

BOARD OF REGENTS

EASTERN MICHIGAN UNIVERSITY

SECTION: 18
DATE:
September 16, 2008

RECOMMENDATION

CONTRACT FOR ATHLETIC MARKETING SERVICES

ACTION REQUESTED

It is recommended that the Board of Regents authorize the President to enter into a contract with Nelligan's Sports Marketing (NSM) for athletic marketing services. The contract period is for five years through June 2013, with an automatic renewal provision for an additional five years contingent upon achievement of financial objectives.

STAFF SUMMARY

An RFP was issued in 2007 for athletic marketing services and the University has been working with Nelligan's Sports Marketing (NSM) for the last 12 months under the terms of an interim operating agreement. EMU's athletic department and leadership team believe continuing the relationship with NSM is the strategy most likely to optimize EMU's athletic marketing revenues and reach and we are requesting the Board approve a five year athletic marketing services contract, with a provision for an automatic contract extension of five years if financial criteria are met.

NSM would manage EMU's sports marketing in coordination with the athletic department and is granted the exclusive right to generate all revenues for sponsorship, media, and promotional opportunities. NSM would produce all TV, radio, and print programs.

We are excited about the opportunity to continue working with a company that has demonstrated success in growing athletic marketing revenues at other Universities. NSM is an established sports marketing company serving 19 Division 1 athletic programs including athletic programs similar in size to EMU's as well as larger programs. We contacted three other Universities that have worked with NSM and the feedback we received was positive.

FISCAL IMPLICATIONS

The EMU/NSM financial structure is a profit sharing arrangement (see attached). NSM will collect all athletic sponsorship cash revenues, pay all related expenses, and profits generated would be shared between EMU and NSM according to the formula shown on the attached. NSM's projections would result in payments to EMU of \$1.17 million over the five year period.

The contract would be renewed automatically for an additional five years if cumulative revenues during the initial five year period exceed \$2.5 million.

ADMINISTRATIVE RECOMMENDATION

The proposed Board action has been reviewed and is recommended for Board approval.

University Executive Officer

Date

EMU / NSM CONTRACT SUMMARY

NSM SERVICES

- Manage the EMU Sports Marketing venture in coordination with the athletic department.
- Generate all revenues for sponsorship, media and promotional opportunities.
- Produce all TV, Radio, Signage, and Print programs.
- Hire all employees for the venture with input and final approval of the Athletic Director.
- Manage all financial aspects with final approval of the Athletic Director.
- Update the Athletic Director with a written monthly report detailing sales progress and financial forecast of the project.

FINANCIAL HIGHLIGHTS

- NSM will collect all of the revenue and pay all project expenses.
- The first \$400,000 in project profits will be split 50% to EMU and 50% to NSM
- The next \$300,000 in project profits, from \$400,000 to \$700,000 will be split 60% to EMU and 40% to NSM
- All project profits above \$700,000 will be split 70% to EMU and 30% to NSM
- Contract automatically renewed for additional five years if cumulative revenue exceeds \$2.5 Million dollars in the initial five year period

FINANCIAL STRUCTURE / PROJECTIONS

EMU / NSM Profit Sharing Structure (NSM Estimates)

	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	Total
Revenue	\$400,000	\$550,000	\$700,000	\$850,000	\$1,000,000	\$3,500,000
Expenses	230,000	241,500	253,575	266,254	279,566	1,270,895
Total Profit	\$170,000	\$308,500	\$446,425	\$583,746	\$720,434	\$2,229,105
EMU Share						
50% of First \$400k	\$85,000	\$154,250	\$200,000	\$200,000	\$200,000	\$839,250
60% of next \$300k			27,855	110,248	180,000	318,103
70% over \$700k					14,304	14,304
Total EMU Profit	\$85,000	\$154,250	\$227,855	\$310,248	\$394,304	\$1,171,657