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Naming-rights metric gives the edge to Cowboys Stadium

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THE LEFTON REPORT

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Even though it's the most expensive single ticket in a sports marketer's arsenal, like so many things in marketing, naming rights are bought on faith. Faith that brand recognition purchases will escalate. Faith in the facility and the team or teams within.

Quantifying return on investments is thorny. As naming rights became a convenient target during the economic meltdown, politicians tried to characterize them as nothing more than the corporate equivalent of a vanity license plate. They ignored the media budgets of many of those same brands, which exceed the price of entitlement. The presence of TV ratings helps justify the absence of economic pressure on media budgets, at least relative to sponsorship budgets.

Since TV ratings merely tell you that a TV is on, what about an entitlement metric? All we've seen over the years are numbers based on analyzing media exposure. Rob Prazmark's relaunched 21 Marketing has come up with the 21 Empirical Solution, an entitlement evaluation system, based on Monte Carlo modeling within Oracle Enterprise Performance Management software, that runs hundreds of thousands of simulations to formulate an evaluation. Now, we're not saying these are perfect, but they do add discipline and metrics to a business in which those elements have been lacking. Perhaps the most salient point is that the numbers on which hundreds of millions in sports media are sold are far less than perfect.

With that in mind, we asked Prazmark and Dany Berghoff, 21's vice president of business development, to run evaluation numbers on some of the biggest stadiums without corporate nameplates: Jets/Giants, Cowboys and, just for kicks, new Yankee Stadium.

The resulting numbers provide not only a metric that has been largely absent, but an intriguing means for making comparisons.

This method assigns value to a list of distinct factors and runs 100,000 simulations to formulate value. Those "buckets" include national and international TV exposure (not regional); exterior exposure; on-site exposure for attendees; ad campaigns; local TV and radio broadcasts (home and away); editorial coverage (print and online); team publications; collateral material; direct mail, Internet, community and partner promotions; image association in ad campaigns; and hospitality.

NEW MEADOWLANDS STADIUM CO. (top); BUD FORCE

The evaluation system of 21 Marketing puts the expected value for Jets/Giants (top) naming rights below those of Cowboys Stadium.

One of the things we've been postulating, without being able to quantify it, is that an entitlement deal at JerryWorld, as some have taken to calling the new Cowboys facility, holds more value than the new home of the Jets and Giants, even with half the number of NFL contests. The numbers from 21 Marketing support that postulation. Assuming three playoff appearances and one Super Bowl over 20 years, it assigns a median annual value to naming rights for Jets/Giants at $67 million, with a minimum value of $63 million and a maximum of $71.7 million. With an assumption of four Super Bowls and three Final Fours over 20 years, Cowboys Stadium is valued at a mean annual $89.8 million, with a range of $83.7 million to $97.5 million. That includes an annual Cotton Bowl. With the assumption of just two Super Bowls and two Final Fours in 20 years, the value is a mean annual $81.1 million and a range of $75.7 million to $87.9 million.

"The big difference in value is the Super Bowls," Prazmark said. "The Cowboys are holding out for their price, but they really need to get something done before next year's Super Bowl."

Cowboys Stadium.

We don't believe the Yankees are selling entitlement any time soon. However, with a model that assumes seven World Series and 15 playoff appearances over 20 years, New Yankee Stadium has a mean annual value of $72.4 million, and a range of $68.4 million to $77.2 million.

As for the intangibles that froze the entitlement market a year ago? "Naming rights have been around at least as long as Wrigley Field," Prazmark said. "They are coming back as the economy does."

Adds 16W principal Frank Vuono, who did the entitlement deal for the St. Louis Rams' Edward Jones Dome: "The value hasn't diminished. You could make the case that as TV ratings have jumped this year, naming rights in NFL stadiums are worth that much more."

Premier Partnerships got victimized by the perception/reality factor last year when Verizon backed out of a naming-rights deal for the Oakland Coliseum, feeling it was incongruous to lay off employees while buying a building name. Now Premier's Randy Bernstein says he's had one additional offer on Oakland, which was turned down by the commission that controls the building.

"Overall, the marketplace is very active again," he said. Bernstein's is one of a handful of agencies in the mix to sell naming right for Rutgers' renovated football stadium. "The 'for sale' is out again," he said, "and you will see even some of the largest facilities do deals this year."

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