

Bonuses, giveaways can raise profile without breaking the bank



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In these unprecedented economic times, traditional ways of doing business seem to be a thing of the past. But even when money is tight, visibility through effective marketing strategies still works. In the world of sports this means that your athletic sponsorships are more critical than ever. When an athlete does well, your company's brand is not only on display, but on display to your most desired demographic.

The question becomes, how do you get endorsement agreements with the caliber of athlete that will give you the impact you need, particularly since the economy is affecting your company's budget as well? The answer is twofold: contractual incentive bonuses and promotional programs.

■ Contractual incentive bonus

Simply put, this is the provision of one or more performance criteria that if accomplished, provides the athlete with additional financial rewards.

You may be wondering, "if the athlete hits the bonuses, don't I still have to pay? This will hurt me even more financially." The short answer to this is yes, and no. You can take this risk off your balance sheet, and out of your budget, by securing insurance to cover a bonus program.

Why should you offer bonuses and consider insuring them?

■ Most athletes have a sensory trigger that is activated when additional incentive is provided toward their success.

■ By offering additional financial incentives and increasing the likelihood of success, you are increasing the media exposure for your company.

■ Insurance stabilizes the maximum amount of your company's financial obligation, making a successful season a win-win scenario.

■ While such bonuses are typically considered a liability on your balance sheet until the season is completed, insurance allows you to remove these liabilities and frees cash for other items such as new marketing campaigns.

■ The cost of the insurance can usually be written off as a business expense.

So why would an insurance company take this risk? Insurance companies are still in the business to make money. They consider the likelihood of the athlete achieving the designated bonuses and price the risk accordingly. Needless to say, it wouldn't make sense to insure a bonus for driver Jimmie Johnson qualifying for the Chase for the Sprint Cup in NASCAR. Nonetheless, an equitable yet realistic bonus structure can make financial sense for all parties.

■ Promotional programs

When it comes to promotions, the first thing you may think of is a hole-in-one contest or a half-court basketball shot. While such promotions have been around for some time and can serve a specific purpose, many more creative, and effective, programs are available that will allow you to leverage your sponsorship. As with incentive bonuses, you can also insure the amount of the grand prize offered in a promotion to protect your bottom line.

To follow are additional reasons that promotions can make sense:

■ Such programs give you the ability to engage your customer base, thereby increasing awareness of your brand, loyalty and revenue.

■ Structured properly, a promotion can also gain national attention, which provides obvious benefits.

■ As with incentive bonuses, the liability associated with the grand prize can be taken off your books while the cost of the insurance can usually be written off as a business expense.

The recent Golfsmith promotion tied to Phil Mickelson's Masters victory is a great example of a creative — and insured — structure that had an extremely positive impact. By giving away hundreds of thousands of dollars of Callaway equipment, Golfsmith received the best of both worlds - tremendous publicity with minimized financial exposure. Many other promotional options exist, including those involving a team as opposed to an individual athlete. You may remember the furniture store promotion tied to the Red Sox winning the World Series a couple of years back that resulted in a lot of happy customers.

■ Image protection

Even companies that are successful in securing a high-profile athlete for sponsorship purposes can have challenges that should be addressed. As evidenced during the recent Tiger Woods situation, sponsors can suffer a financial loss should their athlete become embroiled in a scandal. The London marketplace has offered insurance protection for such occurrences for many years and it is being investigated by corporations now more than ever. The cover can be structured in a number of ways, contemplating an athlete's fee (if not addressed through a morals clause), marketing expenses and, in some cases, lost revenue.

Sponsors should always work with a qualified and experienced insurance representative that is familiar with such specialized niches. Work to create a strategy that is congruent with your organization's ultimate goals. And, finally, investigate the insurance options available with such programs. By doing so, you may discover an entirely new marketing platform that helps take your business to another level.

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