SEALING THE DEAL

TFL SPONSORSHIP FEASIBILITY STUDY

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INTRODUCTION

Earlier this year, I published a report, "Untapped Resource" calling on TfL to expand its use of sponsorship in order to boost commercial revenue and bear down on fares. The report provoked a great deal of debate and some rather weak opposition from TfL, who repeatedly dismissed the idea. Reasons included: the prohibitive costs of changing signs in stations, printing new maps, the danger of a tacky name change[1] and the lack of real interest from brands wanting to associate themselves with the Underground.[2] This report aims to strengthen the case for TfL to grow commercial sponsorship revenue in a number of ways. Firstly, it scrutinises TfL's opposition to the proposals, much of which is paper thin. Secondly, it serves as a feasibility study following discussion about the proposals with a number of experts.

TFL'S RATIONALE DOESN'T STACK UP

Just as "Untapped Resource" argued that TfL's reluctance to expand commercial sponsorship is misguided, TfL's response to the recommendations made in that report also do not stack up.

Costs of changing signs **-** TfL's main response has been that the cost of changing signs and associated media should a station change its name is prohibitively expensive: an estimated £4 million to rename a Zone 1 station with 3 lines – £2 million initially, and £2 million to change signage back at the end of the sponsorship period.[3] At first glance, this seems like a huge expense for changing signage for one station and, looking more closely at the breakdown, there are some rather spurious claims. These include, but are not limited to:

- £150,000 to change the tube map. This appears to be an overestimate. Printing maps is a constant and on-going cost for TfL, thus the cost of printing new maps could be absorbed by the regular programme of updating and maintaining stock levels. The same is true for bus guides (£120,000) and bus timetables and cycle guides (£80,000).
- Even if these costs were not being absorbed by regular updates, £150,000 is too high a figure. As a reference, when the tube map was updated in March 2011 to reflect changes to step-free access, the total cost, including re-design and the printing of 7 million pocket maps, was £77,295.[4]
- £150,000 to make changes to TfL's website. This is more than TfL's average monthly spend on redesigning their highly complex journey planner.[5]
- £150,000 to record new digital voice announcements. Again, it appears TfL has plucked this figure from thin air. When voice announcements were rolled out for the bus network, "voice and studio" costs were only £87,202 [6] for the recording of tens of thousands of announcements.[7] Thus recording and programming new announcements for one station is unlikely to cost the £150,000 stated by TfL.

A number of other examples show that changing signage is not a significant cost. When Blackfriars station

1. "Tories on London Assembly argue for sponsored Underground" ***Financial Times*** 3 June, 2013. http://www.ft.com/cms/s/0/eadb1e9e-ca23-11e2-af47-00144feab7de.html?siteedition=uk#axzz2hy4TzBUs

2. "Tube lines could be sponsored to freeze fares, say Tories" ***BBC News***, 3 June, 2013. http://www.bbc.co.uk/news/uk-england-london-22745677

3. Answer to Mayor's Question - http://www.london.gov.uk/mqt/public/question.do?id=47974

4. Artwork for the poster Tube map: £175; minor changes for the Pocket Tube Map: £120; print cost for poster Tube Map: £6,500; Print cost for Pocket Tube Map (7 million): £70,500. Source: https://www.whatdotheyknow.com/request/cost_of_lifts_and_of_updating_in?unfold=1

5. The firm *We Are London* is designing the new TfL website user experience. Despite not knowing the full extent of their private commercial contract known, public contracts show that TfL has paid a monthly average of £91,000 - well below £150,000 - over the past 12 months to We are London: http://www.tfl.gov.uk/corporate/about-tfl/investorrelations/17950.aspx

6. TfL, *iBus – End of Project Report*. Available at: https://www.whatdotheyknow.com/request/96738/response/242524/attach/3/iBus%20End%20of%20Project%20Report%20v1%201.pdf

7. "London buses voice over project – iBus" 23 July, 2012. http://www.emmahignett.com/london-buses-voice-over/

was closed temporarily between 2009-2012, the cost of changing signage across the network – twice – was only £8,500. [8] Similarly, the same figure for the closure of Tottenham Court Road Northern Line in 2011 was £19,000.[9] Yet TfL is trying to claim that changing signage across a network for any other station would add up to £4 million. The figures simply do not stack up. Many of these costs would have been incurred when the Emirates Airline was built, such as printing new maps, yet it was clearly not so expensive as to make the deal uneconomical. Furthermore, high up-front costs for TfL can also be overcome by passing the costs on to the sponsor by ensuring that these elements are contained within the contract.

There's no market for it – TfL has stated that they have not been approached by any businesses seeking a long-term sponsorship deal that involves changing the name of an existing tube station. This is indicative of the wrong approach, not a lack of demand. TfL should not expect firms to call them up, but need to make it clear that they are open for business and actively seeking sponsorship. Experts consulted for this report, who represent large clients of the scale that would be able to afford such a sponsorship deal, confirmed that there absolutely would be a market for this. For a global brand to get its logo on the tube map, in the way that Emirates already has done, is a "very attractive proposition" according to experts from Starcom MediaVest Group.

It won't generate enough money – When asked about his views regarding sponsorship, the Mayor has been a little sceptical as to whether it would generate significant revenue, but has stated that a large 'Emirates style' deal would be considered. As "Untapped Resource" argued, matching the right brand with the right station and exploiting a connection that enables the sponsor to realise some value in the deal, could result in a sponsorship valued in the tens of millions of pounds. Whilst it is impossible to put a price on a particular contract, experts we spoke to told us that they had worked on outdoor advertising sites in London where brands were paying millions of pounds each year. Hyundai, for example, are thought to be paying around £2 million each year for a spot on Piccadilly's famous advertising boards.[10] When MasterCard branded Oyster Card Wallets, whilst the total figure received by TfL is not publically available, it was described as a multi-million pound deal.[11] When Zurich sponsored the cleaning of Nelson's Column, they covered the full costs of £420,000 in exchange for 12 weeks of branding.[12]

> *"The opportunity for tube sponsorship is certainly a very interesting one and is likely to attract a great deal of interest. However, to keep the interest high you would need to keep a strong degree of exclusivity, e.g. a financial institution being able to sponsor Bank station, could be a very attractive proposition for a company."*
>
> \- Matt Waller, Head of Sponsorship - Starcom Mediavest Group
> *(Face to face interview was conducted at City Hall on 23 September 2013)*

Currently the most high-impact – and expensive - level of advertising that a company can buy on the tube is 'station domination'. This allows a brand to take over an entire, or specific part of, a station. A four week domination of Oxford Circus station costs £250,000.[13] Based on these figures, taking over Oxford Circus station for a ten year period is worth £30 million. Clearly, over time a 'domination' might lose its impact, but the value of naming rights could more than make up for this.

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8. Answer to Mayor's Question: http://mqt.london.gov.uk/mqt/public/question.do?id=47975
9. Answer to Mayor's Question: http://mqt.london.gov.uk/mqt/public/question.do?id=47976
10. "Hyundai's name in lights at Piccadilly" ***Financial Times***, 3 June 2011. http://www.ft.com/cms/s/0/2a75d936-8e03-11e0-bee5-00144feab49a.html#axzz2ikEZiWW6
11. "Transport for London secures multi-million pound sponsorship for Oyster card wallets" Press release available at: http://www.tfl.gov.uk/static/corporate/media/newscentre/archive/17949.html
12. "Campaign: Zurich shrouds Nelson's Column with branding" ***PR Week***, 22 November 2006. http://www.brandrepublic.com/news/605526/
13. CBS Outdoor: London Rail Creative Solutions Rate Card 2013. Available at: http://www.cbsoutdoor.co.uk/Global/UK/documents/2013_Rate_Cards/London%20Rail%20Creative%20Solutions%20Rate%20Card%202013.pdf

LOOKING BEYOND NAMING RIGHTS

Much of the debate following the initial report focussed on the selling of naming rights to tube stations. Clearly, this is one of the most lucrative options when considering raising money through sponsorship, but it is by no means the only option. Experts consulted for this study pointed out that there is a huge potential for firms sponsoring not just station names in return for cash, but specific upgrades or improvements to stations (e.g. Zurich sponsoring the cleaning of Nelson's Column); or sponsoring smaller parts of the network, such as Oyster Cards. Such deals, which would involve more than a simple changing of a station name, also enable a connection to be drawn between the sponsor and what they are doing to improve the experience for the commuter. This is key if the brand is to successfully 'sell' its sponsorship to the public and make it worthwhile.

> *"The key question is that rather than just sponsorship alone, what can the companies do to make the deal useful to Londoners? For example, a company could... install hand sanitisers next to tube doors. There should be a reason for a brand to be there."*
>
> \- Cate Murden, Head of Partnerships - Mindshare World
> (Face to face interview conducted at Mindshare offices on 20 September 2013)

TfL has an ambitious upgrade programme for the Underground, but not enough money to do everything it wants to do, as quickly as it would like to. TfL could seek sponsorship to help accelerate the upgrade programme, which may or may not involve changing a station name. A partnership between a brand and TfL such as this would result in a tangible benefit for Londoners and therefore be very attractive. Bank station, for example, desperately needs improvement works and TfL has plans in the pipeline to relieve congestion on the platforms, provide step-free access and improve signage and customer information. However, these plans are not due to be completed until 2021, in large part due to budget constraints. Getting a sponsor on board, for example a global bank that is based nearby, would help TfL to bring these improvements forward and drastically improve the customer experience for everyone who uses the station.

When looking at station upgrade work, TfL is, quite rightly, focussed on the 'big ticket' items such as installing step-free access, relieving congestion and cooling the tube. Naturally, smaller improvements that could drastically improve the commuter experience are a lower priority. However, if TfL were to seek more actively private sector investment, then such improvements would have a much greater chance of being funded.

Adding mobile phone connectivity to Tube platforms and train carriages is one example, especially since TfL has some experience with installing wireless connectivity under a sponsorship model. The Virgin Wi-Fi system, which currently covers 120 Tube station platforms, was provided at no cost to TfL; Virgin covered the cost (in excess of £10 million[14]) in return for branding the system and charging for its use.[15] Virgin not only benefit from the exclusive branding, they also profit from licencing the technology to vendors and monthly fees from customers. As mobile connectivity is even more prevalent than Wi-Fi technology, the benefits to a sponsor and passengers would be huge. The feasibility of 3G/4G mobile technology is currently being tested by TfL[16], and it would be a shame for the technology to be delayed any further due to TfL trying to maintain complete ownership.[17]

TfL has recently stated that they are seeking private sector investment to help pay for mobile technology since it represents a significant cost. However, if TfL were to make it more clear that they were open to

14. Contract value is between £10-25 million. Exact figures have not been released by TfL due to commercial confidentiality.

15. London Underground and Virgin Media – "WiFi Enabling Agreement." Available at: http://www.tfl.gov.uk/assets/downloads/foi/wifi-enabling-agreement.pdf

16. "TfL confirms it is looking at feasibility of 3G and 4G for London Underground" Techworld, 14 October 2013. http://news.techworld.com/mobile-wireless/3473624/tfl-confirms-3g-4g-works-on-underground-but-passengers-will-have-wait/

17. Bacon, G, ***Calling all Stations***. London: GLA Conservatives, 2013. Available at: http://glaconservatives.co.uk/wp-content/uploads/2013/02/Calling-All-Stations.pdf

Examples of sponsorship providing drinking fountains, video screens and mobile phone connectivity

sponsorship, where firms were not simply investing, but receiving exclusive branding or naming rights associated with the investment, it is highly likely that TfL could generate significantly more money.[18]

Other examples could include:

- A major electronics firm sponsoring the installation of TV screens in station entrances and on platforms broadcasting the news, as is increasingly common at mainline railway stations.
- Sponsorship of the Oyster system, including cards, wallets (as MasterCard and Ikea have previously), ticket machines or gates. This would be very attractive to a bank or payments firm and has generated millions of pounds for TfL in the past.
- New capital projects, such as underground bike parking, where there may not be a strong enough business case without investment from the private sector. TfL recently rolled-out wave and pay technology on buses at a cost of £75 million.[19] Extending this to the tube, but generating the money to pay for it through sponsorship by a technology or payments company, would save TfL a vast amount of money and provide increased flexibility for Londoners.
- TfL is engaged in an ambitious programme of installing step-free access across the Underground. Yet a glance at the tube map shows how many stations are still not accessible. Many schemes, such as West Hampstead, have been costed but do not represent good value for money. With sponsorship from the private sector, however, step-free access schemes could pass TfL's cost-benefit analysis. Furthermore,

18. "TfL confirms it is looking at feasibility of 3G and 4G for London Underground" Techworld, 14 October 2013. http://news.techworld.com/mobile-wireless/3473624/tfl-confirms-3g-4g-works-on-underground-but-passengers-will-have-wait/

19. "London Assembly: 'Wave and pay for buses must be fair'" BBC News, 18 November 2011. http://www.bbc.co.uk/news/uk-england-london-15777441

step-free access schemes are not all as expensive as the oft-referenced £97 million Green Park work.[20] For example, TfL started work on making Greenford Station accessible in 2009, but stopped since they could not afford the £10 million cost of installing a traditional lift. But Ealing Council researched alternative schemes and have persuaded TfL to install an incline lift, costing only £2.2 million. [21]

- Installing more toilets and washrooms in stations. Many of the stations which do have public toilets on the Underground charge for use. Sponsorship could enable more stations to have these facilities, without a cost for commuters.
- Water fountains and Oyster-operated vending machines on platforms.
- Sponsoring a deep clean of a station, much like Nelson's Column was cleaned; brands would see this as a good opportunity to show off their environmental credentials and promote their commitments to Corporate Social Responsibility.

RECOMMENDATIONS

The initial report made a number of recommendations to TfL about expanding sponsorship, including:

1. Long-term deals – 5/10 years – would be best for TfL
2. Existing brand and station associations should be pursued
3. Naming rights for forthcoming stations should be pursued with additional vigour
4. The money generated should be used to bear down on fares
5. Sponsorship should be sought for new infrastructure developments

Based on TfL's response to these recommendations, and having spoken to a number of experts since the first report, this report makes a number of additional recommendations:

1. ***Proactively seek sponsorship*** – TfL should make it clear that they are open to sponsorship and invite expressions of interests from firms. They should not assume that there is not a market for it simply because they have not yet been approached.

2. ***Explore how sponsorship can improve the commuter experience*** - As well as looking for money from naming rights in order to bear down on fares, TfL should look for ways that sponsorship can improve the experience for the commuter. This might be through sponsors paying for upgrades that are not at the top of the priority list, contributing money to make the business case for a project more favourable, or sponsors paying for smaller upgrades to stations, such as installing water fountains, that TfL is unlikely to pursue on its own.

3. ***TfL should minimise its costs*** – A major concern for TfL in pursuing sponsorship, quite rightly, is the potential costs that they will incur as a result. However, as this report has shown, not only are TfL exaggerating the potential costs, but there are clear ways around them by structuring contracts in such a way that these costs are part of the sponsorship deal.

20. Answer to Mayor's question: http://questions.london.gov.uk/QuestionSearch/searchclient/questions/question_28215
21. "London's first incline lift" Transport for all, 7 January 2013. http://www.transportforall.org.uk/news/london-s-first-incline-lift-

APPENDIX I

We are very grateful to the following experts that we spoke in the course of researching this report:

- Cate Murden, Head of Partnerships - Mindshare World
- Matt Waller, Head of Sponsorship - Starcom Mediavest Group
- Erica Taylor, Trading Operations Director - Starcom MediaVest Group
- Senior representative from Sponsorship Intelligence
- Senior representative from Meridian

FEEDBACK

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