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## Street cred: Inside the New Balance-NYRR deal

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At first glance, New Balance's deal to sponsor New York Road Runners is just one of four major partnerships the running club has sold in the last two years, and not even at the highest level.

But in the context of the New York City Marathon operator's broader marketing goals, New Balance may be the most important.



NYRR's Peter Ciaccia, New Balance's Rob DeMartini, athlete Jenny Simpson, New Balance's Tom Carleo, NYRR's Michael Capiraso

Photo by: GETTY IMAGES

The total value of the 11-year deal, announced Dec. 8, is approximately \$90 million, an industry source said, though NYRR would not confirm the price. That's short of the \$100 million paid by Indian tech giant Tata Consultancy Services for eight years of marathon title rights and exclusivity at the highest tier, but New Balance brings along a household retail brand with plans for a massive coordinated marketing push.

"The brand, in my opinion, it resonates more with the core target than the title sponsor does," said Vince O'Brien, an endurance sports marketing consultant at GMR Marketing. "People are very particular about what brands they wear, and it gives New Balance an opportunity to engage with

runners they do not have."

TCS has lent crucial labor in kind to the nonprofit's digital operations but has a meager consumer-facing presence. By comparison, New Balance has 200 retail stores, and to successfully outbid Adidas, Asics and others for the footwear/apparel category, its negotiators committed to an extensive package of in-kind contributions and activations, including media buys.

“[New Balance] was just very determined,” said NYRR Chairman George Hirsch, who first met New Balance Chairman Jim Davis four decades ago as then-publisher of Runner’s World.

As part of the deal, New Balance will operate a retail location inside NYRR’s planned running center, due to open next year in the bustling, upscale Columbus Circle district in Manhattan.

The package includes immediate title rights to the Bronx 10-Mile race and the Fifth Avenue Mile, races that drew 15,600 finishers combined this year. The rest of the deal comes into play in 2017, after Asics’ current contract as official footwear and apparel sponsor of the marathon event expires.

Beginning in 2017, New Balance becomes the full-time licensee of NYRR-branded shoes and apparel, and will produce more than 300,000 sport-tek race participant T-shirts each year. New Balance also will manage the back end of NYRR’s e-commerce site, and in some cases, President and CEO Rob DeMartini said, run the front end, too.

“We believe we can play a major role in commercializing their brand and their events all over the world,” DeMartini said. The NYC Marathon will become New Balance’s largest sponsored property by far, and will remain so through the life of the deal, DeMartini pledged. It’s New Balance’s first deal within the World Marathon Majors series. Adidas has Boston, London and Berlin, while Nike has Chicago and Asics remains with Tokyo.

All along, New York Road Runners’ plan was to go big with the footwear/apparel category once the Asics deal expired. Asics has held the rights to the NYC Marathon for a quarter century, except for a two-year run by Nike in the late 1990s. Asics America President and CEO Gene McCarthy called his decision to end the New York relationship a strategic business decision.

With help from 21 Marketing to review its sponsorship portfolio, NYRR created a premier sponsorship and four second-tier sponsor positions dubbed “foundation” partners. Their goal was to demand a higher rights fee by redefining the deals as partnerships with the club’s yearlong schedule of events, not just the marathon. TCS took the premier spot, and United Airlines and Airbnb bought the first two foundation-level deals.

Just weeks before CEO Mary Wittenberg left to launch Virgin Sport in May, the nonprofit hit the market in the footwear/apparel category. Every major shoemaker showed interest, and several, including Adidas, Asics and New Balance, pursued the business late into the summer. Exclusive talks with New Balance began between “half to three-quarters of the way” through the process, said NYRR Chief Executive Michael Capiraso.

NYRR hopes to sell at least one more foundation-level deal. Capiraso indicated buyers would likely emerge from the club’s roster of one-off event sponsors, just as New Balance expanded on its title sponsorship of the Brooklyn Half’s pre-race party. Financial services, telecommunications, consumer electronics and autos are the target categories, he said.

“This is our third one,” Capiraso said, “and we do think there’s a fourth one out there.”

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