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Notre Dame cashes in on tradition, but maintaining its luster depends on better play

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As Notre Dame kicked off its 121st year of football last weekend in South Bend, sponsors and their guests were expected to cheer at the pep rally, dine in the press box, tour the locker rooms and touch the well-known "Play like a Champion" sign that is the last thing Fighting Irish players see before they step onto the field.

The school's sponsors, blue-chippers like Coca-Cola, McDonald's, Gatorade and Xerox, call this the "Notre Dame experience," and they swear by its power.

"It's a surreal experience," said Derek Eiler, chief operating officer at Collegiate Licensing Co. "If you can imagine what it was like in the 1940s, with the pep rally and everybody's just joyous, that's how it is. They can be 2-8 and there's still this belief that they're the greatest team in the land. It's an aura around the place that's really, really cool."

The football's the thing at Notre Dame. It's why companies spend into the low seven figures to be a member of Team Notre Dame, the school's highest level of sponsorship. It's why NBC pays more than \$10 million a year for the exclusive rights to televise Irish home games. It's why ISP Sports usurped the national radio network away from Notre Dame's 40-year partner, Westwood One, this year at \$2.6 million annually.

And it's why, when you add it all up, the school's multimedia, marketing and licensing revenue reaches nearly \$30 million a year.

These partners do it while knowing that there's not another opportunity like it in college athletics. Few colleges deliver a national presence the way Notre Dame does and none of them can brag about a national TV deal or a seat at the table of the Bowl Championship Series, where the Irish's athletic director, recently appointed Jack Swarbrick, enjoys equal standing with 11 conference commissioners.

Sure Notre Dame gets special treatment — it's one of the reasons the Irish are often envied, even reviled. They've ascended into this position because they've been relevant in college football for 80 years and that heritage of Knute Rockne, George Gipp and the Four Horsemen contributes to an image that delivers partners at a premium price.

Maintaining that position — and that rate card — requires a premium team as well and that's one area where Notre Dame has not delivered recently. The Irish have posted just two winning seasons in the last five and Tyrone Willingham's messy firing after the 2004 season didn't do anything to boost the brand.



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College football regular-season ratings (Saturday only)

Network	2001	2002	2003	2004	2005	2006	2007
ABC	4	4.4	4.5	3.8	4.1	4.6	3.9
CBS	3	3	3.3	3	3	3	3.4
Notre Dame on NBC	2.4	3.1	2.4	2.5	2.7	3	1.9

Source: SportsBusiness Journal analysis of Nielsen Media Research

■ **Compared with five years ago, ABC, CBS and NBC each saw declines among males age 50+ last year. Notre Dame's drop was nearly twice that of ABC's.**

Men 50+	2003	2004	2005	2006	2007
ABC	5.3	4.9	5.1	5.6	4.4

New coach Charlie Weis seemed to have them back on track until last season's 3-9 debacle. In fact, Notre Dame's last bowl win came after the 1993 season.

"This is a very important time for the football program," said Scott Paddock, Gatorade's director of sports marketing and a former Irish basketball player. "They've got to stay relevant with the younger demographic. ... You can only get away with this model (of football independence) if you maintain an elite status. When ratings are down and you become less relevant, you can't justify charging a premium price."

CBS	3.7	3.3	3.6	3.4	3.2
Notre Dame on NBC	3.7	3.3	4.2	3.3	2.3
Source: MAGNA analysis of Nielsen Media Research					
■ Last year, 18- to 34-year-old men watched NBC's Notre Dame telecasts at half the rate that they had five years earlier.					
Men 18-34	2003	2004	2005	2006	2007
ABC	2.7	2.3	2.4	2.9	2.3
CBS	1.8	1.7	1.6	1.6	1.8
Notre Dame on NBC	1.8	1.7	2.2	1.9	0.9
Source: MAGNA analysis of Nielsen Media Research					

NBC numbers down

Indicators of Notre Dame's popularity took a turn for the worse last year during the 3-9 season. TV ratings hit rock-bottom and averaged a 1.9, the worst number in 18 years of Notre Dame football on NBC. Licensing revenue dropped for the first time in six years; the Irish ranked fifth in merchandise sales among CLC clients for 2007-08, slipping from second the year before.

The NBC audience also skews older than the viewers on ESPN's college football broadcasts.

"Hard-core fans might watch, but is the average college football fan going to watch when the team is not ranked in the top 25?" asked Sam Sussman, senior vice president and media director for media-buying agency Starcom. "We saw the fallout of that last year."

The ratings slide wasn't enough to make NBC reconsider its commitment to Notre Dame. When NBC Sports announced its renewal in June, Chairman Dick Ebersol called the school a "premier brand that defines who we at NBC are."

Ken Schanzer, president of NBC Sports, admits that there's an emotional connection to Notre Dame football that comes into play on the business side. Schanzer was one of the architects of NBC's first deal with the Irish in 1991 and he negotiated the most recent extension that will keep Notre Dame on NBC through 2015.

That emotional connection is one of the reasons for the network's five-year extension on the heels of a terrible season in which ratings plummeted 40 percent. NBC had to offer make-good units to its Notre Dame advertisers to compensate for the lower-than-projected ratings.

Was NBC cautious about renewing? Not exactly. "Is it a slam dunk to renew? Yes," Schanzer said. "But we do it in a way that makes business sense. ... Sure, there's an emotional connection with any property you've been with for 18 years, but you've still got to make a good arrangement."



ICON SMI
NBC's extension with Notre Dame will keep the Irish on the network through 2015.

Doing the math

For the Irish, it all amounts to a level of multimedia and marketing revenue that's relatively unrivaled in college athletics. Because the school is private, it does not release numbers from its broadcast and sponsorship deals, but industry sources helped SportsBusiness Journal identify close to \$25 million in yearly revenue.

That money flows through Notre Dame Sports Properties, which handles the athletic department's marketing and multimedia business. Scott Correira, a former Host Communications executive, manages the unit and takes the lead on most of those sponsor and media relationships, although the athletic director is ultimately responsible for negotiating the terms of the deals.

The NBC deal, which is renewed in five-year increments, generates a little more than \$10 million a year and that number will grow when the extension kicks in after the 2010 season. The ISP radio contract, which runs 10 years, brings in about \$2.6 million annually.

Sponsorship revenue from Notre Dame's 16 partners is more difficult to quantify because there are so many moving parts. Among Team Notre Dame sponsors, sources say that about a third of the low seven-figure fee goes to the school and about two-thirds goes to media partners for advertising.

Adidas is an exception to the code of privacy. When Notre Dame extended its deal with the shoe and apparel maker, it released the terms at more than \$60 million for 10 years, including cash, apparel and equipment.

At the highest level of sponsorship, called Team Notre Dame, eight brands — Adidas is joined by Coke, McDonald's, Gatorade, Xerox, Comcast, Chase and Sirius Satellite Radio — have built-in media buys that go to NBC or ISP. The minimum buy is negotiated through Notre Dame Sports Properties.

The sponsors then go to NBC or ISP to negotiate their media buy. It could simply be a purchase of ad units or it could be in-game spots or branded features. Even though the amount of the minimum buy is negotiated with Notre Dame Sports Properties, the sponsors write the check to NBC or ISP.

That Notre Dame can deliver eight sponsors before NBC or ISP even hit the streets is a huge benefit to the school's media partners.

Chicago-based Ron Murphy, a former sales executive for YES Network and CBS, manages Notre Dame's national radio network of 130 affiliates for ISP. He said Team Notre Dame sponsors occupy close to half of the network's ad inventory. That leaves the other half to sell to brands such as Sylvania, Guardian Insurance, State Farm and Geico that are drawn to the national exposure.

The network has cleared each of the top 25 markets and has about 45 of the top 50 nationally, Murphy said.

Schanzer didn't specify how much NBC ad inventory goes to Team Notre Dame sponsors, but said, "It's a very important contribution. It creates a supply-demand situation that's helpful. It absorbs inventory and creates a demand equation for the remaining inventory."

In other words, the fewer units NBC has to sell, the more it can charge.

"You have more dollars chasing fewer units," Schanzer said of 30-second units that sell for between \$55,000 and \$80,000 each.

With eight Team Notre Dame sponsors paying Notre Dame Sports Properties about \$1 million and another eight at the regional and local sponsorship level spending six figures apiece as well, sources say

Revenue Powerhouse

Estimated annual sponsorship, media and licensing revenue for Notre Dame football.

Television	\$10-11 million
Radio	\$2.6 million
Sponsorships	\$10 million
Hospitality	\$2 million
Licensing	\$5 million
Total	\$29.6-30.6 million

Collegiate merchandise sales

■ **Notre Dame ranked No. 5 in royalties reported on all collegiate merchandise sold July 1, 2007, through June 30, 2008, a drop from No. 2 the previous fiscal year.**

Rank	2003-04	2004-05	2005-06	2006-07	2007-08
1	North Carolina	North Carolina	Texas	Texas	Texas
2	Michigan	Michigan	Michigan	Notre Dame	Michigan
3	Texas	Texas	Notre Dame	Florida	Florida
4	Notre Dame	Georgia	Georgia	Michigan	LSU
5	LSU	Oklahoma	North Carolina	Georgia	Notre Dame
6	Oklahoma	Notre Dame	Florida	North Carolina	North Carolina

Source: The Collegiate Licensing Co.

sponsorship revenue closes in on \$10 million. High-level sponsorships at most top schools typically cost in the high six figures; it's uncommon for individual school sponsorships to surge into the seven figures.

Notre Dame Sports Properties also manages the school's hospitality village on game day. As many as 3,000 guests migrate through the village, some with the Team Notre Dame sponsors, some with NBC, some with CLC or ISP.

About a third of the hospitality tents are occupied by Notre Dame partners — it's usually part of the relationship — while the other two-thirds are rented on a game-by-game basis. Tents go for \$8,500 on the low end and can be as expensive as \$30,000 for a package that includes the works — catering, tours, pep rally.

In all, from media to sponsors to hospitality, revenue through Notre Dame Sports Properties generates close to \$25 million annually.

And that doesn't include another \$5 million in licensing revenue through the university's CLC relationship, which brings multimedia, marketing and licensing revenue to nearly \$30 million. Notre Dame didn't make public its 2008-09 athletic budget, but it was \$68 million in 2006-07, with a profit of \$16 million.

Comparing Notre Dame apples-to-apples with other schools is difficult because those schools receive much of their media revenue through their conferences. Texas is one of the most prosperous schools in the country, with an athletic budget of about \$100 million annually, but its multimedia, marketing and licensing revenue is a little more than \$20 million, short of what Notre Dame is producing — nearly \$30 million a year.

It's safe to say that Notre Dame, with its unique model of football independence, national brand and a treasured heritage, has outdistanced its competition.

Sold on the experience

With its NBC deal extended to 2015, its new ISP deal in place for 10 years and a healthy portfolio of nationally recognizable sponsors, it appears that Swarbrick, the new athletic director, has entered the picture at the right time.

As a Notre Dame graduate, he fully appreciates the position he's in, part protective, part progressive. One of his duties is to ensure that the heritage of Irish football is well-guarded — there will never be a sponsor sign on the scoreboard — but any AD at Notre Dame is expected to be an innovator and leader nationally.

That's what made former AD Kevin White such an ideal fit for eight years before he left in a dramatic departure for Duke. White saw the potential of Notre Dame Sports Properties and led its creation in 2003, along with associate AD Bill Scholl. Still, White was up front with sponsors that there weren't going to be a lot of assets beyond advertising, marks, tickets and, of course, the Notre Dame experience.

The weekend experience at a home Notre Dame game is perhaps the most coveted asset for a top sponsor. Xerox brings its business-to-business partners, Coke



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Tradition dictates that no sponsor signage is allowed on the scoreboard or other areas inside Notre Dame Stadium, but sponsors have been pressing the university to create opportunities for them to have signage outside the stadium.

brings retail and restaurant customers, and Gatorade brings executives from other teams and leagues.

It doesn't matter where they come from, they tend to leave campus with the same sense that they've experienced something special.

Gatorade has access to tickets for just about any event and Notre Dame football tickets are usually among the most coveted, Paddock said. The only event that has rivaled a Super Bowl in that regard was the 2005 game between a 4-1 Notre Dame team and No. 1 Southern Cal in South Bend.

Fan avidity

■ Favorite college football program, among college football fans

	2001		2007	
1	Notre Dame	7.10%	Ohio State	6.20%
2	Florida State	5.40%	Notre Dame	6.10%
3	Michigan	4.70%	USC	4.70%
4	Penn State	4.30%	Penn State	4.50%
5	Ohio State	3.80%	Texas	4.00%

Source: ESPN Sports Poll

"We bring in folks from other teams, other leagues, and they're all fascinated with the Notre Dame experience," Paddock said.

The weekend begins with a Friday luncheon when football coach Charlie Weis usually addresses the crowd. Sponsors and invitees then go to the pep rally and dine in the press box at Notre Dame Stadium on Friday night. A locker-room tour and full-on hospitality on Saturday lead up to kickoff, traditionally at 3:30 p.m., a time that NBC guards like a fire-breathing dragon. Just ask the PGA Tour, which must conclude two of its premier FedEx Cup events at 3:30 p.m. because NBC wasn't about to move kickoff of the Notre Dame game.

But that kind of reverence is what makes Notre Dame, Notre Dame.

"There's a bit of an analogy with Yankee Stadium," Swarbrick said. "You can build a new one, but you can't change it too much. It better still have that feel because the traditions are so rich. What's so unique about this is that we're in an industry (intercollegiate athletics) that is increasingly commercialized, yet we have a product that at its core, like the Olympics, is very noncommercial. The tradition is absolutely core to the brand."

That doesn't mean Swarbrick won't listen to sponsor suggestions. Michael MacDonald, Xerox's president of marketing operations, appreciates the lack of signage inside Notre Dame Stadium, but he'd like the school to look for ways to create signage outside the stadium.

"That's one of the things we push them on," MacDonald said. "There's not signage inside the Olympic Stadium, but they have the sponsors on flags outside the stadium."

Kim Utlaut, Coca-Cola's Chicago-based director of business development and the chief contact with Notre Dame, says she looks for "experience" opportunities that won't compromise the Irish's commitment to its tradition.



NOTRE DAME

As many as 3,000 guests are entertained in Notre Dame's hospitality village prior to home games. About a third of the tents are occupied by sponsors of the football program.

"We're not afraid to run some crazy things by them," Utlaut said. "Could we have a customer attend Mass with the football team and walk behind the band into the stadium? It's an amazing walk, from the cathedral to the stadium with all of the people cheering for you. But the fact that we feel so comfortable running ideas past them is why Notre Dame is such a great partner."

Swarbrick says he's willing to listen. He just started as AD on Aug. 18, but he understands the delicacies that come at the intersection of Notre Dame's business needs and its heritage.

"We'll continue to talk," Swarbrick said. "We're always looking for ways to make these relationships as broad as possible."

Part of his evaluation will be the number of Team Notre Dame partners, if it should stay at eight or change, and whether Notre Dame Sports Properties should pursue any other categories.

Challenge to stay relevant

One of the few things that could undermine Notre Dame's commercial success is a lack of success on the football field.

Gatorade's Paddock said the Irish are clearly the top property on the sports drink's expansive partner list, but they slipped last year. When gauging media exposure through research supplied by Nielsen and Australian-based Repucom, Notre Dame's brand is 25 percent to 30 percent more visible than the No. 2 collegiate property, Ohio State, based on the last five years, Paddock said. According to Gatorade's data, Notre Dame's football team ranked seventh in media exposure last year after ranking No. 1 the previous two years.

NBC has a lot to do with that and as long as NBC is bullish on Notre Dame football, Paddock said the Irish's exposure numbers will flourish.

"We understand that there will be some down years," NBC's Schanzer said. "We don't overreact to that. Last year was a rough year, the worst-performing year we've had. But our view is over the long term and there's no question the program will rise again."

Given some of the shortcomings on the field, the easy conclusion might be that Notre Dame has lost some of its coveted cachet. But in the time since the Irish put the finishing painful touches on its 2007 season, NBC extended, ISP gained the radio rights and at least two corporate partners, Coca-Cola and Xerox, extended their Team Notre Dame sponsorships for five more years.

Even when the Irish don't deliver wins, they deliver revenue.

"Despite their record, Notre Dame is still one of those few teams that carry a national rating," Sussman said. "They're like the Yankees or Cowboys, they've got that appeal nationally."

Aging demo?

■ Demographics of fans watching Notre Dame football on NBC

	2001	2007
Men 55+	35%	39%
Men 35-54	25%	24%
All other viewers	40%	37%

Source: SportsBusiness Journal analysis of Nielsen Media Research

■ Demographics of college football fans by network

Median age

Network	2001	2007
ESPN	46	46
ABC	49	49
CBS	49	49
NBC	51	55

Source: SportsBusiness Journal analysis of Nielsen Media Research