

Some Players Find Sponsorships Score Big

By: Garrett Reim

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The market for corporate sponsorships might be growing, but calculating the financial return for marketers can be difficult, particularly within the world of sports where it's difficult to track views of brand logos during games on TV and across social media.

Santa Monica digital ad firm GumGum Inc. is trying to fix that problem through a software program, GumGum Sports, launched last month to identify distinct logos and signage within sports broadcasts. The software then assigns the image a media valuation, which varies based on prominence and duration of screen time, allowing marketers and sports franchises to better understand the impact of sponsorships.

"If you look at sponsorships from the perspective of teams, this is where they make the majority of their revenue," said Ophir Tanz, GumGum's chief executive. "It's critical for them to have objective, fact-based, quantitative-backed conversations with their customers. They need to be able to prove value to themselves and their constituents."

Last year, sponsorship spending globally grew 4.6 percent to \$60.1 billion, according to research firm IEG. It is expected to grow 4.5 percent this year to \$62.8 billion.

GumGum isn't first to market with this type of brand-recognition technology, and the company will have to stare down a handful of established competitors to win over customers, including the market's largest player, Repucom, an Australian firm purchased by Nielsen Holdings in June in a deal that was reportedly valued at more than \$100 million.

"It is a crowded space," said Matt Balvanz, vice president of analytics at Chicago sports research firm Navigate Research. "It's been dominated by Repucom and Nielsen for so long, and they have a really big market share and low price point."

Tanz acknowledged the challenge, but pointed to an advantage in his software: a feature that allows it to measure the impact of sponsorships when they appear within videos shared on social media.

The company's pricing is based on several factors, including how many brands are being analyzed, how many games are included in the scope of work, what a client's reporting schedule is, and whether the GumGum is providing measurement for TV and social media together, or just one medium.

"Within nine seconds or so, we are able to identify new mentions on social media," he said. "I think the overarching idea here is fairly straightforward: We are not trying to reinvent the wheel, we are just trying to dramatically improve the quality of it."

Tanz started GumGum with Ari Mir, now chief marketing officer at Culver City's Clutter, an on-demand storage app. The two used money earned from the 2007 sale of their first startup, Mojungle, a photo and video sharing website, to launch GumGum later that year.

The company was initially an image licensing business and later pivoted to selling digital ads overlaid on editorial images. It has raised about \$37 million in venture capital, including a \$26 million Series C investment round in 2015 that valued the company at \$200 million. Tanz said at the time the round was raised that GumGum could launch an initial public offering this year.

The company's primary business involves using its tech to identify images online and overlay related advertisements for its clients, taking a cut of each transaction. For example, GumGum's platform could find an image of a vehicle online and sell an advertisement to a carmaker that would pop up when a viewer hovers their cursor over the image.

With its presence in the digital ad overlaying business, Tanz said he saw potential to reapply the company's technology to other areas, including sponsorships.

"We were seeing a lot of demand from brands and sponsors to be able to analyze their exposure at various events," he said, adding that the size of the market had been undervalued because measurement services hadn't accurately valued social media exposure.

GumGum Sports, which has been in development for about a year, scans social media sites such as Instagram, YouTube, Facebook, and Twitter for brand logos.

"Our computer vision technology allows for analyses of literally anything on screen," Tanz said in an email. "It could be signage during a sporting event, logo bugs, TV broadcast owned graphics, virtual graphics, images on a set, product placement exposure."

The platform could, for instance, detect a Microsoft Surface tablet on a sportscaster's desk, or a Dunkin Donuts cup in front of an "America's Got Talent" judge, explained Tanz.

Professional football, basketball, baseball, and soccer teams have used the service, he said, though declined to name specific customers or disclose how many have purchased the product, citing nondisclosure agreements.

Jason Belzer, president of New York sports agency and consulting firm Game Inc., said GumGum's technology could be useful to brand executives deciding how to position their company or product alongside a sports property.

"The difficulty in selling sponsorships is convincing a (chief marketing officer) to sponsor an event versus buying TV ads," he said, noting that sponsorship metrics are lacking compared to those for traditional TV or digital ads.

Most corporate sponsors set aside about 1 percent of their sponsorship budget to study the impact of deals, said Jim Andrews, senior vice president of marketing at IEG, a division of Chicago's ESP Properties. A hypothetical 1 percent cut of the annual global sponsorship market would total about \$630 million.

"If I am an official sponsor of the (National Football League), and am spending \$20 million a year, shouldn't I spend 1 percent of that to make sure it's working for me?" Andrews said.