

Man Utd, Aon execs on risks, sponsor deals

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Reactions

Aon, sponsor of Manchester United Football Club, invited Reactions to a roundtable with senior figures from both organisations to discuss the business risks faced by global brands, and the nature of sponsor partnerships, to coincide with the opening of the football club's new Aon Training Complex.

As football clubs go, Manchester United has much experience of insurance sector sponsors – with both good and bad form. The soccer club's partnership with Aon, its principal sponsor since 2009, has been a successful relationship. The club's previous shirt sponsor – American International Group (AIG) – not so much.

The UK football club signed a new £160m (\$240m) eight-year sponsorship deal with Aon in April 2013, through which the world's biggest insurance broker will sponsor the club's state-of-the-art updated Carrington training facility, rebranded the Aon Training Complex.

The global sports brand has learned to be careful before choosing which commercial partners to work with, looking at two main aspects, Richard Arnold, group managing director at Manchester United, who manages the commercial side of the football club, told Reactions.

"The first is a management team with ambition and vision, and that we can form a deep bond with, and certainly with Aon that is something we've found," said Arnold.

"Secondly, as a business we believe that the work we can do with our own performance means that if they are not already number 1, they can get there. Aon is already number one in its field. So when choosing our partner with Aon we landed on our feet," he said.

When it came to the previous deal with AIG, Arnold said the football club had considered another firm as its principal sponsor, but picked the insurer – which required an \$182.3bn bailout to stave off collapse during the 2008 financial crisis.



"The AIG appointment was interesting to dust off the due diligence requirements," said Arnold. "It was 'triple A' rated, and I think the single largest balance sheet of any company in the world. The other company we were looking at...was considered higher risk."

"We found ourselves in a situation where one of our largest single income streams was looking wobbly. It had ramifications, and we had a diversified risk appetite across commercial partners even prior to that. You are better having several people adding up to a given number rather than one," he added.

Manchester United has stacked up several sponsor deals recently. The new Aon training partnership follows a \$547m agreement last year with US carmaker Chevrolet seven-season sponsorship of the club's playing strip, replacing Aon in that role from 2014. The club also holds deals with Nike, online gambling company Bwin, Party Digital Entertainment, and Indian beer company Singha.

"People can see these sponsorship deals in one line," Greg Case, Aon's president and CEO told Reactions. "But Manchester United has really been a way to magnify Aon United, and we believe it's done that. It's about a global brand and United is the platform."

Both organisations have global reach, something which Case was keen to stress. Among football clubs, Manchester United has the world's biggest football fanbase, with its 325m fans across Asia Pacific, 173m across the Middle East and Africa, and 71m in the Americas, and 90m in Europe.

"Our positions in Asia and Latin America were already substantial," said Case. "We already had reach into those markets but the word Aon was not known. It's been a very natural step. Now Aon is known; now a lot more people

can see it and want to understand more about what we do.”

The new training sponsorship deal reinforces the first stage of the partnership, he suggested.

“We’ve already reached into those markets, so for us the sponsorship of the training facility and what we do with the foundation really reinforces that beyond just being on the shirt,” said Case.



Aon had global revenues of \$11.5bn in 2012, making it the biggest insurance broker in the world, and turning a profit of \$993m. The broking and risk management group has around 500 offices and 65,000 staff across 120 countries.

Last year Manchester United had revenue of €395.9m, valuing the business at almost \$3.2bn, posting £17.2m (\$28.2m) net income for the fiscal year ending June 2013. Arnold describes the main risk faced by the global football club, founded in 1878, as one of maintaining continuity.

“The sense that it is very much an asset in trust for you weighs very heavily on the shoulders. We’ve talked about succession

plans. Going back 20-30 years, the people in my role are still connected with the club, we still see them around, and we’re back to that sense that you know you’re going to pass the job on to someone else, and you’d better leave the club in better shape than it was given to you,” he said.

In August 2012 the football club made its initial public offering (IPO), listing on the New York Stock Exchange. The sale offered 16.7m shares at \$14 each, representing about a 10% stake in the club.

“It goes to the key part of our business risk: ongoing continuity and making sure that our plans are in place, so that whatever happens, we are well set: be that capital, such as the work done underwriting our IPO to make sure that was well positioned; be that the work that we do on risks associated with 80,000 people in one of the most high profile venues around the world; and the risks associated with players,” said Arnold.



“These are very young, very well known, very high profile; everyone knows where they are on a Saturday afternoon. There’s a lot of risk that comes with knowing that assets are well maintained. Then there are the day-to-day risks run that are the same as for everyone else: making sure that we are looking at our reputational risks. Aon do a lot of work on that, whether its directors’ and officers’ protection, or for our financial reporting – particularly now that we’re listed,” added Arnold.

The club learned from its experience managing the reputational hit caused by AIG’s near collapse in 2008 – the club was contractually obliged to wear the tarnished brand on its shirt throughout the 2009-2010 season on the pitch.

“From a handling perspective, I think the important thing, by definition of being a partner, is to try to find out what the

truth is. There are a lot of things that are published, or rumoured, or tweeted which are not true," said Philip Townsend, Manchester United's group communications director.

"I think the key question is whether we have a locus in this. Are we just feeding a media frenzy by getting dragged into it, when actually it has no feed across to our business at all?" asks Townsend.

"A lot of times, in order to keep the story going, because of the nature of media, the papers need something for the following day, so will ask about updating the commercial relationship and what do Man United think about this. If we don't have a locus in that story, then stay out of it. But the key thing is to work with the partner to find out the truth," he added.