

Money's too tight to mention as crunch begins to bite hard

Sport is holding its collective breath, says **Kevin Eason**, as sponsors feel the pinch, stadium plans are shelved and fans watch every single penny

There was no champagne and no City fat cats, just a wild cat — or at least a man dressed up in a mascot suit — and a rain-sodden knot of rugby league fans wondering how they managed to become the victims of feckless millionaires an ocean away from their West Yorkshire homes.

The 100 or so supporters of the Wakefield Wildcats engage Super League team stood on the soaking steps of their town hall last week to

protest at the decision to scrap plans for a £60 million stadium, where their team would have been anchor tenants. Now the Wildcats could be homeless.

Across the Pennines, Fylde rugby union club have told their team that if they want to play they will have to foot the bill for their travelling expenses because petrol costs were busting the budget.

Speedway fans in Reading are likely to have no club to support at the end of this month after plans to relocate to

a new stadium collapsed and, in Scotland, Ayr United are desperate to revive plans for a new ground after Barratt Homes, Britain's biggest house-builder, pulled out of the scheme.

Snapshots from a sporting credit crunch. If the City has had its boom, so has sport, which has enjoyed easy credit, big paydays and the generosity of sponsors with money to burn as they fed their egos on getting close to the sporting superstars who fill the screens of television companies, greedily grabbing the biggest talent. Now

the City is bust and everyone waits to see whether sport will be, too. The Olympics, the latest Anfield stadium delay or the sale of Manchester City to the Arabs grab the headlines but the ripples of the credit crunch are reaching every nook and cranny of sport.

John Taylor, chairman of Sports Impact, a sponsorship consultancy whose clients include the Xchanging Boat Race, said: "It is not a question of whether the credit crunch will hit sport, just when, where and how hard. "The ripples will be felt everywhere.

A lot of sports will be in the middle of contracts now, which is why we have not seen the effects on any great scale. But wait and see what happens when they come up for renegotiation or when new events want sponsors. That will be the day of reckoning."

There is not much mega at West Ham United's megastore these days, where the club are restocking replica shirts, thanks to the demise of XL, the holiday company. A £2 million-a-year sponsor deal is reduced to a clearance sale, where you can buy a shirt printed with the hapless XL logo for £10.

The loss of a shirt sponsor is small beer in football, though. *Deloitte's Annual Review of Football Finance* was ringing alarm bells in May, pointing out that the Barclays Premier League is up to its collective neck in debt to the tune of almost £2.5 billion, with another £289 million of tick in the Coca-Cola Championship. Things are fine when clubs have a multibillionaire Arab owner, but clubs relying on ticket sales, corporate hospitality and

sponsorship to pay the bills will be up against it sooner or later.

Empty seats at grounds over the weekend showed that fans with mortgages and credit cards to pay cannot be milked for ever and the stupendous growth in commercial activity, which has led income from corporate boxes and merchandising to leap in the Premier League from a paltry £73 million in 1991 to £410 million last season, will, at the very least, slow down, if not hit the buffers.

"We could see a huge polarisation in football between the independently wealthy clubs, who don't need to care about debt, and those relying on ticket sales and sponsorship," Geoff Mesher, head of the forensic sports disputes team at **KPMG**, the auditors, said. "Some clubs will be in the middle of finance deals but what happens in 18 months or so when they want to renegotiate and the banks don't want to know?"

Of course, football's income has been turbo-charged by the desperation of television to claim Britain's most-watched sport. The Premier League is distributing a mighty £2.7 billion, mainly fuelled by BSkyB, in which News Corporation, parent company of *The Times*, owns a 39.1 per cent stake, among its 20 clubs and the FA is taking £425 million from ITV and Setanta. They are record numbers and likely to remain so, with advertising revenues plummeting at ITV and Sky, the BBC under constant scrutiny and Setanta not yet an established



force in the marketplace.

“People will be thinking about some of the big contracts as early as next

year and you have to think that sort of money will not be around again,” Mesher said.

But it is not just football that could suffer. Golf, cricket, horse racing, athletics, every sport will feel the pinch. Eddie Reid is watching the chain of events unfold from TGI Golf, his business supplying equipment to golf professionals. “We hear that the Americans have deserted the courses in Ireland and the rest of Europe,” he said. “They are already struggling, as are golf equipment manufacturers.”

Golf, a high-spend, international sport even for amateurs, could be among the worst hit. Dr Andrea Sartori, an expert in the golf economy, said: “An industry has been built around selling second homes at golf resorts in places like Spain, Portugal and Dubai and that will dry up.”

The sunlit courses go quiet and the roar of Formula One engines could be muted, too. The most dollar-fuelled sport on earth is tightening its belt after realising that spending on ever more esoteric technology has to end. It may have some of the most prominent names in banking on its cars — the Royal Bank of Scotland and Santander, of Spain — but this season alone, the Super Aguri team have gone to the wall and Scuderia Toro Rosso is up for sale and the FIA, the governing body, has ordered rigorous cost-cutting for next season.

Some teams have already had the wake-up call: hours after Adam Parr, the chief executive of the Williams team, admitted that Formula One team budgets were “a lot of money that can be addressed with one swish of the red pen”, he discovered that the Icelandic Baugur Group — one of the team’s biggest sponsors, with the logos of Hamleys, the toy store, All Saints and Mydiamonds.com on the Williams cars — was struggling to dig itself out of the mire.

Each tick of the clock seems to bring a new victim. Some are household names, such as JJB Sports, Wigan Athletic’s leading sponsor, which is shutting stores and slashing jobs, while others, such as Baugur, are unknown, but their fates are crucial to the survival of a club or sport. Only time will tell but for some, time could

be running out.

‘West Ham have been restocking their replica shirts after the demise of XL’

Dash for cash: how the business end of sport made its millions

- The Premier League's first sponsor was Carling, the brewer, which paid £3 million a season from 1993; Barclays pays about £22 million a season for its sponsorship deal up until 2010.
- Formula One was the first sport to exploit corporate entertaining with its Paddock Club, founded in 1984 as a champagne extravaganza that is copied around the world. Tickets sell for up to £2,000 a plate.
- Stanley Matthews, one of England's first marketable

football superstars, was paid a magnificent £20 a week to wear boots sold by the CWS Co-op Group; David Beckham's boots deal with adidas is worth £3 million a year.

- Shirt sponsorship was slow to take off in English football until Liverpool signed with Hitachi in 1978, although lowly Kettering Town lay claim to being the first team with sponsors after the mercurial Derek Doogan, the former Wolverhampton Wanderers player, put the name

of Kettering Tyres on the team's shirts in 1976, causing a storm at the FA.

- Replica shirts are big business, nowhere more so than in football. Newcastle United made £250,000 in sales on the day that Alan Shearer signed for the club in 1996.
- Formula One plunged into the search for sponsors as early as 1968 when Lotus shocked the sports world by painting its car in the colours of the Gold Leaf tobacco brand. The idea soon

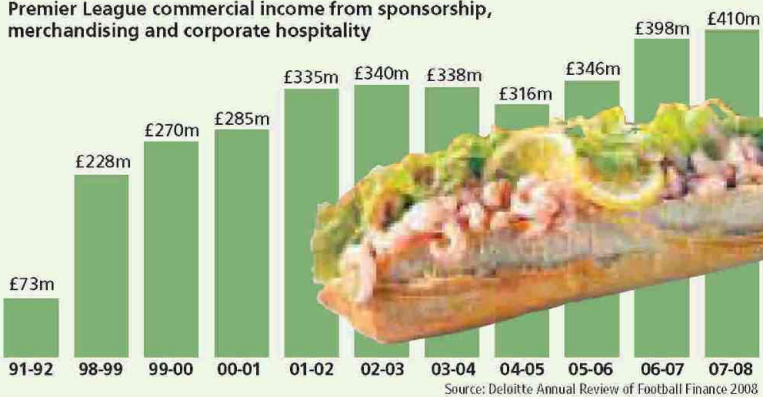
caught on and the sport is estimated to rake in £1 billion a year from sponsors.

- Television companies are the biggest paymasters in sport: NBC paid \$3.5 billion (about £2 billion) for the broadcast rights to five Olympic Games, summer and winter, from 2000 until the Beijing Games in August. The Premier League has broadcasting contracts worth £2.7 billion, the biggest single deal with Sky, worth £1.3 billion.

Words by Kevin Eason

Cashing in on the prawn sandwich brigade

Premier League commercial income from sponsorship, merchandising and corporate hospitality





Market crash: the Baugur Group's logos on Williams cars, from Hamleys to Mydiamonds.com, could soon be a thing of the past as the Icelandic investment group restructures its finances