Italy, where there has been a severe outbreak of the virus, informed organisers that they would not travel to the event because of Covid-19.
- Italian Prime Minister Giuseppe Conte said professional football matches and other big sporting events will take place without fans present until 3 April.
- The Abu Dhabi Sports Council cancelled the last two stages of the UAE Tour after two staff members of an Italian professional team tested positive for the coronavirus. The South African-owned NTT Pro Cycling team also took part in the race
- Corona spoils the Holmenkollen party - One of Norway's biggest outdoor parties of the year was affected as local authorities ordered a shutdown of all arenas for Oslo's annual Holmenkollen Ski Festival and World Cup competition this weekend. The ski races and ski jumping will go on, but the grandstands will remain empty after the public was told to stay away in the interest of public health.
- Fifa 20 events cancelled due to Coronavirus fears: EA Sports have followed the lead of governments and footballing bodies by postponing or cancelling a number of planned EA Sports Fifa 20 Global Series events, including the Conmebol eLibertadores online and live event and FUT Champions Cup stages five and six. With live events that form



the EA Sports Fifa 20 Global Series involving international travel for numbers of competitive Fifa players from countries across the world, holding these events could have posed a risk to both competitors and organisers.

- Super Rugby, which included four South African teams, has also been affected by the pandemic with matches involving the Japanese-based Sunwolves postponed. The tournament's organising body, South Africa, New Zealand, Australia and Argentina Rugby (Santitas), has put all participants on alert.
- The Six Nations rugby tournament, Europe's premier international competition, has also been hit with the Irish Rugby Football Union (IRFU) cancelling Saturday's match in Dublin against Italy.
- Pro 14 tournaments, which also features the Cheetahs and Southern Kings from South Africa, has been disrupted because of the outbreak of Covid-19 in Italy.
- The 2020 Olympic Games, which are due to start in Tokyo on 24 July this year, are also under threat.
- On 13 February World Rugby took the unprecedented step to postpone the Hong Kong and Singapore legs of the 2019/2020 HSBC World Sevens Series due to the threat of the Covid-19 outbreak
- The Chinese Formula One Grand Prix has also been postponed among numerous other global events, which includes Japanese J-League Football matches and the LPGA Blue Bay tournament scheduled for 5-8 March 2020 in Hainan, China.
- Asian Champions League matches involving Chinese clubs Guangzhou Evergrande, Shanghai Shenhua and Shanghai SIPG have been postponed until April and May.
- The World Athletics Indoor Championships, which had been scheduled in Nanjing from March 13 to 15, were postponed until next year.
- The International Tennis Federation moved the Fed Cup Asia/Oceania Group I event featuring China, Taiwan, Indonesia, South Korea and Uzbekistan out of Dongguan to Nur-Sultan in Kazakhstan. But the February 4-8 event was later postponed and relocated to Dubai after Kazakhstan declined to serve as substitute hosts.
- The elite women's LPGA golf tour in Hainan - an island on China's southeast coast - cancelled the Blue Bay tournament that was scheduled to be held from March 5 to 8. The PGA Tour Series-China moved its February 25-28 global qualifying tournament to Lagoi, Indonesia, from Haikou, a town in Hainan.
- Formula One organisers have postponed the Chinese Grand Prix, scheduled in Shanghai on April 19.
- The International Olympic Committee announced Jordan as hosts of the boxing qualifiers for Asia and Oceania after an event in Wuhan was cancelled. It will now take place in Amman from March 3 to 11.
- The International Basketball Federation moved the February 6-9 Tokyo Olympics qualifiers to be held in Foshan to Belgrade, Serbia. The Fiba Asia Cup 2021 qualifying match between China and Malaysia, to be held in Foshan on February 24, will be rescheduled.

## What does it all mean?

**For agencies,** revenue stems from servicing and leveraging the sponsorship properties. Leveraging is beyond the reach that the media gives but engaging fans/attendees at their most passion – in stadium or at the event. With the coronavirus and empty stadiums/postponed events, there will be no one to engage with the elaborately planned activations – which to some means a loss in income.

To those agencies selling sponsorship properties, now is not the time where sponsors would be considering partnering as they would have to take the virus into consideration – would the events move out? Are the new dates suitable to meet the sponsor's objectives? The impact again is unpredictable income for the seller of rights.

**For the rights holder,** they feel the impact from a loss of already spent money on event production (e.g. venue bookings, flights if necessary, overheads), if your event was a few days or weeks out, it means that you have already spent a considerable amount on suppliers and time). One would hope that the industry would take these factors into consideration and refund or hold already spent deposits.

The postponement of an event means refunding those that had already bought tickets their money (revenue that helps with the planning) or holding the money for a later date. Would you still make the same money at the later dates? Are those fans who had already planned according to those dates now going to come to the event on the new dates? What about sponsorship revenue? Will you retain the sponsors at the new dates?

**For the attendee/fan**, there is the fear of 'is it safe to come to the event' which already prompts the 'go or not going' response. For those events that involved travel, would you be able to get your money back on transportation and accommodation already spent?

The new dates that would be proposed are they relevant to you? Will you ever get over the fear of being infected? Will you ever be in crowded places again? Will it be the same while watching it on TV or listening on radio or streaming?

**For the sponsor**, it is now a question of ROI and looking at objectives. If sponsorship is about engaging the fan at their passion - the question will now remain whose hands are you shaking now – if there are no potential or current customers to shake at the event? Is the sponsorship still worth it?

This will obviously always depend on what the sponsorship objectives were. If it was reach – there's always televised matches in the case of the games if its sports. The 'priceless' moments of locker-room/backstage access, meeting the players/artists etc now are not possible to leverage. The uncertainty of for how long also lingers as businesses have revenue cycles to consider?

## Is digital and broadcast the solution?

The new solution available to us would be to look at digital and broadcast solutions. As per the sports matches – play to a stadium with no spectators but the fans still get to watch the game on TV or stream online.

For conferences, festivals etc the same might not easily apply but the option exists. Do we broadcast the sessions? And let people stream online or watch the sessions on television or listen on radio? This is, of course, assuming that the artists/speakers would be allowed to be in the country, to begin with (in the case of those artists/speakers that have to travel).

Either way, what the virus is saying to us is to be creative in an industry that already faces other challenges – showcasing ROI.

## ABOUT JUDITH MUGENI

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