

Module 3. Governments & NGOs - The difficult conversations about regulations, sustainability, taxation, etc.

Introduction

Sponsorships can do a lot more for business than most people in our profession think. The idea of using sponsorships as a marketing tool is widely known. In previous modules of this course, we talked about the use of sponsorships as a sales tool (module 1) and a way to connect with employees, community, and customers through hospitality (module 2).

In this module, we will discuss how sponsorships can be used to support other equally important business priorities like telling the company story to non-government organizations and the government themselves.

For a long time, sustainability and government affairs have not been part of the scope of work of any sponsorship managers. Locked in a marketing box, their concerns were limited to its own function. That myopia created a big disconnect between the sponsorship (or marketing) function with the broader agenda of the organization.

While CMOs and heads of sponsorship have been busy thinking about their brand exposure and the next promotion they will bring to market, CEOs and CFOs have been struggling to manage other demands, like the way to create a more sustainable and inclusive business, the way to deal with taxation and regulation, the growing pressures from the analysts, among others.

The best sponsorship teams in the world have realized they can play a bigger role in their companies by developing strategies that help their senior executives deal with all sorts of challenges, including those from non-government organizations and government.

This shift has the power of turning the sponsorship function from a marketing tool to a business one. The more value sponsorships create for their businesses, the more opportunities and resources will be diverted to the function.

As sponsorship managers, we have the obligation to open our minds and embrace these new opportunities. This is the core idea of this module.

Business environment today

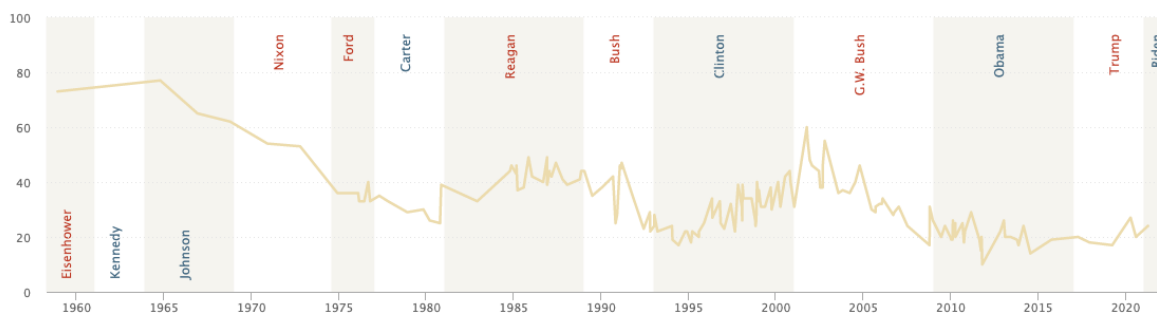


Today's business results are no longer sufficient to guarantee the success of any company. Equally important is how they were achieved. Customers and consumers expect brands and their management to do great things and do things the right way.

In many countries around the world, trust in the government has eroded over the last decades. According to a report by the Pew Research Center,

When the National Election Study began asking about trust in government in 1958, about three-quarters of Americans trusted the federal government to do the right thing almost always or most of the time. Since 2007, the share saying they can trust the government always or most of the time has not surpassed 30%. (Public Trust in Government: 1958-2021, 2021, para. 2)

Figure 1: Public Trust in Government: 1958-2021 in the USA.



From *Public Trust in Government: 1958-2021*. Pew Research Center. <https://www.pewresearch.org/politics/2021/05/17/public-trust-in-government-1958-2021/>

As a result, consumers started to look at the private sector as someone that can have impact (if not solve) societal problems. That is a lot of pressure! These high expectations influence how we see companies and their brands and how we make our shopping decisions. The ones that are doing good for the world have a real edge over every one of their competitors.

The Department of Economic and Social Affairs of the United Nations has created 17 ("sustainable development") goals against which most companies are measured today.

The 2030 Agenda for Sustainable Development, adopted by all United Nations Member States in 2015, provides a shared blueprint for peace and prosperity for people and the planet, now and into the future. At its heart are the 17 sustainable development goals (SDGs), which are an urgent call for action by all countries – developed and developing – in a global partnership. They recognize that ending poverty and other deprivations must go hand-in-hand with strategies that improve health and education, reduce inequality, and spur economic growth, all



while tackling climate change and working to preserve our oceans and forests.
(The 17 Goals - History, n.d., para. 1)

Figure 2: 17 goals against which most companies are measured today.



From *UN Sustainable Development Goals - can ISO standards help? Yes!*. ISO. <https://committee.iso.org/sites/tc207sc1/home/projects/ongoing/supporting-environmental-and-bus/un-sustainable-development-goals.html>

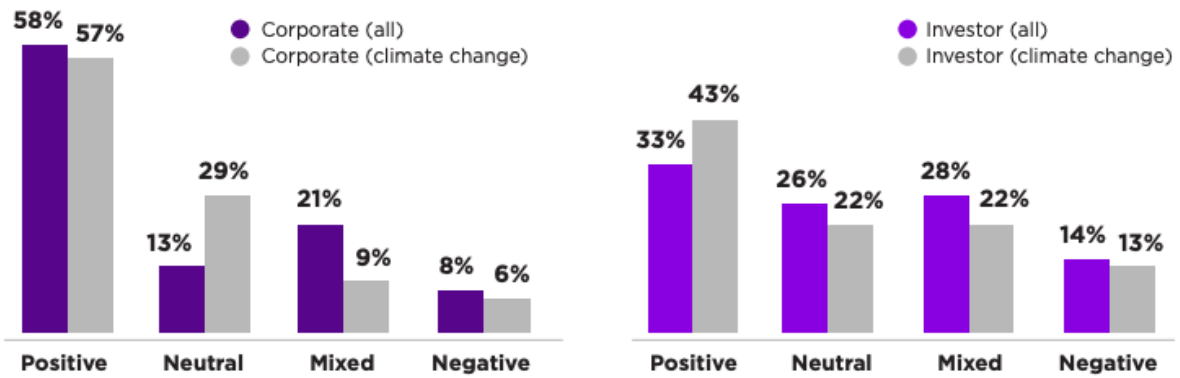
A study by the New York University Stern Center for Sustainable Business found

a positive relationship between ESG [i.e., how companies perform against some of these goals] and financial performance for 58% of the “corporate” studies focused on operational metrics such as ROE, ROA, or stock price with 13% showing neutral impact, 21% mixed results (the same study finding a positive, neutral or negative results) and only 8% showing a negative relationship. (Whelan, T.; Atz, U.; Van Holt, T. & Clark, C., 2021, p. 2)

The companies that have invested in environment, social, and governance (ESG), the companies trying to have the best business practices, are the ones with the best business performances. Consumers are rewarding them with their purchase choices.



Figure 3: Relationship between ESG and financial performance.



From *ESG and financial performance*. NYU Stern. <https://www.stern.nyu.edu/experience-stern/about/departments-centers-initiatives/centers-of-research/center-sustainable-business/research/research-initiatives/esg-and-financial-performance>

So, doing good is also a great business strategy for most companies.

In ESG matters, the non-government organizations (NGOs) like the United Nations play a big role setting the goals and in oversight. They are the ones calling out the industry and (in many cases) exposing some of their existing areas of opportunity, not necessarily in the best possible way.

In March 2021, for example, Greenpeace vandalized an Air France jet in France “to raise awareness on “greenwashing” of climate change and environmental regulation. It also said it was organized ahead of a climate bill debate in the French Parliament” (Associated Press, 2021, para. 5).

Figure 4: Greenpeace intervention on an Air France jet.



From *Greenpeace paints Air France jet green in daring eco-stunt*. Abc News. <https://abcnews.go.com/International/wireStory/greenpeace-paints-air-france-jet-green-daring-eco-76279140>

At the same time, as the society –influenced by NGOs– is pushing for more responsible business across all industries, another concerning trend has been developing: large companies growing at a faster pace than smaller players, increasing the concentration of commerce in fewer bigger ones.

In a 2020 article by *The New York times*, titled “Big Companies Are Starting to Swallow the World”, the author Austan Goolsbee tells us the following:

during the extended economic crisis created by the coronavirus pandemic, many large companies — and especially their stock market values — have been growing rapidly while their small business competitors have faced something of an apocalypse. More than 400,000 small businesses have already closed and millions more are at risk [in the United States]. (Golsbee, 2020, para. 2)

We have seen this phenomenon in many industries. While some of this companies bring us great convenience, connectivity, savings, and innovation, they also have damaging implications for small businesses.

If, decades ago, the main concern of companies was how to grow, today, they need to think about how they grow and how to deal with their growth. The government keep a close eye in the industry through its many agencies (they vary by country, but every country has a set of departments in charge of consumer protection). Their role is to regulate the private sector in order to protect consumers from any form of abuse by big corporations.

The role of sponsorships in the sustainability and regulators’ agendas

There is no replacement for doing the right thing. Sponsorships will not substitute investments in being more sustainable or having the best practices when it comes to community management, inclusion, growth, etcetera. But sponsorships are an outstanding tool to tell better stories about the good things the companies are already doing.

Many leading companies in the private sector invest heavily in doing what is right for them, the community, and the world. However, most people, including their own consumers, are not aware of their efforts. This translates into missed opportunities to improve corporate image and build reputation that can impact the business results.



While telling stories isn't the most important part, it is also very important. This is where sponsorships can play an important role. Sponsorships can help companies advertise their efforts in a compelling and interesting way to different constituents.

Sponsorships supporting the sustainability agenda

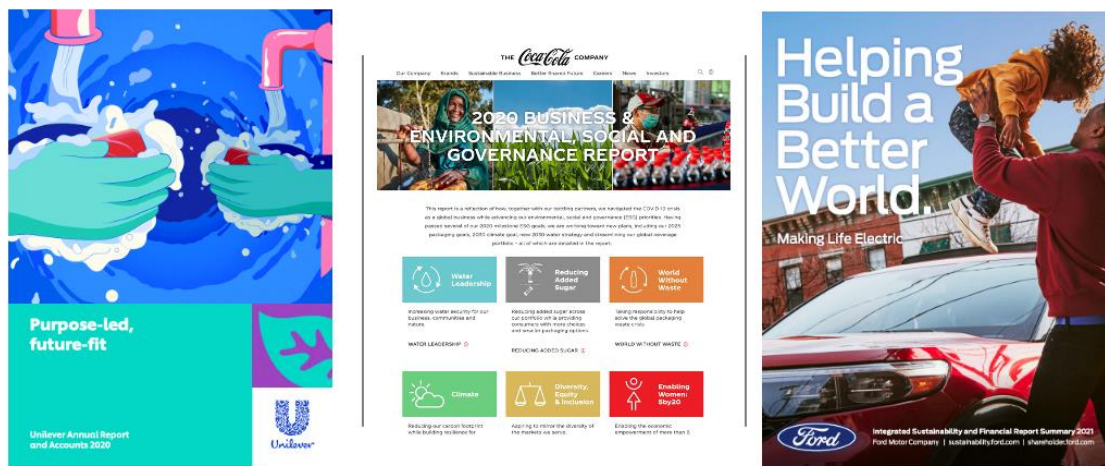
For many industries, sustainability means protecting the environment and the natural resources. Many –from banks to automakers– work towards reducing the carbon footprint of their operations, as one of the most comparable indicators across industries.

As the pressure from society, non-government organizations, the government, and their own competitors increased, the private sector was forced to start investing.

Over the last years, companies have poured billions of dollars in projects to address air pollution, the use of fossil fuels, the consumption of water, as well as in becoming more energy efficient, among other purposes. As they were developing the work and investing, they saw the opportunity to improve their reputation by talking publicly about their efforts.

A common practice today is publishing sustainability reports annually with their progress against self-imposed (or some external bodies imposed) goals.

Figure 5: Examples of publishing sustainability reports annually.



Source: author's elaboration

Unilever, The Coca-Cola Company, and Ford are just a few of the many companies that have been publishing their sustainability reports. The reports have helped inform some constituents of their work, but have been ineffective tools to form the broader population (i.e., their customers and consumers). This is where the sponsorships can play a big role. Here are some examples (real and not) of what brands have done and can do.



1. GM x Fossil Fuel Cars x Formula E (not real)

The future is electric, right? So, why have so many car companies resisted to the obvious trend? Changing an entire business model from fossil fuel-based cars to an electric fleet at scale and profitably is the biggest challenge of the automotive industry today.

GM, one of the largest car companies in the world, has committed to make this transition recently committing to “electrification”, as they called it.

On their website, they manifest that they are “committed to putting every driver in an electric vehicle on a scale previously unseen and bringing the world to an all-electric future” (Electrification, n.d., para. 1).

This is obviously a bold and big initiative for the company. There are public commitments that they will need to honour and billions to be invested in developing and bringing to market such innovative products. If you are GM’s CMO and need to plan how to communicate this news, you have many options at hand.

Advertising is the first that comes to mind. But if GM wants to engage with car fans at a different level, they should also think about how to use sports for telling their story. Formula E becomes a good alternative for them.

Formula E

started as nothing more than a shared dream between Formula E Founder Alejandro Agag and FIA President Jean Todt, noted on the back of a napkin back in 2011, has developed into the fastest growing motorsport series on the planet. Ahead of the 2020/21 season, Formula E gains World Championship status to become the ABB FIA Formula E World Championship (History of Formula E, n.d., para. 1)

There are many ways GM can be present at Formula E: from becoming a sponsor to creating their own team. By being part of this event, Ford will be a step closer of being associated with “electrification” (something that other car companies are already doing).

By investing in the sponsorship of Formula E, Ford will be addressing one of their biggest business opportunities: becoming an electric car company.

2. Heineken x Water x Golf (not real)

This is not an obvious choice. By any standards, a brand like Heineken has nothing to do with a sport whose audience is anything but the young. Golf sponsors are, in most cases, brands interested in speaking with an older audience. So, why would a brand whose main consumers are young adults get involved with it?

The answer is water.



Beverage companies' main ingredient is water (over 90% of most commercial beverages). In order to manufacture their products, they use a lot of it. The excessive use is not only costly, but it also represents a reputation risk.

In many parts of the world, water scarcity is a real issue. Science Daily defines water scarcity as

the lack of sufficient available water resources to meet the demands of water usage within a region. It already affects every continent and around 2.8 billion people around the world at least one month out of every year. More than 1.2 billion people lack access to clean drinking water. (Water Scarcity, n.d. para. 1-3)

Any industry that uses this natural resource for commerce (instead of making it available for the thirst population) will be heavily criticized. This is why we very often read news of beverage factories being criticized for taking too much water for their products while the people struggle to get some.

Because of its cost and the risk, beverage companies have developed outstanding ways to limit the use of water. The Coca-Cola Company, for example, has become water neutral a few years ago. Water neutrality means that they are returning to the environment the same volume they used in their products (i.e., they are taking nothing from the environment). They achieved these results by collecting rainwater, optimizing their production processes, and implementing many other industrial innovations over the last decade.

Very few companies understand how to optimize water usage as beverage companies.

But telling water management stories can be quite boring. This is probably why so few of us consumers have never heard about all the multiple projects and efforts beverage companies develop to reduce their use of water. This is a problem for the companies and an opportunity for using sports to tell their story.

When we look at the world of sports, very few rely so much on effective use of water as golf. It may be a surprise to many people, but keeping a golf course green and in conditions of play requires a lot of water. In the absence of water, golf can't be played. Golf courses can survive in areas where water availability is limited.



Figure 6: Example of golf course survive in area where water availability is limited.



From *5 Great Golf Courses In Salt Lake City*. The One Group. https://www.theonegrouputah.com/utah_life/5-great-golf-courses-in-salt-lake-city/

A great way for a beverage brand to tell their “water management expertise” story is by partnering with golf (the Federation, event promoters or even players).

They can add value to the sport by applying all their expertise to it. As a result, they can use golf as a background to create content that showcase their expertise to a new and influential audience in a creative and meaningful way. Much better than the usual annual reports.

By investing in the sponsorship of golf, Heineken will be addressing one of their biggest business opportunities: being recognized for their sustainable and responsible use of water in their products.

3. Pepsi x Ocean Pollution x World Surf League

According to the Ocean Conservancy website,

Every year, 8 million metric tons of plastics enter our ocean on top of the estimated 150 million metric tons that currently circulate our marine environments. Whether by errant plastic bags or plastic straws winding their way into gutters or large amounts of mismanaged plastic waste streaming from rapidly growing economies, that’s like dumping one New York City garbage truck full of plastic into the ocean every minute of every day for an entire year! And that much plastic is

bound to have an impact on ocean ecosystems. (The Problem with Plastics, n.d., para. 3)

A considerable amount of this plastic comes from the bottle we all buy every day. Very few are recycled, and many end up in the oceans. An article published by National Geographic in 2019 estimated that 91% of plastic is not recycled. The plastic bottles have become a global threat to our planet (Parker, 2019).

Every person should be worried with the volume of plastic in the oceans, but very few are as concerned as some athletes that make a living in the water. I am talking about the sailors, rowers, and surfers. Without clean oceans, their sports will not exist.

All serious companies that use high volumes of plastic containers to sell their products are actively working to reduce the use of plastic and develop networks for proper recycling, as well as investing in research and development to create packages that will be biodegradable (or at least, fully recyclable).

But it is not easy to tell this story when you compete with shocking images of your bottles floating in the ocean risking the lives of fishes, turtles, and dolphins. You simply can't win this battle. A good way to tell the company story is by using sponsorships of sports like surfing. In this area, no one is better than the World Surf League (WSL).

The World Surf League is dedicated to changing the world through the inspirational power of surfing by creating authentic events, experiences, and storytelling to inspire a growing, global community to live with purpose, originality, and stoke.

The WSL is comprised of Tours & Events, celebrating the world's best surfers across all disciplines and annually running more than 180 global contests and crowning the undisputed World Champions across all divisions. (Comscore Announces New Partnership with the World Surf League to Provide Digital Audience Measurement, 2020, para. 3)

One of WSL's most important initiatives is called PURE, where they invite their constituents to join a movement to support protecting the oceans. One of the commitments of PURE is to cut out single-serve plastic (i.e., plastic bottles).



Figure 7: PURE'S initiative to protect the ocean. [Video Online.



Retrieved 2021 from [Video - Kanoa — We Are One Ocean](#). Screenshot by author

For companies working to reduce use of plastic, like PepsiCo, partnering with the WSL can be a great way to tell their story.

By investing in the sponsorship of surfing, PepsiCo will be addressing one of their biggest business opportunities: being recognized as a company that leads the development of solutions for the problem of plastic.

4. Dow x Air Pollution x IOC (real sponsorship, POV from the author)

Dow Inc. is an American chemical and plastics manufacturer and one of the world's leading suppliers of chemicals, plastics, synthetic fibres, and agricultural products.

As of October 2021, Dow had a market cap of \$43.97 billion. This makes Dow the world's 450th most valuable company by market capitalization. By any standard, Dow is a well-known large company with global reach doing business across many industries and geographies.

Dow also sits uncomfortably at the 5th place in the 2020 Political Economy Research Institute's "Toxic 100" Report, an index that identifies the top air polluters among corporations (Toxic 100 Air Polluters Index 2020 Report, Based on 2018 Data, n.d.). According to the report, the company releases 5.29 million pounds of toxic air every year.

As any other serious company would do, Dow has been working tirelessly to address their challenges as a company that pollutes a lot. Through technology and investments, they

have made a lot of progress and are committed to continuing to reduce their impact in the environment. In their corporate website, they say that “by 2030, Dow will reduce its net annual carbon emissions by 5 million metric tons vs. its 2019* baseline (15% reduction). By 2050, Dow aspires to be carbon neutral” (Contributing to climate protection, n.d., para. 3).

However, in order to have a material impact in their company reputation, they will need not only to do the hard work (as they have been doing), but also raise the awareness among customers, governments, non-government organizations, among other entities, of everything they have been doing on the “emissions” front. This is where sponsorships like the one they have with the International Olympic Committee come handy.

According to the IOC,

As a Worldwide Olympic Partner and the Official Chemistry Company of the Olympic Movement, Dow brings to the Olympic Movement a world-class portfolio of advanced, sustainable and leading-edge products that enable Dow to deliver solutions designed to meet almost any performance and business need – both on and off the field of play.

Dow’s involvement in each Games spans from field-of-play technologies – such as the innovative synthetic turf system for the Rio 2016 hockey pitches and the DOWTHERM™ Heat Transfer Fluids that maintained ice surface temperatures for the PyeongChang 2018 skating rinks – to venue construction, energy-efficiency, transportation and extended infrastructure, creating better experiences for athletes and fans alike.

As the Official Carbon Partner of the IOC, Dow is also delivering an innovative global carbon mitigation program to compensate carbon emissions from the IOC’s daily operations, helping achieve the carbon neutrality goal set out in the IOC Sustainability Strategy.

The carbon partnership builds on the successful carbon mitigation program implemented by Dow and the Organizing Committees of the Olympic Winter Games Sochi 2014 and the Olympic Games Rio 2016, helping to mitigate unavoidable emissions and going beyond solely balancing the IOC’s footprint to creating a positive carbon legacy globally. (Dow, n.d., 3-6)

While you might not be familiar with Dow’s product, through the Olympic Games, you are impacted by the good work that they do in sustainability. The Olympics are a great platform to tell their story in a friendly and interesting way.

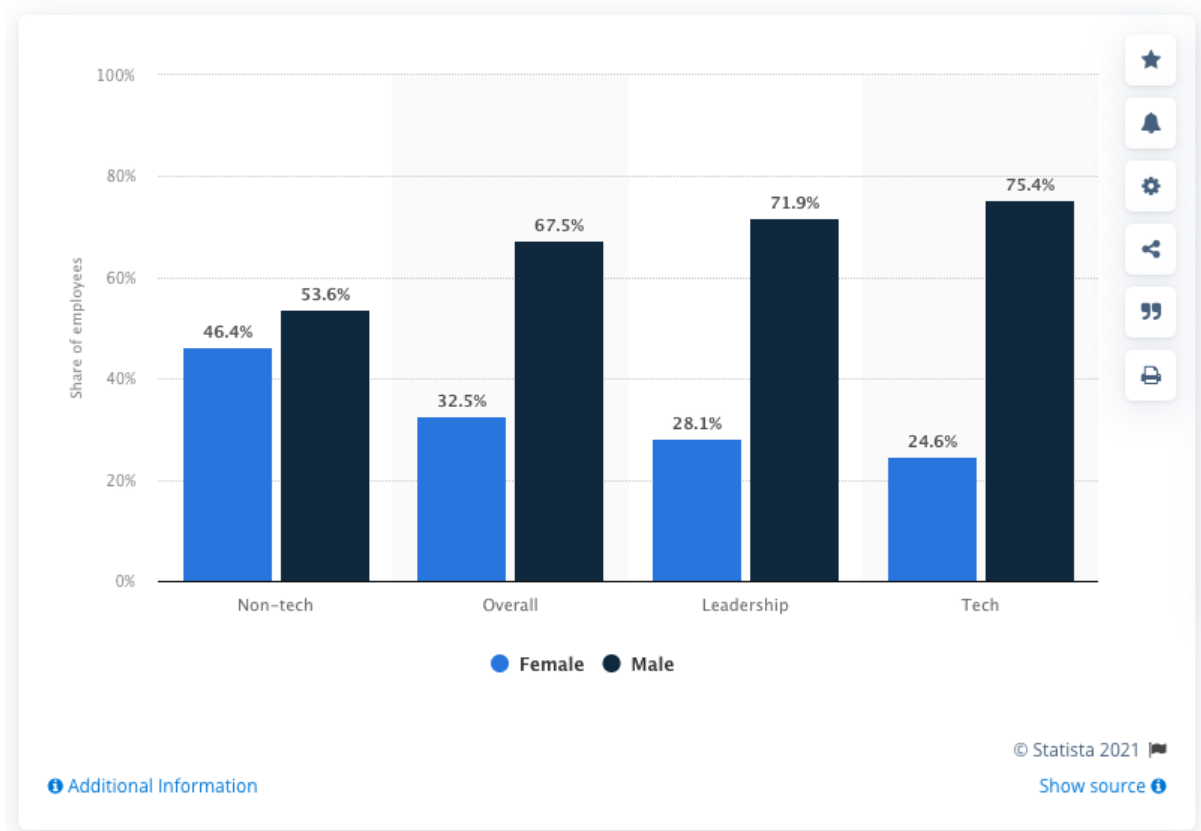
5. Google x Gender Equality x WNBA (real sponsorship, POV from the author)



There is a real and well documented issue in the tech industry. According to a research report produced jointly by Accenture and Girls Who Code in 2020 (Accenture, 2020),

- Women hold just 16% of engineering and 27% of computing roles in companies in the US.
- Women leave tech roles at a 45% higher rate than men.
- 50% of women who take a tech role drop it by the age of 35 (vs. 20% in other types of jobs).
- In the largest 1,000 companies, fewer than one out of five Chief Information Officers (CIOs) or Chief Technology Officers (CTOs) are women.

Figure 8: Distribution of Google employees worldwide in 2021, by gender and department.



From *Distribution of Google employees worldwide in 2021, by gender and department*. Statista. <https://www.statista.com/statistics/311805/google-employee-gender-department-global/>

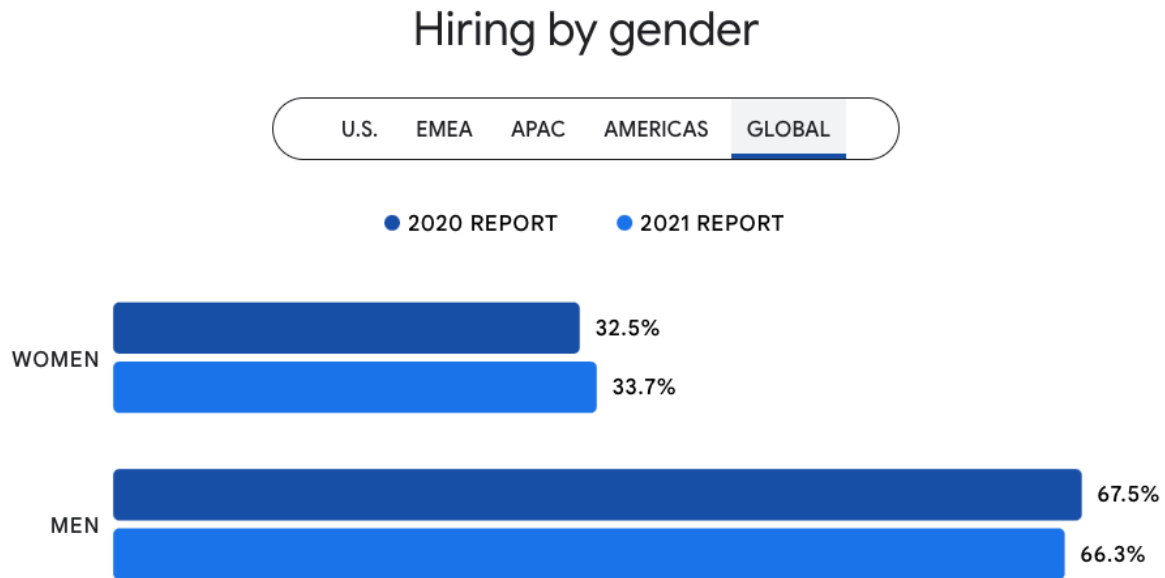
It is no surprise that any tech company willing to create a more balance gender environment would be concerned with this reality. This is the case for Google, which advertises on their corporate website that “Google is committed to continuing to make diversity, equity, and inclusion part of everything we do—from how we build our products to how we build our workforce” (Build for Everyone, n.d., para. 1).

In 2020, one of the insights shared at Google’s Diversity, Equity and Inclusion pages was about how “hiring changes drove their best year yet for women in tech globally and



Black+ and Latinx+ people in the U.S.” (Hiring changes drove our best year yet for women in tech globally and Black+ and Latinx+ people in the U.S., n.d.).

Figure 9: World’s hiring by gender in 2020 and 2021.



From *Hiring changes drove our best year yet for women in tech globally and Black+ and Latinx+ people in the U.S.* Google Equity, Diversity & Inclusion. <https://diversity.google/annual-report/hiring/>

Hiring women at a faster pace will help reduce the gap. The other programs implemented to increase awareness of employees of the benefits of a more diverse work environment will also contribute to a better result.

In addition to the real programs in place, Google has also recently (May 2021) signed a sponsorship agreement with the WNBA, whereby they were named “New WNBA Changemaker and Presenting Partner of the WNBA on ESPN as Part of Multiyear Agreement”. Under this new agreement, Google committed to “helping women’s basketball and sports by developing innovative marketing activations, robust storytelling and enhanced google product experiences” (Google Named New WNBA Changemaker and Presenting Partner of the WNBA on ESPN as Part of Multiyear Agreement, 2021, para. 1).

While you might not be familiar with Google’s efforts to be seen as a company that values gender equality, as a WNBA fan, you will certainly develop the perception they care about women (sports) and, therefore, their own female employees. The WNBA is a great platform to tell their story in a friendly and interesting way.

Sponsorships supporting the regulators’ agenda:



Every company needs to deal with regulators. The government is a very important constituent that can have a lot of influence in business ability to perform profitability and freedom to make decisions. Depending on the country (and, mostly, the political views of the government in a country in any given time), the interference with the private sector can vary drastically.

If you operate a business in the United States, France, or China, you will have very different levels of interaction with your government.

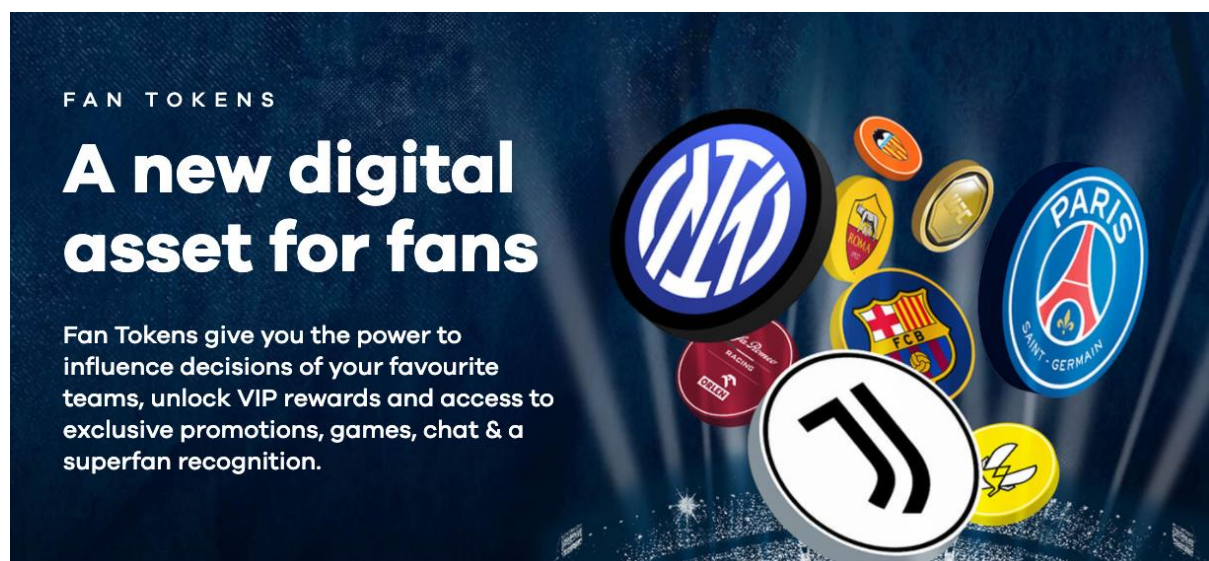
The Americans (in general) leave a lot of room for companies. Depending on the political party leading the country, there is lower levels of interference in most company decisions. France (and many of their neighbours) have many policies designed to protect the employees. Terminating an employee in France is difficult and expensive, and so are many other decisions like closing plants or moving production centres. But in no other country the government is so close and so active with the private sector as it is in China. Most of the important decisions must be discussed and authorized by the government, from acquisitions to some sports investments.

For multi-country or global companies, all the scenarios above apply simultaneously, making the management of the affairs with the governments a very challenging and complex activity. Any mistake can carry a very high cost for the company in the form of licenses not issued, increase in taxes for certain categories of products, etcetera.

Sponsorships are not necessarily a tool to mitigate risks involving a company relationship with government, but sponsorship activities can be heavily impacted by government decisions. Here are a few examples of how changes in laws and rules can impact the sponsorship market.

1. Fan Tokens: engagement tool or security?

Figure 10: Fan tokens.



From *Be more than a fan*. Socios.com. <https://www.socios.com/us/>

Fan tokens have become a topic in sports in 2020 and have grown exponentially since. They are defined as

cryptocurrencies that permit their holders to access a variety of fan-related membership perks like voting on club decisions, rewards, merchandise designs and unique experiences. They can be used by sports clubs, music fan clubs and other organizations to democratize and organize experiences, establish club leadership and more. (Dwyer, 2021, para. 1)

Today, many top-tier football clubs from the most important leagues in the world have some sort of fan token issued using their marks. For the clubs, fan tokens have been an easy new money. When they sign an agreement with one of the companies in this market, they usually receive some down payment. But the biggest pay out happens when the tokens are issued.

Take Brazilian football club Atletico Mineiro. Through its partnership with Socios.com, they launched 20 million tokens. The first 850,000 were issued at a \$2 (two US dollars) price and sold out almost immediately. Half of the proceedings went to the club and the other half to Socios.com. The remaining 19,150,000 tokens were/will be released at a later stage (depending on the time you are reading this text) at the price of the moment. This is great for the club and for Socios.com.

However, while Socios.com (and other competitors in the market) rightfully market the tokens only as an engagement tool for fans, many people look at them as a way to speculate and make a profit, similarly to how securities are traded.

There is an important difference between securities and Socios.com, though. The former is regulated (in the United States, for example, the SEC –Securities Exchange Commission– are responsible for regulating anything that is similar to a security, among other things) while the latter isn't.

The implication for the token holders is that they are vulnerable to many external factors that can lead to them losing all their investments in the tokens. If a club decides to stop offering experiences (and, therefore, token holders can't vote on anything), the tokens can become worthless.

Today, the fan token market is mostly unregulated, but there is a possibility that governments will start looking at it and start to question what the protections in place for the buyers are. That can lead to new regulation that can considerably transform how fan tokens companies can operate.

At the time of this writing, this concept is only a speculation for the sake of providing an example of how the government can impact the operation of business. If you work for



one of these companies, the best thing you can do is to proactively engage with the regulators to discuss and influence their future thinking about the market.

2. Germany to ban single-use plastic from 2021

The awareness and concern for the environmental issues and the environment are very high in Germany. According to an article published in the website earth.org,

Germany's recycling system is revered worldwide; its 'green dot' system earned the country the title of recycling world champion by the World Economic Forum in 2017 and it has the biggest collection system for reusable PET and glass bottles worldwide (Germany to Ban Single-Use Plastic From 2021, 2020, para. 4)

Aligning with an EU directive intended to reduce plastic waste, Germany banned the sale of single-use plastic straws, cutlery, cotton buds, and food containers from July 2021.

For every company selling their products in plastic containers, this new law will have very important consequences, including those selling their products at sporting events.

While bottles can still be sold at the time of this writing, it is expected that, in the near future, one-way plastic beverage bottles are also banned from sales at the EU and, later, other regions, too (Endless Refreshing: Coca-Cola North America Rolls Out Bottles Made from 100% Recycled PET Plastic, 2021).

For the companies investing in sports venues pouring rights, this is a meaningful change that will require some adaptation.

Luckily, most of them carry their products in other types of packages like cans (the easiest immediate replacement for the plastic bottles), fountain (possible, but requires installation of equipment in all concessions), or glass (unlikely, due to breakage risk).

But the most likely scenario is that the entire production –not only the products sold at sporting events– becomes of recycled plastic, allowing them to continue to be sold everywhere.

Both Coca-Cola Company and PepsiCo, professional as they are, have been working to develop suppliers that are capable of selling them the necessary number of bottles in recycled plastic. This is no easy task and depends on the increase of collection and recycling facilities all around the world.

3. Chinese football investments:

Back in 2017, the Bloomberg website reported "How China Is Spending Billions to Conquer World Soccer". They continued by saying that "the goal is [was] to build a league than can compete with Europe's biggest and produce a national team capable of having a shot at



the World Cup” (Panja, 2017, para.1). It all started when “President Xi Jinping’s government published document No. 46, making sports part of China’s economic plan” (para. 6).

After that, public and private sectors invested heavily in building infrastructure, hire talent on and off the pitch, and investing heavily in European football through acquisitions. As a result, China became one of the countries investing the most in the sport, growing incredible 785% between 2012 and 2016 (FIFA Transfer Matching System).

Brands followed the movement and the excitement investing in sponsorships. Everyone wanted to be part of the future greatest football market nation in the world.

But then, for multiple reasons, everything changed...

This is what Daniel Storey (2021) says in an article from iNews:

Champions Jiangsu Suning officially folded after its parent company pulled the plug on all investment in football activity. Jiangsu had debts of £67m and were up for sale at a nominal price of one cent; there were no takers. And they are not alone: 16 clubs in China’s top three divisions have collapsed in the last 12 months. More are expected to follow.

The difficulties of the last year [2020] could not have been predicted. Covid-19 has decimated the revenues of Chinese retail and clubs have lost all matchday revenue. Parent companies have been forced to cut back. Football was only a viable side-interest when disposable income was freely available.

Disturbed by the focus on high-profile signings and the lack of investment in grassroots and deliberate ignorance of domestic players, clubs have had spending limits on international players imposed. Brands that were originally invited to plaster clubs with their logos have been banned from including company names as part of club names. The drive to spend vast swathes of revenue on a football team has evaporated. (para. 4-6)

On top of the domestic challenges faced by the Chinese Super League, in 2020, China’s 14th five-year plan formally calls for money to come back home and for investments to be focused domestically, according to Emlyon Professor Simon Chadwick (2021). That was the beginning of the end of Chinese investments in acquiring clubs in Europe.

For domestic Chinese companies or international players, the understanding of the government priorities is critical for survival. Otherwise, there is a high risk of overspending in sports investments like many Chinese conglomerates or international brands. Obviously, China is an extreme example of government involvement in everyday life, and other countries would be much less exposed to it. But the lesson remains valid.



No matter the geography, working with the government is key to sustainable success in sports investments.

Closing

We started this course talking about how to use sponsorships for impacting multiple areas of the business. In this module, we discussed how they can help and be helped by external actors, like NGOs and the government. We will close this course by discussing how sponsorships can be used to influence the world at large, and how to change perceptions and accelerate business and countries' growth through the sports investments.



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