



A New Era for Endorsement Deals? How the Coronavirus Is Changing the Playbook for Sports Brands and Athletes

By Neil Weilheimer

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When the organizers of Wimbledon, the most prestigious event in professional tennis, last week [nixed the tournament](#) due to coronavirus-related health concerns, it was a costly cancellation for brands, who bank on launching splashy ad campaigns and gain from increased on-court product visibility.

But it also hurt the players, who, in addition to potentially earning championship prize money, stood to win lucrative bonuses, future sponsorships and possibly a shot at their own shoe line after competing in the tournament that was to be held in London this summer.

The canceled or suspended seasons of most major athletic events — from the Summer Olympics in Tokyo and Major League Baseball to NBA and NHL play — has upended the world of sports contracts.

By all accounts, the endorsement business is about to change, with lawyers poring over every existing and future contract.

“Every contract is being reviewed and renegotiated. Everyone is trying to manage their cost base,” said one sneaker brand executive, who asked to remain anonymous since the exec’s company signs athletes. “That is the game for brands. They say, ‘My revenue is compromised, so the only thing I can do is to execute really good financial management and reduce my costs during this time.’ That would include athlete contracts.”

Some endorsement deal experts say the enforcement of current contracts hinges on the originally negotiated wording regarding what’s covered and what’s not covered.

DMA United's Marc Beckman, who has worked on contracts for NBA All-Star Russell Westbrook, said that only some endorsement deals are contingent on an athlete's performance.

"If Russell is working with a fashion brand for a public appearance, it's not relevant if he's on court or not," said Beckman, the founder and CEO of the advertising agency.

Still, some sportswear giants that already paid large sums of money to athletes may feel that in the current climate they aren't getting the same level of visibility they had expected.

To that end, athletic brands such as Nike and Lululemon [are activating their athletes](#) in other ways, for instance, asking them to create fitness-focused content.

Whether that translates to product sales — often a piece of the bonus incentive in athlete contracts — remains to be seen.

In fact, one analyst said the lack of sports wouldn't impact sales at all.

"Sporting events do not move the market in athletic footwear, and so I do not believe their absence will either," The NPD Group senior sports industry adviser Matt Powell wrote in a recent note. "Sports marketing will take a minor hit with these event postponements. The bragging rights of MVPs or league championships always bring additional exposure to a brand. But that kind of exposure does not manifest itself directly through consumer behavior. Instead, its value is more of a long-term brand-building tool. So the lack of brand exposure will not hurt much in the short term."

Still, for brands such as K-Swiss, a midsize tennis lifestyle label, the cancellation of major sporting events throws off its well-orchestrated marketing strategy.

The California company had designed new collections with a Wimbledon color scheme and ad campaigns for the tournament. It was also banking on its paid athletes — rising talents Ajla Tomljanović and Cameron Norrie — to be featured in the campaigns.

Despite the apparent setback, K-Swiss president Barney Waters said he isn't considering retooling the players' existing endorsement deals.

"Athletes today are brand partners. They think like entrepreneurs, and that is a shift from simply wearing your logo," he said. "They are looking to build their brand by leveraging your audience and reach. They are thinking like a brand builder now. If you have that, the TV or event being switched off isn't the end of the world."

In fact, Waters said that while many bigger companies might aim to pull back on their contracts, it could hurt in the long run.

“Even if you get a win now and save a few dollars, it might only be a short-term financial win,” he said. “You are going to have a long-term loss in that relationship, with their agent and in goodwill. Any athlete dollar you take off the table now is not going to be forgotten.”