

WORLD

FIFA Corruption Scandal Pressures Soccer Governing Body's Sponsors

Corruption indictments against FIFA officials leave corporate sponsors pondering whether to back away from a uniquely powerful marketing outlet



Coca-Cola's sponsorship deal with FIFA is worth about \$25 million annually. *PHOTO: PEDRO UGARTE/ AGENCE FRANCE PRESSE/GETTY IMAGES*

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The corruption scandal engulfing FIFA is stoking long-festering concerns among corporate sponsors about soccer's top governing body, but the marketing power of the world's most popular game is so great that severing ties wouldn't be easy.

World soccer offers an unrivaled platform for brands to get their messages out in emerging markets that are vital sources of growth. Even as many FIFA sponsors have advertised their concerns since U.S. prosecutors this week released an indictment

detailing broad corruption charges against 14 people linked to the organization, none so far have said they are pulling out of their deals.

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Credit card giant Visa Inc. said it wants sweeping changes at FIFA and could otherwise end its agreement, which runs until 2022. Other top sponsors such as Adidas AG and McDonald's Corp. expressed deep concerns, while Coca-Cola Co., which has been a FIFA sponsor for more than three decades, said in a statement the controversy "has tarnished the mission and ideals of the FIFA World Cup."

"Companies get squeamish [about doing business with FIFA], but it's all about the business," said Rob Prazmark, who has negotiated FIFA contracts with companies through his Greenwich, Conn.-based sports-marketing agency 21 Sports & Entertainment Marketing Group Inc. "Does the upside potential outweigh the downside risk? The answer is yes."

A FIFA spokeswoman told The Wall Street Journal in an email that the federation shares the concerns of its commercial partners.

"We certainly understand the concerns of our commercial partners related to the events of the past few days and we are completely aligned with them in our belief that this type of wrongdoing and misconduct has no place in football," a FIFA spokeswoman said in an email. "As the public nature of these events clearly impacts the perception and

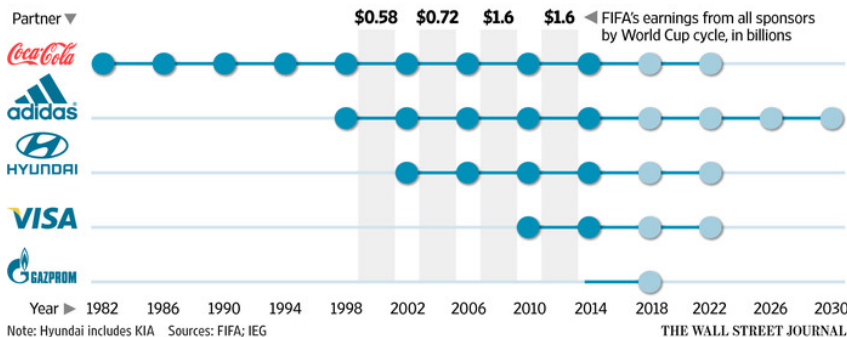
reputation of FIFA, it is only normal that our commercial partners express their concern.”

She added “It is our responsibility to ensure that our sponsors have a strong understanding of our commitment to rooting out wrongdoing in football and the specific concrete steps we are taking to achieve this.”

Many sponsors have stuck by FIFA for years—decades in some cases—despite persistent allegations of corruption and misconduct inside the organization. This year alone, FIFA has faced controversy over everything from alleged abuse of migrant laborers building soccer stadiums in Qatar to bribery in the bidding to choose hosts of the quadrennial World Cup.

Paying to Play

FIFA has dozens of sponsors, but designates its top marketers as ‘partners.’ Competition for that status generates billions in revenue for the organization. Here are the current partners and their years in the program:



In 2011, the organization began investigating two of its own members on bribery accusations. A handful of sponsors including Adidas and Coca-Cola issued statements of concern after the incidents, but didn't end their agreements.

FIFA collected \$1.6 billion in sponsorship money in the four years leading up to the 2014 World Cup, nearly half of which came from its six top “partners,” according to research firm IEG, a unit of ad giant WPP.

Those figures don't include the hundreds of millions of dollars the six companies—Coke, Adidas, Hyundai, Emirates, Visa, and Sony—spend to advertise on telecasts of soccer matches. Overall, FIFA took in \$5.72 billion in the 2014 cycle.

The complaints from corporate partners add to the pressures facing FIFA's embattled president, Sepp Blatter, as he prepares for a vote on Friday to secure his re-election. Officials including U.K. Prime Minister David Cameron and Michel Platini, the president of Europe's top soccer body, have called on him to resign.

For the companies, there are obvious perils to continuing to associate with an organization that is involved in such sustained controversy. Big brands routinely have had to make such calculations, and they don't always end with the same conclusion.

Many sponsors distanced themselves from Tiger Woods after revelations of his marital infidelities. Last year, sponsors stuck by the National Football League when it was in the cross hairs for the Ray Rice domestic abuse scandal.

Some sports marketing experts said that companies have likely been willing to turn a blind eye to FIFA's problems because the World Cup is so important for companies needing to reach global audiences.

"It's like the NFL with the Ray Rice situation," said Bob Williams, chief executive of Burns Entertainment and Sports Marketing. "The NFL sponsors walked the tight rope and stuck with the NFL because the benefit of the NFL is so large. The World Cup is also so important and they [sponsors] don't want to see that go."

A former Coca-Cola executive familiar with FIFA dealings said the beverage giant should team up with other sponsors to take a hard line and demand action, including Mr. Blatter's removal.

"They should be immediately convening with other sponsors and deliver a very firm, unified message to FIFA that enough is enough," said the former executive. "You need total change."

Mr. Blatter said Thursday that he was committed to rebuilding the image of the organization.

FIFA didn't immediately respond to requests for further comment.

Visa said FIFA needed to rebuild "a culture with strong ethical practices in order to restore the reputation of the games for fans everywhere."

"Should FIFA fail to do so, we have informed them that we will reassess our sponsorship," the company added.

Even before this week's developments, sponsors' concerns with FIFA were building as allegations of improper conduct inside the organization surfaced over the years.

Johnson & Johnson was so concerned that it tried to insert a "morals" clause in its contract for the 2014 World Cup—language that essentially would let the company pull out of a sponsorship arrangement if FIFA's reputation were badly damaged, according to people familiar with the matter. FIFA refused.

A FIFA spokeswoman declined to speak about specific contracts but said FIFA

agreements contain a pledge to adhere to the anti-corruption regulation of the Swiss Federal Law on Unfair Competition.

A J&J spokesman said the company reviewed its contract following the World Cup and opted not to renew it for business reasons.

Marketing executives at Coca-Cola have had numerous conversations with FIFA officials on controversies that have emerged over the years, including allegations of irregularities in the bidding process to select hosts for the 2018 and 2022 World Cup tournaments, according to a person familiar with the matter.

Coke “pressed them to restore the trust in the FIFA brand because their brand was hurting Coca-Cola’s brand,” the person said.

Some FIFA sponsors have discussed how each was handling the fallout of FIFA-related controversies and to plot how to respond, said Maarten L. Albarda, a former Anheuser-Busch InBev marketing executive.

“We had plenty of conversations around World Cup and FIFA that we didn’t like,” he said.

Last year, Sony decided not to renew its FIFA sponsorship, an eight-year deal valued at over \$300 million, partly because of the controversy around 2018 and 2022 World Cup events, The Wall Street Journal reported. Emirates had ended its contract shortly before Sony.

In 2006, longtime FIFA sponsor MasterCard sued FIFA for disregarding the company’s right-of-first-refusal to renew its sponsorship and instead negotiating a deal with Visa.

A U.S. District Court in New York found that “FIFA’s negotiators lied repeatedly to MasterCard” and used the company to get Visa to increase “its cash bid by \$30 million,” according to Judge Loretta Preska’s ruling.

“While the FIFA witnesses at trial boldly characterized their breaches as ‘white lies,’ ‘commercial lies,’ ‘bluffs,’ and, ironically, ‘the game,’” Judge Preska wrote, “their internal emails discuss the ‘different excuses to give to MasterCard as to why the deal wasn’t done with them,’ [and] ‘how we (as FIFA) can still be seen as having at least some business ethics.’”

MasterCard and FIFA reached a \$90 million settlement. FIFA denied wrongdoing.

The World Cup and Olympics are seen as the premier events to help global marketers win favor with consumers around the globe. And soccer is especially powerful because of its reach in fast-growing developing markets in Latin America, Africa and Asia. FIFA is also viewed as more friendly to advertisers than the Olympics, some marketing experts said.

FIFA deals are among the most costly sponsorships. Coke has a multiyear deal worth about \$25 million annually, according to a person familiar with the matter.

“There are very few marquee global properties that a marketer can activate across all the markets they operate in,” said Kevin Adler, chief engagement officer at sports-marketing firm Engage Marketing.

Marketing experts don’t expect many brands to end their association with FIFA, despite the harsh words from the Justice Department, whose indictment of FIFA officials describes the alleged corruption at the organization as “rampant, systemic, and deep-rooted.”

“I doubt any of the companies will pull out,” said Maarten L. Albarda, a former Anheuser-Busch InBev marketing executive, who has had dealings with FIFA.

—*Mike Esterl in Atlanta contributed to this article.*

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