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Perspective

An Interview with Alan Pascoe

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Introduction

Alan Pascoe won European and Commonwealth Games gold medals as a 400 metre hurdler and an Olympic silver medal in 1972 as a member of Great Britain's 4 X 400 metre relay squad. After a successful career as an athlete he built his company, API, into one of the largest sport marketing companies in the world.

API has held the rights to events such as the European Athletics Championships and the Commonwealth Games. Their corporate clients have included Visa, Reebok, Lucozade Sports, Lloyds TSB, and Allied Dunbar.

In 1998 Pascoe sold API and formed a new company Fast Track, which has been appointed by British Athletics to run its televised sports events. Here he talks to Trevor Slack of De Montfort University about how he built API, the challenges he sees for Fast Track, and his views on some of the current issues confronting the sport sponsorship and marketing industry.

TS: Between 1984 and 1998 you built API into one of the most successful sport marketing companies in the world. Can you tell me how you were able to do this and what factors contributed to your success?

AP: Although I formed APA, Alan Pascoe and Associates, (as it was then) in 1984, in actual fact I had been in the business, working with a

company called MSW Promotions, for six years prior to this time. 1984 was a watershed in that at the end of 1983 I brought MSW from the owner and re-branded it as APA. As a result APA had an existing raft of business and 12 staff when we started out.

Some of those businesses would surprise people, because they were not sport related. For example, I did a huge series of road shows for Fisons Pharmaceuticals which promoted an anti-asthma product and probably that taught me more about the business than any other promotion with which I have been involved.

It was sort of a finishing school for me because we literally did everything ourselves from devising the promotion, setting it up, taking it on the road, organising the catering, and the demonstrations, right the way through to actually presenting part of the series, bringing in celebrities, doing all the press and PR and wrapping the whole thing up that night, travelling on the next morning, then repeating it all the next day!

We eventually did this for 28 venues. It still ranks as the most successful marketing and promotional campaign within the pharmaceutical industry in this country.

Apart from this, we went out and were very successful, very quickly, in establishing the company as the UK's leading operation. We beat out IMG and West Nally when we took a £3 million risk on the first British Athletics contract.

We also were successful in introducing Rotary Watches, who'd had a bad experience



Trevor Slack
De Montfort University
37 Lansdowne Road,
Bedford, UK
Tel: 01234 793268
Fax: 01234 793440
e-mail:
tslack@dmu.ac.uk



Alan Pascoe
Fast Track
4th Floor,
190-192 Sloane Street,
London SW1X 9QX, UK.
Tel: 0171-245-0206
Fax: 0171-245-0203

in motor racing, into ice skating, athletics, and basketball. It is still the highest profile the company has ever had and at the same time it established international televised ice skating competitions in Britain and set basketball on the road.

So we started off with some existing contracts and quickly developed a very broad base of business. Gradually I increased the number of the account teams and with that we were able to bring in further quality in terms of the people that ran those parts of the business for me.

So the key aspects of the company's development, in practical terms, were courage, good sales, calculated risk, and long hours of hard work. Behind all of that I always had somebody running the financial side of the company, Edward Leask himself an ex-Olympic sailing competitor.

Having Edward enabled me to be at the forefront of running the client side of the business, particularly in that first part of the development of what was originally APA and what later became API. It enabled me to stay very much up front with the clients, the media and the sports events. This was important both from a new business perspective, but also on a day to day operating basis.

From this early start we took the company forward and clearly established it as the leading company in the UK. But I recognised that sponsorship was increasingly going to operate on an international, if not a global basis, and so we set about building the company further and expanding it into an international operation.

This move was based on the clear belief that there was an opportunity to move to become one of the top three agencies in the world because there was a gap in the market. We went on to build a business that had 13 offices around the world, some of which were based on acquisitions of existing quality businesses, some based on major projects such as the Commonwealth Games.

This was an event that we took "from the dead" after the Games were held in Edinburgh in 1986, with no real commercial or television

income, to raise \$20 million in Auckland in 1990, \$40 million in Victoria in 1994, and a significant part of the \$80 million budget in Kuala Lumpur, in 1998, where we were responsible for both the international sponsorship and the television sales. So the growth in our international operations was based primarily upon either projects led offices or acquisitions.

The one exception was in South Africa. This was a "greenfield" start up led by someone I had known through sport who was a successful business man in his own right beforehand - Stuart Banner. Stuart started our operations in South Africa and has built it into what is now South Africa's leading agency, with offices in Johannesburg and Cape Town.

So I ended up with nearly 300 people based in 13 offices spreading from Vancouver eastwards to Hong Kong and down to South Africa. This made API the third largest sport marketing company in the world behind IMG and ISL.

TS: This year you decided to sell API and form Fast Track. Why, when you were so successful, did you decide to do this?

AP: Well, originally I always felt that the place of a major events marketing company was within the umbrella of a major advertising and communications group. This was partly because I believed that skills that, in the beginning, were only on the fringe of the sponsorship business, were increasingly becoming important as the business evolved, became more accepted within the marketing and communication's world, and thus more and more sophisticated.

Secondly, having grown rapidly and reinvested all the possible funds that we could as a private company, I recognised very early on that it was impossible to grow into a global agency within the resources, particularly the financial resources, that we had in the business.

In some sectors of sponsorship you are required to put up significant guarantees, espe-



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cially against rights ownership. As a result of these factors I'd originally sold into WCRS Group.

But we found ourselves in a position where WCRS changed overnight from a progressive advertising and communications agency that literally had offices throughout the world into a media house that was very much French-led and all of the other aspects of the business (other than API) were sold off. While there was some synergy there, it didn't work out, and when the holding company Aegis, (as WCRS had become) got into trouble, there was a "night of the long knives", and the senior management was cleared out.

The net of this was that we got the opportunity to buy the business back from Aegis, which we did. Again it involved taking a significant chance; we were at risk for over £5 million at the time. But in the three years that followed we still somehow managed to continue the expansion of the company out of our own resources.

At the beginning of that period we did particularly well. We churned all the money back into the business and then in 1998 sold to Interpublic on the basis that API was going to be the foundation of their events marketing division.

However, it soon became clear that whatever had been discussed during the courtship once we signed contracts the attitude changed, partly because they had also purchased Advantage International and were merging the two companies into a division called Octagon. So I took the opportunity, rather than continue on a five-year earn-out, which we had been on, to negotiate a price for my shares, to get out there and then.

I started this process not knowing what I was going to do next. I was in a position where I could have retired but decided that I was still enjoying the business a great deal and that there was too much opportunity out there to stop at this stage!

I was also given the opportunity when leaving Octagon to take the British Athletics contract with me. The sport had administrative

problems and was in a dire, desperate mess both in terms of its organisation and the fact that the events it was putting on had regressed rather than evolved since I had stopped being involved six or eight years before.

So I decided that as a result of this opportunity I would form a new company and created Fast Track with four staff who left with me and four new people on short term contracts, two of whom were post-grads. We set up Fast Track as the base of a consultancy group which would initially look for consultancy from federations (and British Athletics immediately filled this sector), other agency groups and for major corporations.

However, I have dedicated the whole of this past summer to trying to get British Athletics back on its feet. As a result we have certainly made some major changes to the events, to the presentation and to the public's perception of the sport, but we will only really achieve our objectives if Fast Track can find a "White Knight" sponsor, as I term it, that we are now seeking for the sport. If we do that then it will give us a good chance next year to set the whole sport on a firm footing for the beginning of the new millennium.

TS: In addition to getting this "White Knight" sponsor, what are the other challenges you face?

AP: The other challenges are completely self imposed. What I wanted to do was to be far more hands-on.

The biggest issue with Octagon was that I could see myself becoming a sort of mandarin of the business, locked away in an administrative ivory tower. This would mean I wouldn't have the chance to get very close to staff and particularly to the clients and as much as I enjoyed building API into one of the top three agencies in the world, I was desperately missing being hands on-with clients and projects. This is the bit of the business that I felt I was best at, yet I was spending little or no time doing it and that was really what was behind the decision to leave Octagon.

So the challenge now is hopefully to find a major corporation or two that wants its sponsorship reviewed, or wants some advice as to how to get into sponsorship and then to implement all of that for them. Also perhaps to work with another agency group as well.

Now the way of these things is that what comes in through the door is usually different to what you originally thought that it would be, but it is going to be fun finding out!

TS: I imagine that when you first got involved in sponsorship you spent a lot of time having to educate managers about what sponsorship could do for their company. Has this changed over the years?

AP: That was very much the case. From the mid '80s through to the '90s every other company that you went into, the person you dealt with had no real experience in sponsorship.

So it was a straight selling job. "Can sponsorship do a better job for your company/product with the last five or ten per cent of your marketing communications budget than just spending that in straight above the line advertising," was often a line we used at the time. Since then, while the process obviously hasn't changed overnight, it has gradually got to the point where very few companies, particularly those spending significant monies, now have no experience in sponsorship.

In terms of their own experience, the people that are handling their company's sponsorship portfolio are getting to the stage where they know more about the sponsorship business than some of the people in agencies. As a result you now have to keep right on top of things and really understand the way sponsorship can work within a corporation, particularly if you are looking to work for one of the top companies.

I should say, however, it is not just the top companies that are more knowledgeable. The overall understanding of sponsorship, its opportunity benefits and potential pitfalls, are much more understood throughout corporations, which is great because the whole indus-

try has become much more professional.

Sponsorship has become more research based and more quantifiable. The challenge to the industry as a whole and particularly to the agency side of it is to be able not to just keep up, with this trend, but to continue to lead the way.

TS: You just mentioned when you started you were trying to leverage the last five to ten per cent of the total marketing communications budget into sponsorship. Has the percentage of their marketing communications budget that companies are spending on sponsorship increased over the years you have been involved?

AP: I think there are so few really big sponsors that it's difficult to talk about an average and a trend. I don't think the average has changed enormously. The number of companies that buy into a major sponsorship and then despite all the lip service, actually integrate that across the whole of the communication's spectrum is very small. Hence the percentage truly related to sponsorship tends not to be that high.

Those that could allocate very substantial sums, not just on the sponsorship rights, but around the sponsorship are so few and far between that it is very difficult to generalise: one or two companies are probably spending 20 to 30% but that is by no means the norm. I think you have to look at sponsors like Carling (the sponsor of Premier League football in England) and the Olympic sponsors to see companies that are spending substantial portions of their budgets in sponsorship, but from the industry's point of view, not enough!

Leveraging a sponsorship is still a completely under-developed part of the business and the understanding that you've got rights and then you spend a lot of money making it work is very much paid lip service to and not something that is followed through. But it's also a fallacy that you have to spend new money on leveraging.

If the sponsorship property is right for the

company and it's fully supported throughout that corporation (which is an issue in its own right) then it's not an allocation of new budgets, it's a re-distribution of existing budgets to support and maximise the rights purchased. Whether it be spending to promote the sponsorship with your own staff, to opinion formers, to consumers, or the trade, all departments responsible for these areas should allocate budgets to support the sponsorship.

So it doesn't have to be a new budget: it should, if it's going to be properly integrated, come out of existing budgets. That opens the debate of what should be included in the number when a company is asked how great a percentage of their budget is allocated to sponsorship. Some lump everything in, others just quote the entry price as they would be spending the promotional/support budget anyway.

TS: What impact have phenomena like broadcast sponsorship and cause related marketing, had on the sports sponsorship business?

AP: I think broadcast sponsorship has had a major impact on the business. First, it has taken a lot of money out of event sponsorship and, second, it is an area that's very much the domain of the media agencies. Very few traditional sponsorship agencies have cracked broadcasting sponsorship at all, and for those of us that did, it wasn't financially meaningful by comparison to the mainstream rights-led sponsor deals, these are still dominant.

TS: What about cause-related marketing?

AP: My experience is that this has not impacted on our business, particularly the UK business, to the same extent that it has in North America, but certainly my experience is that support for cause-related marketing has tended to come out of the charity budgets. Increasingly companies are looking at the way charity budgets are spent and the redirection of what were originally donations into cause related activities. This is good news for the

sponsorship business as it is increasing the total volume of spend.

TS: Consumer markets are becoming increasingly fragmented and consumers are becoming increasingly more sophisticated in the choices they can make. What challenges does that pose for sports sponsorship?

AP: I think the fragmentation provides a major opportunity for the big events because the big events will become an even more important tool to the network broadcasters as a means of pulling the very fragmented audience, as we have seen in the US, back onto the major networks. Likewise it will be increasingly important in the UK for terrestrial broadcasting outlets to have a very diverse portfolio.

We have seen the recognition of this recently with ITV investing very heavily in the Champions League and in Formula One. We have also seen BBC realising that despite having just spent 18 months reviewing its news output they could have used that time better by reviewing how more of their licence revenue could be spent, particularly in sports, to pull the audiences back to their screen.

TS: In recent months we have seen a fairly big economic downturn in Asia. We have seen stock markets taking a roller coaster ride in North America and Western Europe, what impact does this have on the willingness of major companies to get involved with sport sponsorship?

AP: I think by and large the bigger companies ride through these economic upheavals as far as their sponsorship and advertising is concerned. This perhaps indicates that sponsorship is still a relatively small part of the overall communications budgets. I think marketing wisdom suggests that no matter what the extent of the recession, companies have to continue to market and promote their products and the ones that don't are going to get into much bigger trouble than the ones that do.

So in theory economic ups and downs shouldn't affect sponsorship, but the initial decision about sponsorship is always a bit more emotive than that and so we will see some fall-out as a result of it. But I don't think the impact is going to be mammoth, providing we don't get into a 1930s depression. Of course, if we start getting mass unemployment then all of these decisions will be far more substantially reviewed by companies.

TS: We are increasingly hearing about the globalisation of world markets. Does this make the job of selling sponsorship easier or harder for you, in the sense that with the exception of a few of the very large companies, such as IBM or Coke, I would imagine it is very difficult to get generic sponsorship running in every country?

AP: There is an increasing move to international and global budgets and selling sponsorship on that basis is perhaps even more difficult than it used to be because there are so many more agencies that now have salespeople on the road who are going in and trying to sell their wares to that elite group of international and global sponsors. I think globalisation has actually increased the opportunity to sell on a regional basis and there have been a lot of missed opportunities by not thinking regionally.

To me, from a practical point of view, the problem is not so much to sell global sponsorships, it's the "not invented here" syndrome. That is to say you have to get support for a sponsorship throughout all the regions and all the divisions.

This has proved a testing task for many of the corporations and the agencies selling to them. Some have done it very well: Coca Cola is a case in point. I think IBM didn't do it well if you look at the re-invention of the wheel that took place between the 1992 Barcelona Olympics and the 1996 Olympics which resulted in near-disaster for IBM in Atlanta.

There are Olympic sponsors who very successfully sold on or sold through those rights

to either other companies they do business with or within their own organization. I am thinking here of the credit card companies and the banks that they work with.

Some parts of the sponsorship of the Olympics and the Football World Cup have worked very well, others have worked less so. I still feel, particularly with regard to Olympic sponsorship, that too many companies still put too much weight on the hospitality that they are able to offer.

Despite the fact that this has been very successful for some, I don't think others have got the maximum benefit out of their Olympic sponsorship. I'm sure this is a frustration to the IOC as much as it is to the companies themselves.

TS: Are you finding the companies are putting sponsorship monies into developing countries like China and India as an investment in what in the future could be a potentially very large market? Or do you find that they are still directing their efforts exclusively to the mature consumer audiences that you would find in places like Great Britain, the United States, and other parts of Western Europe?

AP: I think major corporations are desperately slow to recognize the value of sponsorship in some of the developing markets. I think China is a bit of an exception. Thanks largely to the IOC, one or two of the sports organizations and the efforts particularly of IMG, this market has begun to be brought into the loop.

We had our own experience at API in India for the last Cricket World Cup and whilst we found corporations that were interested to get involved, there was a deep suspicion of the methods in the local market place and the problems and constraints that this could bring about. So whilst the opportunity was recognized it seldom came to fruition. Nevertheless, I think there is a great opportunity in developing market places as sponsorship is a relatively low-cost medium but one which can have a lot of impact.

TS: You just mentioned when you were talking about the Olympic sponsors that you didn't think some of them exploited their sponsorship as much as they could.

Sponsorship has perhaps been traditionally seen as something that can improve a company's bottom line, but it would seem to me that there are other things that it can do. It can be used to generate a strong corporate culture: it can certainly be used to change an image, which may not, in the short run, directly influence the bottom line.

To what extent are you seeing corporations using sponsorship for other purposes than just a bottom line approach?

AP: I think it is very difficult to justify the sponsorship on bottom line alone, partly because no wise company spends all its money in sponsorship and therefore it is very difficult to fully ascertain what's driven the bottom line. The bottom line will come if you can use sponsorship to do things like change a company's image and get closer to the customer than advertising can ever do.

The classic example that I would quote is Lucozade in the UK. The initial transformation of the brand from one that was associated with being by the bedside of sick people into a sort of health and energy drink was created by advertising. The brand extension into Lucozade Sport as a drink to take after exercise to replenish minerals and so on was launched on the back of sponsorship and its continued development is still very much dependent upon the sponsorship element. So the sponsorship was about a complete shift of image which has led to a very satisfactory bottom line.

Also, in the case of Lucozade Sport, because of the type of product that it is, because it was so well-positioned (and I am pleased to say that because we did it!) and because the company was prepared to continually move with the times, it has managed to protect its sector dominance, in particular from Gatorade from the US, which made a couple of runs at it and eventually gave up in the UK market place.

So I think it's very important for the industry that sponsorship is not perceived by corporations as being restricted either to just branding exposure or to driving the bottom line. There must always be an element of what sponsorship is going to do to the bottom line but it's got many other opportunities if it's properly integrated.

TS: Often when we think about sponsorships we think of it as one company providing money to another organization for the rights to an event, a team or something similar. Are we increasingly seeing situations where there may be three or even more groups teaming up to do promotions?

I am thinking here of, say, a sports team which teams up with a consumer product, a soft drink or something like that and a retail outlet, for example, a supermarket. Here you get a situation where the supermarket will give prominence to the soft drink, the soft drink will sponsor the sport, the sport team will send athletes to the supermarket to sign autographs, to stand by the soft drink display and so on.

Are these sort of relationships becoming increasingly popular?

AP: They should be as a result of the full implementation of the sponsorship programme. The reality is that sponsorship programmes that are fully integrated and exploited are exceptions.

As a general rule this approach has primarily been used with a major property like World Cup Soccer where, for example, MasterCard can go to its main banks and get terrific sale through because of the strength and the attraction of the event. I also think that this type of arrangement could operate at the local level with a community team and a group of sponsors that are inter-linked by the nature of their business. I don't see as much development in this whole area, say in between these two extremes, as the industry should have.

TS: What about the evaluation of sponsor-

ship initiatives? Traditionally, one of the difficulties of sponsorship has been how to evaluate its success. Are companies getting better at evaluation? If so, how? What are they doing? Are they spending more money on evaluating their sponsorships?

AP: Evaluation in the industry is considerably hindered by those idiots that keep going out and researching if the people at an event remember whether a particular brand's name and/or logo was shown on the perimeter boards! It makes a cheap press story that does the business no good at all.

In a good sponsorship this probably has less to do with the success of the sponsorship than anything else. Evaluation is very personal to a particular sponsor's brief and objectives and any evaluation has to be tailored to those needs and objectives.

The whole area of research in sponsorship has been seen by clients as very difficult because it is one of the areas where there is usually quite a substantial on-cost which often can not be taken out of existing budgets. This is perhaps an indication of just how low the percentage of overall spend is on sponsorship compared with the total advertising and marketing spend.

Many companies that I have dealt with over the years have said "No, we will assess it ourselves", rather than going out and paying a lot of money for independent quality research. The thought behind that has often been: "If I have got another quarter of a million to spend I'd rather spend it on the sponsorship itself, rather than on research." This is great news for sponsorship companies in the short term, but in the long term it's not helping the business of sponsorship to further establish its credibility and effectiveness.

TS: To what extent do you use original research in your decision making, or do you rely on your past experience?

AP: It has gone past the point now with a lot of companies that you can rely on past experi-

ence. Past experience and gut feel has always worked well for us and has virtually always been borne out by the research. But increasingly over the last five years we've been working with research agencies to go and not so much find the right properties, but test whether that property will be well received by the potential sponsor's target audiences.

TS: Several organisations have attempted to develop guidelines for the conduct of sponsorship agreements. Have these had any influence on your business?

AP: Not to any huge extent. I think once in our operations we had a client put forward a *pro forma* contract. It took so long to sort out because so little of it was specific enough to the client, the project or protecting either.

The whole contractual side of sponsorship has become messy and far more complex than it needs be because the deal is done on a commercial basis and then the lawyers move in and try and turn it into something which it often isn't. Obviously you've got to have legal contracts, but the problem with them is that they often don't cover the sorts of areas that actually crop up in the sponsorship.

The net result is that you end up resolving any disputes between the principals anyway, which is probably the best way to get it quickly sorted. Sit the Chief Executive or the Marketing Director down with the people at the sport or the television company and you quickly come to some sort of resolution, it shortens the whole process.

The classic example I would quote was when an event didn't get onto television because the local authority insisted on putting up an anti-apartheid banner and then refused to take it down, even after television executives said it had to come down before the programme started on the basis that as it was a very direct political statement and the television company was not allowed to show the programme with such a statement *in situ* around the arena. Now it would have been very difficult before that particular incident happened to have ever imag-

ined that situation in a contract, you could see non-televisionisation but not the reason behind it.

So I'm fairly ambivalent about all these other attempts to regulate. I think when you write a contract it's something which is geared to the personal or specific requirements of the sponsor and everything from the structure of the sponsorship right the way through to the final contract should be personalised on that basis. *Pro formas* just don't work in my view.

TS: Some people have suggested that ambush marketing spells the end of sponsorship. What are your thoughts on that?

AP: I think ambush marketing should be controlled as far as possible and where it can't be controlled, it's been very good for the business! It's very fortunate for the business that the people who are having to deal with this issue the most are the organizations who can most afford it – FIFA and the IOC – because it's only those big events that are really of interest to ambush marketers on any sort of substantial scale. If it is only being operated on

this sort of scale, it will be dealt with in the right way, and so shouldn't harm the business at all. ●

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Biography

Trevor Slack is Professor and Head of the School of Physical Education, Sport & Leisure at De Montfort University. He was previously at the University of Alberta in Canada and has been a Visiting Professor at Warwick Business School. His primary research interests are in the areas of organizational strategy and change. Professor Slack has worked as a consultant for a large number of sport organizations and has published his work in such journals as *Organization Studies*, *Journal of Sport Management*, *Journal of Management Studies*, *Leisure Studies*, *International Review for the Sociology of Sport*, and *Human Relations*. His latest book is entitled *Understanding Sport Organizations: The Application of Organization Theory*. Professor Slack is the editor of the *Journal of Sport Management*.