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Anheuser-Busch ready to play new sponsorship game

There's an innovative new sports sponsorship model in town that promises to shake up the industry, courtesy of beer giant Anheuser-Busch.

Based on incentives tied to the performances of team and league partners, as well as on consumer behavior, the new "pay for performance" model aims to address marketing challenges, including the impact of flagging live attendance and falling television ratings, resulting from the changing ways fans watch sports in the age of social media.

The move by Anheuser-Busch, a U.S. subsidiary of the global beverage company (and the world's largest beer brewer) Anheuser-Busch InBev, could be a win-win proposition for everyone involved.

The program tying sponsorship dollars to team and league performance and to fan engagement is designed to increase the vested interest of sports teams and leagues in a sponsor's success, while encouraging the development of new social media campaigns and consumer experiences to promote fan engagement.

Sports sponsorships have historically been a key part of Anheuser-Busch's advertising model. The company has invested in sponsorships and other sports-related partnerships involving the Super Bowl, golf tournaments, horse racing events and motor sports (including the "Miss Budweiser" fleet of racing hydroplanes and American Unlimited Hydroplane racing league races and championships and the "Budweiser King," the funny car and top fuel dragster owned and raced by Kenny Bernstein).

In fact, the Budweiser brand was the Official Beer of NASCAR from 1998 to 2007 and sponsored

SPORTS MARKETING PLAYBOOK



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high-profile motorsport events including the Daytona Speedweeks and numerous Budweiser-branded events including the Budweiser Shootout, Budweiser Duel and Budweiser Pole Award. And don't forget, races of various lengths, like the Budweiser 500, 400, 300, 250 and Carolina Pride/Budweiser 200.

In addition to Budweiser, Anheuser-Busch uses sports-related sponsorships in the U.S. to promote its Bud Light, Michelob and Busch brands, among others. The brewer spends big dollars — an estimated \$350 million in 2016 — to partner with U.S. leagues including the National Football League, National Basketball League, Major League Baseball and NASCAR, as well as a huge number of individual teams including approximately 80 pro teams and more than 50 college sports teams.

At the same time, sales of Anheuser-Busch's biggest beer brands have been declining in the U.S., largely due to the rise of the craft brewing industry and changing consumer behavior.

For example, while the Budweiser brand continues to grow around the world, revenue in the

U.S. has slipped fairly consistently — not just in recent years, but for the past three decades, according to Forbes.

In a recent presentation at IEG 2018 (the annual sports sponsorship conference put on by IEG LLC) titled "Sponsorship Evaluation and Building a Sustainable Strategy," Nick Kelly, head of U.S. sports marketing for Anheuser-Busch InBev, identified some of the key marketing challenges facing the company: reaching the elusive market segment of "cord cutting" and "cord never" millennials; new consumer "passion points" including eSports, the growth of platforms and the fragmentation of media; increased competition from craft beer; declining attendance at sports events; and sluggish in-venue beer sales.

To combat these factors, the beer maker decided not only to seek out new sports sponsorship opportunities, including increasing its presence in eSports, but also to revamp its core sponsorship model to respond to the evolving sports and consumer marketplace.

In particular, going forward, every Anheuser-Busch sponsor-

ship deal under the new model, whether with a team or a league, will provide a base compensation amount with larger investments to be paid by the company when certain metrics are achieved.

For example, a team's playoff appearance or a boost in attendance could trigger additional cash from Anheuser-Busch, while the launch of a new digital platform that engages fans and increases awareness of the company's brands might be rewarded with even more sponsorship money.

The company plans to work with teams and leagues to define their own individualized metrics.

For now, at least, Anheuser-Busch is applying its new "pay for performance" model only to sponsorship deals that are up for renewal. It's testing the waters with teams in three different leagues — the NFL's New Orleans Saints, the MLB's Los Angeles Dodgers, the NBA's Minnesota Timberwolves — and NASCAR (Anheuser-Busch's Busch brand just reclaimed the position of Official Beer of NASCAR in 2017 after Budweiser lost the official sponsorship to Coors Light in 2008.) Details of those new deals are being kept under wraps thus far.

Anheuser-Busch hopes its intentionally disruptive new model will help it stand out from the intense competition with other sponsors, particularly other big beer makers. Basing a sponsorship strategy on incentives will also enable Anheuser-Busch to be more flexible and tailor its deals as technology and a new generation of consumer behavior continues to evolve as well as be more in tune with fans and fluctuating fortunes of teams and leagues.

The new, incentive-based model also supports Anheuser-Busch's focus on creating more

experienced-based marketing opportunities — activations that engage consumers in an authentic and unique way that build on the existing consumer awareness of the company's brands.

"We want to provide experiences only we can provide," Kelly explained in his presentation. And that comes with a "change in philosophy" and focus from awareness to experiential marketing. "Everyone knows Budweiser and Bud Light. You know the brands, what they stand for

and what they look like. We don't have a lot of experiences built into our deals with teams and leagues. We have a lot of billboards, signage and tickets. But I don't need awareness. I need experiences."

"What we have been able to do is focus on engagement," Kelly added. "Creating activations no one else can create. Bringing something authentic to a moment where it makes sense to tell our message."

Anheuser-Busch has repeated-

ly emphasized that the new sponsorship model is not a way to cut sponsorship spending. The company intends to spend a comparable amount on sports sponsorships as it has in recent years, but will use the new model to maximize both the return on its investments and the value for its business partners.

As Kelly noted, the company wants to reward partners who perform immediately, rather than wait for the contract renewal period. Kelly also stressed that

there is no penalty (at least in terms of direct compensation) for those partners that don't perform.

Undoubtedly, the disruptive new sponsorship strategy will force Anheuser-Busch's competitors to re-evaluate their own traditional models and relationships with partners. And, it could spawn creativity and new directions in the marketing and sponsorship world that extend beyond selling beer to sports fans.