



Coronavirus Stopped All Sports. Will it Crush Sports Marketing This Year?

By James Hercher

March 13th, 2020

American pro sports came to a screeching halt on Thursday, with the NBA, NHL and Major League Soccer each suspending season play, and the MLB pushing back spring training and opening day games. The ATP, the US pro tennis organization, cancelled all tournaments for the next six weeks.

The cascade of postponements started Wednesday night, when an NBA game was abruptly cancelled with all fans in attendance, while both teams were quarantined in their locker rooms after a player's COVID-19 test came back positive.

“What the NBA did was really very responsible,” said Edward Schauder, a sports industry attorney for the law firm Phillips Nizer. He said the NBA and other leagues had been preparing to play games in near-empty stadiums – an unappealing idea but one that might preserve hundreds of millions of dollars in potential sponsorship and advertising dollars, even if team owners gave up ticket sales and merchandise vendor earnings.

The leagues may have been able to hold sponsors near their original rate, since the games would still have been broadcasted, Schauder said. NBA commissioner Adam Silver, who quickly postponed activity league-wide after the first player infection was confirmed, is hedging bets by preserving player and fan safety (and avoiding potential negligence charges if viral breakouts were confirmed at NBA games).

“If it's a few weeks, they can still play a full season – no harm, no foul,” he said.

There is reason for optimism, since the postponements and cancellations are mostly tied to social responsibility issues, not an economic breakdown or something damaging to the sport, like a steroid crisis, said Ben Shapiro, founder

and CEO of Pivot Agency, a sports marketing agency. There will be “pent up demand” for sporting events once the country has recovered, he said.

On the other hand, if the virus extends into the second half of the year, it could be a crippling blow to US sports, Schauder said. It’s already likely that the Olympics won’t happen this year. But if the NBA and NHL cancel their seasons, not just postpone them, it would mean giving up on the playoffs – when they earn most of their ad revenue – and significant refunds to sponsors and advertisers.

So, what happens to sponsorships?

Every contract is different. But any pro sports sponsorship deal likely includes a Force Majeure clause – provisions that protect against unforeseeable and uncontrollable events, what in the insurance industry would be called an “act of god.”

The COVID-19 pandemic certainly qualifies – though typical Force Majeure cases in sports are natural disasters, storms or things like electrical blackouts that disrupt broadcasts.

If seasons are called off, brands will be refunded or given other contractual provisions that are set in their Force Majeure clause, Schauder said, like credits to roll forward the sponsorship dollars for next year or rights to certain replacement inventory.

Pro sports have more flexibility. The NCAA’s March Madness basketball tournaments are immovable. Not just because of the name, but because the NCAA takes out TV air time and space in arenas and hotels years ahead of time, and that just can’t be pushed back later in the year. NBA teams control their own stadiums and TV networks.

Pro teams and leagues have alternatives for making good on sponsor investments, even if games are cancelled, said Riccardo Tafà, Managing Director of the agency RTR Sports Marketing. They can put players in media and social media content as a way to generate impressions and visibility until games resume.

Who loses?

Brands prefer to be sponsoring sports games, but they are at least protected from meaningful losses due to cancellations.

Leagues and broadcasters with TV rights collect insurance. Though the leagues will suffer. NBA executives told team owners to brace for hundreds of millions of dollars in losses during a conference call on Wednesday, [ESPN reported](#). And that was when games were going to be played in empty arenas, before the season was halted entirely.

The ill luck may fall hardest on athletes.

Brands get paid back when they miss games. Players don't get paid.

Players unions do huge financial planning campaigns with athletes when they know a significant amount of the season may be cancelled, because it's usually a lockout over a contract dispute with the league, Schauder said.

Team contracts and even endorsements often pay per game, sometimes with an upfront guaranteed check. Which means now many players aren't being paid at all.

That's an opportunity for a digital media startup like OpenSponsorship – a platform where brands and athletes connect on social influencer campaigns – but brands are in a holding pattern, Anand said.

Done deals between brands and tennis players for Wimbledon or the NBA playoffs now may fall through, she said.

Some brands will hopefully see their sponsorship partnerships as more of a two-way street, and find ways to stick with athletes and leagues instead of hitting pause, Tafà said.

Doping or cheating scandals are a reason to drop sponsorship commitments, he said. "But this Coronavirus thing is nobody's fault."