

STREET & SMITH'S SportsBusiness JOURNAL®

WWW.SPORTSBUSINESSJOURNAL.COM
FEBRUARY 9-15, 2009
VOLUME 11 ISSUE 40 • \$6.95



NFL at revenue crossroads BAM, NHL partner on Web video

As labor and sponsor talks loom, where are growth areas?

Is the way the NFL does business about to undergo a significant change?

With what looks like a contentious labor negotiation imminent along with the likelihood of an uncapped year for player salaries after next season, and most of the league's television rights deals and almost all



of the league's corporate sponsorship agreements expiring over the next three years, it surely looks that way

According to internal league data, contracts accounting for 50 percent of all club sponsorship revenues come due within the next 18 months, so with a recession bringing every economic issue into sharp focus, the question being asked by industry executives gathered in Tampa and Orlando for Super Bowl week

See **Super Bowl** Page 8

BAM, NHL partner on Web video

BY ERIC FISHER
AND TRIPP MICKLE

STAFF WRITERS

MLB Advanced Media and the NHL next week plan to begin co-selling an unprecedented online video package in which the out-of-market game subscriptions for both leagues will be marketed in a joint offering. In addition, MLBAM is set to cut a separate deal with ESPN in which MLB.TV will be sold with the media giant's Insider content subscription in hopes of driving usage of both.

The NHL-MLBAM deal marks a rare level of cooperation between sports entities with limited common ownership. The leagues' digital arm will sell the combined video package for \$139.95, less than the cost of

See **MLBAM/NHL** Page 33

NBA finds its comfort level

After Vegas and post-Katrina New Orleans, a normal All-Star Weekend.

Lakers and Cavs lead Web pack

Rankings of site traffic for all NBA teams show fans love L.A. and Cleveland.

Who's feeling active in Phoenix?

Adidas, Sprite and T-Mobile are among league sponsors getting busy.

Page 3

NASCAR Season Opener

In-Depth

Leaving Home for the Office

New team owner Tony Stewart's shift from Home Depot to Office Depot has everyone talking. Here's how the deal got done, and how he plans to make it work for a company under pressure.

BY MICHAEL SMITH

STAFF WRITER

When Tony Stewart sat across from the marketing executives at Office Depot last summer, his new NASCAR team was nothing more than a concept.

Stewart didn't have a presentation deck or even a mock-up of an Office Depot car. He had only an agreement in principal to buy Haas CNC Racing and a skeletal front office. His business plan was still inside his head by the time Office Depot agreed to sponsor his

No. 14 Chevrolet beginning this season.

"To some extent, this was a bet," said Jeff Herbert, Office Depot's senior vice president and the marketing chief who drove the four-year, \$87 million decision to make Stewart the face of the office-supply giant. "We had talked to a lot of teams by the time we met with Tony and we had seen these elaborate cars that were mocked up (in Office Depot red) just for us. Tony didn't have a thing to show us."

See **Stewart** Page 20

Spouse of Pelosi buys UFL clubs

BY DANIEL KAPLAN

STAFF WRITER

Paul Pelosi, husband of U.S. House Speaker Nancy Pelosi, is leading a group that paid \$30 million to purchase the inaugural four teams that will compete this fall in the United Football League, according to executives launching the startup league.

The UFL was originally envisioned as a six-team, six-owner league but had to scale back its ambitions because of the economy, said league Commissioner Michael Huyghue. Instead, the group led by Pelosi, who was former NFL Commissioner Paul Tagliabue's roommate at Georgetown University, will own all four teams. Those teams will burnstorm across as many as nine cities playing 13 games starting in October.

See **UFL** Page 33



What I Like ...

With Mimi Griffin MSG Promotions president says workaholics shouldn't brag, Page 34

Tales from the track

They face one of the most challenging seasons ever. Read their stories inside.

Page 13

THE TRACK

THE SPONSOR

THE OWNER

THE MEDIA EXEC



Stewart ■ Office Depot believes driver can appeal to its core client, the owners of small businesses

FROM PAGE 1

The gamble was whether Stewart could launch this new team, while also helping Office Depot revive its sales. Like many retailers rocked by the economy, Office Depot's stock has plummeted from \$30 to \$2 in the past 18 months and it plans to close 112 of its 1,275 U.S. retail stores.

But at Office Depot's core is a belief in small business, which accounts for 80 percent of its global sales. What it needed was a reason to believe that Stewart could make his own small business, newly formed Stewart-Haas Racing, work as a driver-owner.

The company also needed a driver with the star power to replace Carl Edwards as the face of Office Depot's flagship sports marketing program. Stewart, having pitched for Coca-Cola, Home Depot and Subway, was one of the few drivers available who could carry a national program.

"Tony brings pop; he's going to enhance what has been a very successful marketing program," said Dan Richlen, a vice president at Wunderman, Chicago, which handles Office Depot's activation. "Office Depot had a lot of alternatives in the garage area and it was extremely competitive, but Tony's on a different plane than everyone else. He drives action."

Low-key talks

During the negotiations, which lasted just two weeks in early July, Herbert was drawn to the idea of Stewart as a small businessman. Stewart owns 13 companies, from a public relations agency to racetracks, dirt-track teams, two merchandising entities and a real estate investment group (see chart, this page).

Stewart's representatives had made the first call, but it quickly became clear that Office Depot, seeing visions of Stewart in red, had emerged as the hunter.

Herbert's first face-to-face meeting with Stewart lasted three hours and had the feel of a small business just getting on its feet. They met in the Haas CNC Racing shop in Kannapolis, N.C., eating cold-cut sandwiches and talking about everything from racing to fishing, video games and Herbert's passion for Fanta Grape soda.

"Tony brings pop; he's going to enhance what has been a very successful marketing program."

*—Dan Richlen,
Wunderman, Chicago*

Stewart and his team had planned to meet for a few hours that day, but Herbert and his Office Depot attorney showed up with overnight bags.

"They were determined to get something done," said Brett Froot, a Stewart adviser since 2004 and now the executive vice president of Stewart-Haas Racing.

After meeting with as many as eight other race teams, including Roush Fenway Racing and Hendrick Motorsports, "there was something about the way Tony came across," said Herbert, a former marketing executive who worked on race programs for



Stewart has embraced being the face of Office Depot's sports marketing efforts and has quickly gone to work on a variety of campaigns.

Coca-Cola and Aflac before joining Office Depot a year ago. "The room wasn't filled by a bunch of handlers or lawyers. It was just Tony and his ideas, and we liked what we heard."

Even though the first meeting didn't result in a deal, the foundation was set. Office Depot wanted to meet again right away.

Herbert invited Stewart to Office Depot's Florida headquarters the following week, but they agreed that Stewart shouldn't attend because of the firestorm it could create if he were spotted on Office Depot's campus. Instead, Eddie Jarvis, Stewart's longtime business manager, and Froot made the trip with Kirby Boone, the race team's new director of marketing.

Keeping the talks quiet was essential. All at once, Stewart was buying and renaming Haas CNC Racing, attracting a sponsor and talking to potential drivers for a second team, while also trying to tactfully separate himself from his former employer, Joe Gibbs Racing.

"I think I juggled enough to qualify for Ringling Bros.," Stewart said.

Coming to terms

As they prepared for the second meeting in Florida, Herbert told Stewart's team to "pack your bags and if it takes all night, we're going to get it done."

Stewart's team of Froot, Jarvis and Boone met with Herbert and Mindy Kramer, Office Depot's director of public relations, as well as a company attorney.

"Once we engaged with Office Depot, we didn't talk to anyone else," Froot said. "There was just a sense that we were going to be able to work together."

After meeting various teams, Office Depot was now in exclusive talks with Stewart-Haas as well.

The two sides worked for parts of two days until they completed a deal. Herbert described the only sticking points as "things

you'd expect, number of appearances, how long for this and that. They were all cleared in a matter of minutes."

With a phone call to Stewart, Jarvis simply said, "It's done."

"Oh, God, it was like a weight lifted off my shoulders," Stewart said. "The first meeting went so well, but I wasn't there for the second meeting and I was like, 'What's going on? Somebody tell me something.' When I finally got the call that it was done, it completely legitimized what we were trying to do as a race team. It made it feel real at that point."

At dinner that night in a Delray Beach, Fla., steakhouse, the celebration was tame. Kramer cautioned against attention-getting high fives because it would be a few more weeks before Stewart's team would be formally announced.

Shortly thereafter, the team nailed down a longtime Stewart partner, Old Spice, to be the other co-primary sponsor on Stewart's car. The co-primary model was one Stewart admired on Dale Earnhardt Jr.'s car with Amp Energy and National Guard.

"That's where we got the idea, for sure," Stewart said. "And the fact that Office Depot and Old Spice are exactly the same color red just made it a home run. Do you know how many gallons of paint it takes to repaint a car?"

Stewart later signed Ryan Newman to drive a second Stewart-Haas entry with Army as the sponsor.

"The Office Depot deal gave us a level of legitimacy," Froot said. "It put things in motion and their presence helped us get Army."

The main attraction

Even though the relationship didn't become official until Jan. 1, Stewart is already integral to Office Depot's marketing. The company launched a new sweepstakes

See Stewart Page 21

Tony Stewart's businesses

Stewart-Haas Racing
NASCAR Sprint Cup team

Tony Stewart Racing Enterprises
USAC race teams

Tony Stewart Motorsports
World of Outlaws Sprint Car team

Eldora Speedway
Dirt track in Rossburg, Ohio

True Speed Ventures
Investment vehicle includes co-ownership of tracks in Paducah, Ky., and Macon, Ill.

Champion Properties
Real estate investment entity

Tony Stewart Racing
Merchandising business

Smoke Merchandise
Merchandising business

CustomWorks R/C Cars
Radio-controlled cars

True Speed Communication
Public relations agency

Tony Stewart Fan Club

Tony Stewart Foundation
Nonprofit

True Speed Enterprises
Parent holistic management company

Source: Stewart-Haas Racing

Stewart Continued from Page 20

— “The Speed of SMART” — last month under its “SMART” brand positioning, which put Stewart on the front of its Web site, and front and center in its Sunday inserts. The winner gets a ride-along with Stewart and a VIP experience at a race.

Stewart also will headline Office Depot’s annual “Small business of NASCAR” promotion later this year, a program that helped the sponsor win NASCAR’s 2005 Marketer of the Year award.

The driver also is delivering from a publicity standpoint. Photographers from USA Today, Forbes and The Orlando Sentinel were among those snapping shots of Stewart in his Office Depot suit during media day on Jan. 21. On the merchandise front, Stewart’s Office Depot product sales were up 172 percent over last January when he was with Home Depot, according to NASCAR.com Superstore. Those are the kinds of results Office Depot envisioned with Stewart, who annually ranks among the top three or four drivers in moving merchandise.

With its business under stress last year, the retailer didn’t want to get into a bidding war for Edwards, who wound up with Aflac as his primary sponsor for \$26 million a year. With Stewart, Office Depot got the luminary in the sport it wanted, while keeping its spend on the co-primary deal to a more reasonable \$16 million to \$17 million a year, industry sources said.

Now Stewart anchors Office Depot’s NASCAR program. Since the company dropped its Olympic sponsorship in 2004, most of its sports marketing dollars have been spent on its team relationship and an official status deal with the sanctioning body: Deals with the Miami Heat, Miami Dolphins and Florida Panthers are staples of its local marketing, but NASCAR is the company’s only national sports platform and in many ways Stewart is already representing the company.

Stewart was one of the ribbon-cutters at the grand opening of Office Depot’s new Boca Raton headquarters last month, joining CEO Steve Odland as well as Boca Raton’s mayor and police chief. He was the main attraction in Dallas at a January meet-



Stewart chats with employees during Office Depot’s North American retail meeting in Dallas. He also went to Florida to help cut the ribbon on the company’s new headquarters building.

ing of retail store managers, each of whom received a recorded call from Stewart days before the event.

Stewart also volunteered to be at an Office Depot retail location for autograph

“We knew that as a driver and an owner this year, he’d be a big story and there would be a lot of media and publicity that would come with that.”

Jeff Herbert,
Office Depot

signings every Thursday before a Sprint Cup event, an offer that surprised Office Depot executives because it wasn’t part of the negotiations. The driver had a similar schedule with his former sponsor, Home

Depot.

In fact, during a photo shoot with Office Depot last October, it was evident that Stewart’s mind had shifted into fifth gear over their marketing plans. As they took a break from the photo shoot, Stewart went back and forth with Kramer and Office Depot’s sponsorship director, Doreen Ingenito, about ideas for driving traffic to the store.

“What if you do a promotion so that every time a customer buys a certain product, they win a chance for an autographed firesuit,” Stewart brainstormed. “Pick the product that makes the most margin.”

Kramer took notes and e-mailed senior executives. Chances are, she said, Office Depot will use that idea later this year.

“We knew that as a driver and an owner this year, he’d be a big story and there would be a lot of media and publicity that would come with that,” Herbert said. “He’s a magnet in this sport. He’s also a guy who’s building a business and that made it one of the easiest matches I’ve been associated with.”

Tony Stewart on ...

Being a team owner:

“There are times when I’ve got to be the guy who gets in front of them and speaks, but if you watch the guys, they’re picking at me all day. It’s not so much that I’m their boss, it’s more like I’m one of the guys at the shop. At the end of the day, what I want is their respect for being a person, not for being someone who bosses them around.”

What he learned from Joe Gibbs:

“The biggest thing was to get the right people and let them do their job. I’m not the type to hover over someone’s shoulder and micromanage everything. I hire the people I want to be in charge and then they hire the personnel they want.”

Switching sponsors from Home Depot to Office Depot:

“I think I’m the only one in the organization who hasn’t screwed up and said Home Depot instead of Office Depot. I don’t know why, but I haven’t messed it up. For me, it’s been easy to keep it straight, knock on wood.”

How long he’ll drive:

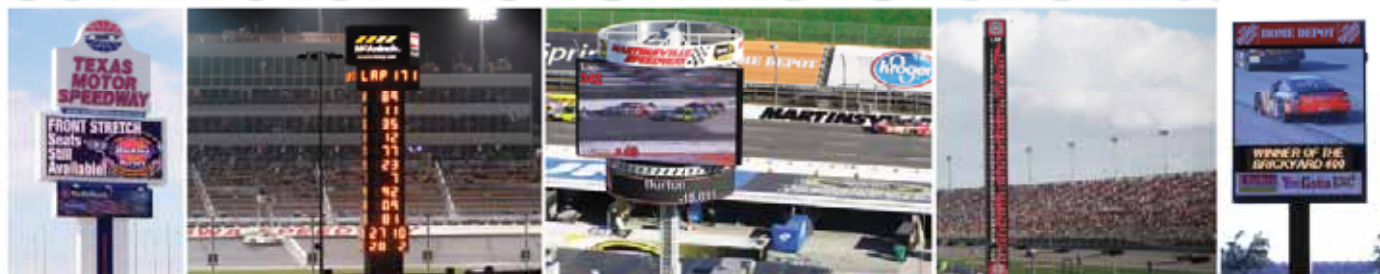
“I honestly don’t know. I’ll either get hurt one day and the doctor will tell me I can’t do it anymore or I’ll wake up one morning and say, ‘I think I’ve had enough.’ And hopefully, I’ve lined up everything for life after driving.”

His business outlook:

“It’s really just a common-sense approach. I don’t really read a lot of books that don’t have pictures in them, so mostly I just make sure I’ve surrounded myself with good people.”

—Michael Smith

SUPER SYSTEMS FOR MOTORSPORTS.



INFORM. ENGAGE. THRILL.

Scoring. Video. Sound. Daktronics Integrated Systems.

800-DAKTRONICS (325-8766) www.daktronics.com sales@daktronics.

DAKTRONICS