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# An Interview with Timo Lumme, Managing Director of Quokka Sports Ltd

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## Introduction

*Timo Lumme is an experienced player in the world of Sport Marketing and Management. In 1988, he joined International Management Group (IMG) as Associate Counsel for IMG's sports clients, moving to France in 1989 to head up IMG's team within COJO (Comité d'Organisation des Jeux Olympiques) with responsibility for the international marketing of the 1992 Albertville Games. Lumme also managed the group's commercial consultancy relationship with the 1994 Lillehammer Olympic Winter Games.*

*In 1992, he was promoted to Managing Director for IMG Italy with responsibility for all client, event and television activities. In 1994, Lumme returned to the UK as Vice President of Business Development, jointly spearheading IMG's entry into the football business. In 1996, he joined Nike as European Sports Marketing Director, responsible for Nike's Sports marketing strategy, management and execution in Europe. He joined Quokka Sports Ltd in 1999 as Managing Director, Europe.*

*Lumme is a qualified solicitor and is fluent in five languages. Here he talks to Adrian Hitchen, Executive Director of SRi.*

**AH:** I thought we could perhaps begin, Timo, with some background to your entry into the field of sports marketing. Could you tell us what first attracted you to sports marketing and specifically to IMG?

**TL:** Sure. I actually started off life as a lawyer and, in fact, I qualified and practised as a financial lawyer in the city of London for a firm called Slaughter & May. What first attracted me, apart from my love of sport, was the fact that I was actually doing National Service in Finland in the snow, and I read Mark McCormack's book "What they didn't teach you at Harvard Business School". I began to realise there was an industry called sports marketing, and quickly found out about it and sought out an opportunity in the firm that I finally joined, and that was IMG.

**AH:** So did you join IMG as a lawyer?

**TL:** I went in as a lawyer initially, yes. I was what they call an associate counsel, basically an in-house lawyer, and I was there for 11 months before I was then posted off to work on the Albertville Olympics.

**AH:** A fact which leads into my next question. We first met, I think, when you were at IMG, at one of those early Olympic workshops. Staying with history for a moment, how did you see Olympic marketing evolve over that period, and how would you contrast that era with the situation today?

**TL:** I think they were fairly interesting times, on a couple of fronts. Olympic marketing, as you know better than me really, probably kicked into gear in 1984, but it wasn't until 1988 that the international programme, the



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“TOP” programme, kicked off for the first time. When I came into the picture, in 1989, it was the beginning of the second round of sponsorships (“TOP 2”) which covered Albertville and Barcelona.

What was particularly interesting was that the programme was having to fit into the construct which now included a slightly more developed domestic programme which, of course, was what IMG had been brought in to work on. IMG acted for the Organising Committee and, as such, had a direct mandate to develop the local programme. In those days one of the major issues, certainly at the beginning, was how the international programme would sit with the domestic programme. Clearly, you could not have Coca-Cola as an official sponsor world-wide, including the Games in Albertville, for the Organising Committee then to go and sell that same category, granting “exclusive” rights, and so that was an interesting time!

It was particularly interesting in the area of technology. I think one of the things that has changed is the companies themselves, like the technology companies which have tended to converge more and more. Whilst we may have been able to do deals with, say, a Panasonic, a Philips, and a third company in those days, generally the technology companies are now providing services which have “converged” so it is much more difficult to distinguish between them.

**AH: Do you think that, in view of the Olympic difficulties which we all read about last year, Olympic sponsorship is a different proposition today from the “high-end” image association that existed ten or 15 years ago?**

**TL:** I think there may be a perception of that, but I think that is wrong. I actually think that the Olympics generally have done a pretty good job in perfecting or maturing the overall proposal to sponsors. I am told, in fact, that there is actually a waiting list for potential entrants to Olympic sponsorship. I think per-

haps where the issues are more keenly felt is with the Organising Committees which, of course, are effectively Fortune 500 companies which have to start from scratch to build themselves up in a period of six to 12 months and so perhaps don’t have the requisite experience that the Olympic Movement as a whole has in managing those types of issues.

**AH: Moving on, you then joined Nike, I believe at about the same time that Ian Todd made a similar move.**

**TL:** What happened was that I left IMG to go and work as European Sports Marketing Director of Nike Europe, based in Holland, in November 1996. Ian Todd left (IMG) to join Nike in June 1998, so there was a bit of a gap.

**AH: My understanding is that Ian was recruited to help establish the Nike Sports Entertainment Division, and then you joined him working on that side?**

**TL:** I think that is the perception, but the reality is exactly the opposite. Nike Sports Entertainment did already have a life within Nike: I think it actually had achieved some of its objectives, but I think the reality was that Ian convinced Phil Knight that Nike should really concentrate on its core business – the marketing and distribution of sports equipment, specifically shoes, sports apparel and equipment – and that the key challenge was how to acquire the best sports stars and sports teams of the future and how to leverage those for the brand. I think that was the platform that he went in on, and he felt that Nike Sports Entertainment was actually a burden to them and took Nike’s focus off what they should be doing.

**AH: History has suggested that maybe the (NSE) concept wasn’t necessarily as sound as the initial thinking – at least that is my take, but do you agree?**

**TL:** I think you have to look at Nike Sports Entertainment on two levels. On the one level,

Nike had a mission to enter a couple of sports, and specifically football (soccer), which it had really ignored for a long time because it had been very centred and focused on its US business. After the '94 World Cup, it became obvious to Nike that the way to become a truly international, global brand was through football, so Nike Sports Entertainment had certain brand objectives which in many ways it attained and, after it finished, most people understood Nike to be in football. The way that it achieved that is open to discussion but nonetheless the end objective was attained.

On the business side, what was felt (and this was, I think, where Ian Todd came in) was that the business of event marketing is a difficult and complex one. Even a successful event marketing business would not generate the types of income that a successful global sporting goods company which is properly conducting its marketing would hope to achieve. So, with Nike having attained its brand objectives, it was felt that there was no point in having an operation running with a profit and loss account that was always going to be marginal to the main business.

**AH: And that positioning of Nike with football, do you feel it was achieved primarily through the major flagship deals like the sponsorship of the Brazilian team, through individual athlete endorsement deals, or the whole set of rights that Nike put in place?**

**TL:** I think the positioning of Nike was achieved through its traditional method which was recruiting and marketing the best athletes in a chosen sport. The obvious example of that was Michael Jordan, and you can also pick out John McEnroe, and Ronaldo in football. The interesting thing about football was that it actually was the first time Nike had undertaken a large-scale sponsorship of a team as opposed to individual athletes. It was the Brazilian national team, and the reason for that was that, generally, a team is parochial due to its very nature, so doesn't offer global or even national marketing possibilities. But in the

case of Brazil, the team was felt to be symbolic of the very heart and soul of football and also provided the ability to market Nike as part of football across the globe: the phrase is "Brazil is everyone's second favourite team".

**AH: I meant to ask you what had actually attracted you across to Nike from IMG – given that this is one of the world's leading sports marketing firms?**

**TL:** That's a good question. I think at the time I was intrigued by the possibilities offered by a brand which was very successful, had grown immensely, and really offered a stage, as far as I was concerned, to use my background in sports marketing and apply that to a brand. So I was really attracted by, if you like, the overall brand marketing possibilities of sports marketing.

**AH: Moving more to the present, I believe you joined Quokka just a few months' ago?**

**TL:** It was mid October 1999.

**AH: Had you been actively seeking a role in new media? Is it an area that you had specifically identified or had targeted?**

**TL:** I would love to say that was true but the honest truth is that the approach, when it came from Quokka, from a former Olympics client Alvaro Saralegui, was totally out of the blue. What convinced me was that really this was the dawn of a new era, the dawn of a new industry, and it was, I think, a pretty exciting time to jump on the train. I really felt that this was one of those moments that if you didn't jump, the train may leave, and there may or may not be another train to get on board. So it was really the opportunity that caught my attention and whilst I hadn't been specifically looking to leave Nike, it was an opportunity that I thought was too good to miss.

**AH: Could you perhaps give us a brief overview of the organisation of Quokka, and the business set-up?**

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**TL:** Yes. I think it's important to understand what Quokka is. Quokka describes itself as a digital sports entertainment company. It basically creates what we think is unique sports programming for all the areas of new media which is basically Internet – whether narrow band or broad band, wireless applications, interactive television . . . “convergence” as they describe it. So all the various digital media of the future, some of which exist today and some of which may be developed in the future.

The company, very briefly, was founded by two America's Cup sailors, one of whom is John Bertrand, who is well known by the fact that he was the first non-American to win the America's Cup in 1983. The other person is Al Ramadan, who was Chief Technical Officer of the “Australia One” boat in 1995.

Well, the original idea of the company, which is probably worth recounting, is that to watch sailing, either live or on television, is effectively like watching paint dry. You see two white sails in the distance, duelling with each other, but you get no real insight into the sports event itself. So while that was happening, Al Ramadan noticed that as he was standing in front of a bank of computers which were giving him all sorts of data regarding the performance of the boats (“telemetry”), the sponsors would actually congregate around him and watch the data feed rather than watch the race itself.

So the idea came that actually you could cover certain sports events which were under-served by traditional media – print and, specifically, TV – and that you could actually cover them much better through the Internet. You could use a variety of assets, if you like, in order to cover them. Some are pictures, whether moving or still, and then there is this whole panoply of data available from the boat which you can visualise in a compelling way and then you tie that together with a compelling editorial. Quokka's ethos is to cover sports “from the inside out”, from the first person, so it's very much about getting under the skin of the athletes or the participants, and so you deliver a compelling experience of something which to look at, like a sailing race, can otherwise be boring.

**AH:** I was aware of Quokka's America's Cup and Whitbread Race sites and, I believe, you are also in partnership with NBC with regard to an Olympic site, but the ethos you have just described – looking at the sport from the inside out – is that something you feel can apply to many other types of sport?

**TL:** Yes, I think so. Obviously this is a medium which is changing and evolving every day and I think the cornerstone of what Quokka is, and what it has to be, is at the very leading edge of that change. So it's something that we are discovering and creating every day, but I think that, as a brief context, where Quokka started was certainly in the area of sailing and in the area of adventure – those sports or those activities obviously lend themselves much more easily to an alternative type of production as is supplied by Quokka. But as Quokka started increasing its product applications certain other sports also came under the radar.

The first one of those was motor sports and it became obvious that whilst there is, some would say, saturation coverage of the major motor sports events, there is still an angle for a new media or digital company to be able to add significant value to the event. That is primarily because, again, coming back to the area of data, the type of data which is available, which gives you a very close look and an insight, a personal look at what is actually happening within the race, just is not portrayed and cannot be portrayed today on basically a flat screen which gives you video. Properly visualised, race data can dramatically add to the intensity of the viewer's race experience. And the other part of that, again: the viewer is certainly able to watch the television screen but basically has to accept what the broadcaster gives him or her. There is no ability to be your own producer. So one of the strategic pillars of Quokka is motor sport and we cover motor cycle and open wheel racing today.

Moving up the curve, as you go further towards sports which are very well served by television, you get to the Olympics, which is,



of course, a prime example of a TV-saturated event. But even then there are very good opportunities for a digital producer to add significant value.

For the Olympics, if you take Quokka's contract with NBC which basically allows us to work on a joint venture with NBC to provide digital coverage of the Olympic Games, the total amount of sports in the Olympics comes to about 3,800 hours, of which 420 hours will be available to the television viewers in America through free-to-air and cable television. That is under 15%. So given that there are large communities of people who practice one of the 35 sports available at present in the Olympics, they are obviously going to be under-served. That's one part.

The other part is that the actual television viewing experience itself, of some of the major events, can be enhanced by what I would call a "simulcast" of the specific event. That is to say that you may be watching it on the television but at the same time you will be able to access additional complementary information through your PC. For example, Michael Johnson running the final 400 metres will be wired to measure his heartbeat. The NBC coverage will say, if you want to know more about Michael Johnson's heartbeat while the race is going on, go to NBC Olympics.com, so there is a clear complementary enhancement of the television coverage. Obviously, this can then be taken to a next level through the application of the digital functions of interactive TV, some of which you see today – although these products are being developed all the time.

And the third part is that whilst the Olympics last 16 or 17 days, the Web-site is up and running the year before everything starts, so you are already promoting the Games, and specifically helping to promote the telecast of the Games, so you are building up an audience and a community which may be of benefit to both NBC and the Olympics.

**AH: That sounds like a fantastic development for the real fans who want to get absolutely under the skin of the sport. Just out**

**of interest, have the athletes embraced this increased scrutiny to which they will be subjected?**

**TL:** It is very interesting. I think that everyone's initial reaction, particularly if you come from European sports which tends to be focused very much on soccer, is that athletes are very out of touch with the normal person and not always very co-operative. Actually the reality has been that the athletes and teams that we have worked with, as soon as they have realised what the medium can offer, are very, very co-operative.

What it offers is essentially another platform for the athlete or team to be able to give a first-hand account of what they are actually doing, rather than it going through a third person like a TV or print journalist. From a commercial perspective, it also allows them to elevate themselves and obviously give more exposure for their sponsors. So what happened in the case of Michael Johnson was that he actually walked into the offices of Quokka in San Francisco, and offered to work with us.

**AH: Fantastic! Talking a little now about Quokka in structural terms, I understand that you went for an initial public offering of shares a few months ago?**

**TL:** Yes, in July.

**AH: Can you share with us who your major investors are?**

**TL:** Yes, sure. The major investors behind Quokka are some of the people who have most to gain, if you like, from the development and commercialisation of this new digital space. One of the major investors is Intel, which clearly has development interests in the Pentium III chip, and a vested interest in broadening access to the digital space. But we also have major cable companies in the States, as well as major media companies such as the Hearst Corporation and the major telephony companies like ATT and British Telecom.

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**AH: And I gather the take-up of shares was very good?**

**TL:** In truth, at the time the market had been very receptive to IPOs from Internet companies but the take-up, whilst it was good, did not raise the price to the expected level. If you then fast forward to where we are today, what has happened is that the market probably did not understand Quokka's business model straight away and wanted to see it proved. Whereas other stocks rose very high initially on the basis of the expected boom in those areas, which actually wasn't quite forthcoming, Quokka has gradually consolidated and has built the foundations for a very solid business, which is now seen through the increase in the stock prices. So it has been a gradual performance, through basically delivering against each quarter's results.

**AH: I would like to return later to the business model that you have in place, but I wonder if I could just come back to the sports fans who will, presumably, be your immediate consumers. How do you characterise the benefits of Quokka's services to these fans now and perhaps for the future?**

**TL:** I think for the core sports fans of a particular sport – let's take the sports outside of the major sports which are very well covered on television – it basically offers a way to have 24-hour by seven-day coverage of their favourite sports, which was never available before. It also allows them to be brought into a community which they can then share with their fellow participants and fans.

This happened, for example, with the Whitbread Round the World Race in 1997/98 which was delivered through the Internet and, the Internet being a global vehicle, was able to unite the disparate global sailing communities. They were then able to interact with each other for the first time ever, so it really did create a global sailing community for the first time – we actually had 1.8 million of these people who formed an international sailing community.

**AH: So you envisage more of the minority sports being made available to those world-wide fans, but what about the element of interactivity?**

**TL:** The element of interactivity is absolutely key and the foundation stone of this company. The thing which differentiates us from the other on-line media is that we believe we occupy a niche which was essentially founded by us and where we are pre-eminent, and I would call that digital sports entertainment as opposed to digital sports information. I think if you go onto most sites today, and people are conditioned to do this, they go on to get scores etc and it's more or less like an e-newspaper. You go and get your favourite team or favourite athletes performance and results, and any other data that you need. The business model of Quokka is actually to provide digital entertainment, designed not only to attract large traffic, but also to then retain those people by entertaining them – so that's absolutely key.

Today, in the States, Quokka has in part achieved that objective; it is the fourth what they call "stickiest" site of any site (not just sports sites) behind eBay, Yahoo and Microsoft. As bandwidth expands, allowing richer content and more immersive experiences, with moving images to be introduced as part of the programming, that entertainment experience will increase and we are also confident that the stickiness, or should we say the connected time of the audience, will also increase.

**AH: Just for the purposes of those readers not so familiar with the area, how do you define "stickiness"?**

**TL:** Actually stickiness is specifically related to the connected time, that's the length of time that a visitor would remain on site.

**AH: Thank you. By interactivity in relation to the entertainment aspect, are you referring to interactive games, for example, based on the event, or the user being, say,**

**“in the car” with the race driver and feeling the experience to some extent of being in the race themselves?**

**TL:** I think there is a range of things. I think it starts off from the actual experience itself. We want to try and make the viewer feel as close to the sport and as close to the athlete as possible. So clearly that’s an “in-competition experience”. But then there are applications to allow the visitor to interact, either through obtaining access to other entertainment/information or through specific applications, which may be shopping, they may be gaming, hence the games. One example was the virtual race that was conducted for the Whitbread Race and also the America’s Cup Race which effectively allows you to access the same telemetry and data that the real skippers have, and then you can use that and race yourself against them.

**AH:** Talking again about the business model which you referred to a couple of times already, how do you enumerate the potential sources of income? I think for the person looking into this business at the moment, it is sometimes difficult to understand where the revenues are really going to flow from. How would you prioritise the potential sources?

**TL:** I think with the traditional business model of a lot of informational sites there may be traffic, there may be visitors, but they don’t remain for a long time. It is then difficult to see how they can create a community, that’s a community that wants to go to the sites but will also come back to the site. So it is effectively how they can commercialise that traffic. I think the interesting thing about Quokka is that it has been able to demonstrate that it can commercialise that traffic. Clearly we are now in the first phase of development, whereby around 90% of the revenues come from sponsorship and advertising; the rest come from e-commerce. We are, however, moving towards a more balanced model where there will be more of an even balance between com-

mercial advertising and sponsorship, e-commerce and also revenues from the sale or syndication of our programming for new media distribution.

**AH:** By e-commerce, are you including everything from, for example, the sale of event or sports branded merchandise, through on-line gaming and so on?

**TL:** Absolutely, including auctions for example. On our Championship Auto Racing (CART) site which is the equivalent of Formula 1 racing in the States, we are conducting an auction to sell off the chassis of one of the cars. The latest figure I heard was a bid of \$40,000, so clearly there is a market for even expensive items, for instance, just as a small example, memorabilia items which will achieve a high value.

**AH:** How important do you see subscriptions being in the Quokka model, particularly in relation to event coverage for which you may in due course have exclusive rights, for example?

**TL:** I think it will be difficult to charge, and I do not see us charging subscriptions in order to view the sports events. I think that would be difficult to sustain against the need to deliver impressions for the sponsors. However, I think there clearly is a market for subscriptions where you are bringing in additional features and elements which will then require some subscription in terms of the added benefits.

**AH:** And just to round off this question of the business model, is it typical that the revenues are distributed on a profit-share basis of some kind with the sports event or rights owner, or is Quokka more in the business of acquiring rights for its exclusive exploitation thereafter?

**TL:** Well, each deal tends to stand on its own two feet. It depends very much on the objectives of the rights owner. I think the distinc-

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tion is that we will deal with event owners, but we also deal with broadcasters and we will actually co-operate to create events with other interested parties, for example, so each deal tends to be different.

**AH: Could we now turn perhaps to the current Quokka site consumer, just to talk a little about who those people are. Do you have information which categorises your site visitors by things like demographics or lifestyles: are they sports nuts, are they computer nerds?**

**TL:** One of the interesting things about the new media is that you are able to track and analyse pretty closely your “viewers”. Just a general point: even though we are predominantly a US company, we have global events so around 50% of our audience is from within the USA and 50% from outside. It obviously varies per event. Again demographics will vary, but generally I do not think there are too many surprises. For instance, it’s no surprise for sailing that the demographic is predominantly up-scale, male, aged 25 to 45 – near the traditional demographic for sailing. For other sports such as motorcycling grand prix the demographic tends to be slightly lower income based, and obviously from a different geography as well.

**AH: So there is quite a different audience per site?**

**TL:** To some extent. I think the one thing that probably skews the audience, compared to say television, is that Internet access or Internet penetration from different countries is either less or better developed. Obviously it is very well developed in the US where they have 110 million people out of 280 million who are already on-line, and in Scandinavia it tends to be about 40%. Then if you go down to Italy or Spain, it is between 3 and 5% today – although that’s obviously changing.

**AH: Do you see that user group changing rapidly as we go into the future, and what is**

**Quokka doing proactively to build its user base?**

**TL:** I think the interesting thing is that if you compare the States to Europe, the States is very much leading the way, in terms of on-line access compared to Europe, and it is also the leader in terms of developing a broad band, that is to say very-high-speed Internet platforms for distribution and content. If you look at Europe, however, it is very much at the beginning of a transformation in terms of the wireless applications, that is to say the access of Internet services through mobile devices. The mobile telephone companies are bringing out Internet-capable mobile phones, and companies are producing PDAs which will also be Internet capable.

**AH: Is that “Personal Digital Access”?**

**TL:** Personal Digital Assistants. So it’s quite likely in Europe you will soon have a situation where on-line access will actually accelerate very fast, but by virtue of mobile phones and PDAs rather than through the PC and that is then likely to increase the Internet penetration in areas such as Spain and Italy, for example, which are very high in mobile take-up.

**AH: OK, thank you. There seem to be a number of leading players emerging in the sports Internet sector – along with yourselves, I am thinking of others such as Sportal, Worldsport etc. How would you characterise the differences between these major players?**

**TL:** I think a first group would have to be characterised as “on-line media” – planet football, soccer net, Eurosport.com. – that type of company – which basically report, fairly thinly, on a large variety of sports. They are basically a source of sports news and information. The other group of companies – I guess, you could group Quokka with companies such as Sportal and WorldSport – are actually partnering the sports bodies, and are really in the busi-



ness of covering sports events. The question then becomes what sort of technologies are being used and how deeply do they cover those sports events. Quokka's mantra is what we call QSI – Quokka Sports Immersion – which is, as I previously described, a very deep rich- content high-band-width type of experience. The other companies so far seem to be pursuing the slightly-narrow-band type of coverage.

**AH:** So beyond that it would come down to the different rights and deals that you are able to put in place, and presumably there is strong competition for becoming associated with major sporting properties?

**TL:** Yes, there are the beginnings of competition, but the market is very immature in the sense that there is not a standardised model for the business. I think that will develop. I think the rights holders need more experience of dealing with digital sports companies, so they can start understanding the differentiation in the market place, and obviously they will be keen to understand the value of their properties in the market place as well. But it is clear that, today, these rights are not able to command high fees, although that may or may not change as time goes on.

**AH:** We talked a little earlier about the complementary nature of watching a traditional broadcast whilst at the same time accessing the digital technology of the PC. Do you view the impact of sports Internet developments as being potentially also competitive to traditional media?

**TL:** It's clear that the technology will be there one day which will provide the ability to be competitive. However, I don't actually believe that in the area of sport, or the sports business, the rights holders and the players will really want it to go that way. I think there is, and will continue to be, a device which will deliver a visual experience to the consumer very, very well, and that's called television. I think it is

the role of the new media to cover the sports either which cannot be covered, or to cover those which are covered in an alternative but complementary way, and which will eventually add value to the broadcasters, the new media companies, the rights holders, consumers and the sponsors.

**AH:** One reads a lot these days about convergence of consumer technology, which I tend to translate as meaning that, within a relatively short space of time, there will be one screen, one box, in the corner of most living rooms, through which one would access both traditional broadcast media and the new media. Can you give us your perspective on that? Is that scenario on our doorstep already, or will it take a few years to arrive, and how do you see the impact of that on the viewing behaviour in the average living room?

**TL:** Well, I think there are a couple of points. One is that I think, as a human being, that people perhaps want a satisfactory viewing experience and you can characterise that in two ways. Either the "lean back" experience, which perhaps my and your generation are used to, when you have a can of beer and you sit back and relax and enjoy the event: you take whatever is offered to you. There is then another type of consumer which I think we will see much more of in the future, younger consumers who effectively do what the Americans call "multi task", that is they carry out more than one function at the same time.

It may not be unusual in the future to see a ten- or 12-year-old playing a video game on a play station, whilst watching an interactive TV programme, whilst the kid's on line and whilst s/he is also on the mobile to her/his best friend. And that is much more of an interactive type of viewing experience.

So I think what will happen is a trend away from just pressing buttons to watch your programmes and getting whatever is being shown – there will be a lot more choice.

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I think the other part is that there will have to be a multiplicity of platforms which allow for that choice, in other words not everything will be driven through a box in the corner. I am sure the technology will provide a way for a collective viewing experience, say by members of the family, and they will be able to experience that event in different ways whilst perhaps watching the same box.

**AH: As someone looking in on the world of the Internet at the moment, the pace of change seems almost unbelievable. Do you see that pace being maintained unabated, or do you feel that the major significant technical developments are already in place, and it is now a question of building on those platforms as they exist?**

**TL:** No, I think that far from being unabated, the pace of change seems to be increasing and whilst that raises technical challenges it does mean that, yes, there is change all the time. It is the technology which is changing and evolving so rapidly and forcing changes in the commercial applications, in the business models, which people are trying to graft on to them to try and make sense of the new order. I would probably describe Internet years as dog years – one Internet year is equivalent to six or seven human years, that's certainly what it feels like.

**AH: What could we expect, perhaps, on the horizon in the near future from Quokka by way of new technology, or new developments within the company?**

**TL:** Certainly Quokka's big milestone in the year 2000 will be the Olympics. This will be available on the Internet worldwide but has obviously been tailored primarily for the US audience. Of the US on-line population of 110 million, we expect to get 10% or 20%, so we expect to have between 10 and 20 million people on-line. There will be some state-of-the-art applications, particularly on-line through a PC. Beyond the Olympics, I think a couple of the other applications which we will be working

on are interactive TV and, particularly in Europe, the whole wireless area: we are already in discussions and actually in co-operation with mobile telephone companies to start delivering those experiences.

**AH: You mentioned earlier the importance of advertising and sponsorship income to the Quokka business model. Thinking again about sports sponsors in a more general sense, to what extent do you feel that the traditional event sponsors have grasped the opportunities being made available through services offered by Quokka and other sports Web-sites?**

**TL:** Well, here I think you have to contrast the experience in the US as opposed to the experience in Europe. I think it is probably fair to say that the US is a couple of years' ahead in terms of understanding and adapting, from the marketer's viewpoint, to the new medium. From Quokka's experience, we are now seeing major companies, some initially technologically-led companies but also now FMCG (fast moving consumer goods), consumer-based companies, adopting the medium to communicate with their customers – the take-up has been pretty rapid over the last couple of years. In Europe, it is still at a nascent stage, partly because I think a lot of the focus is still on the development of the actual technology as a viable medium, for instance, issues of on-line access, downloading time etc.

There are also cost issues which need to be resolved in Europe, in terms of metered access and so forth, but once those are swept aside and resolved then I think it will develop very quickly. The example of the States shows how the Internet has already become a mainstream medium for larger corporations.

**AH: And do you see these interactive promotional opportunities being complementary to traditional sports sponsorships, or potentially competitive?**

**TL:** I think probably the best way to answer

that is from a company's view – which medium provides the best access to the largest number of people in the world's customer base. Companies and marketing directors are continually having to make choices of this kind, and have been for many years – whether to use TV or print or direct mail, whatever the medium may be.

This will be another additional medium which will provide certain advantages, so of course there may be some competition, but I think there will also be a complementary aspect, as most of the corporations tend to try and capture the largest share of voice by covering most of the available media.

**AH: Do you see a potential danger of companies using event-related sites as a means of ambushing official sponsors? Is that possible, or are there certain conditions governing the deals which you do with the Web-site sponsors?**

**TL:** Well, it is interesting. As you know you can find almost anything on the Web today, so sure, the ability exists to try and ambush the official sponsors in the sports context. But the problem, of course, lies in how you are going to get the traffic so I think the advantage of the official event sponsors is that of having a specific URL, a domain name of an event, which will drive traffic.

So the official sponsors will have some inherent advantages, plus specifically there is also a tie-up with broadcasters who will then cross-promote the events and the television coverage, whereas an ambusher, a bit like in the real world as opposed to the virtual space, will be reliant on heavily promoting its existence through other means.

One of the ambush avenues that still exists is the ability to buy domain names which either replicate, or closely replicate, an official event name, but this is gradually being closed down. In fact Quokka, after a recent case in the States, was able successfully to litigate against an unofficial URL. So, there will be a gradual cleaning up of this.

**AH: Moving towards the final section, Timo, I wanted to touch on the question of research. What kind of research programmes is Quokka engaged in? For example, I presume you look at the reach and profile of the audience to the sites, but are you also undertaking other programmes of market research either to allow further development of your own properties or to market these to potential advertisers and site sponsors?**

**TL:** Yes, Quokka is certainly having to measure its performance as a way to be able to react to the market and effectively to continue to develop and evolve the products we are offering. We do this by means of on-line measurements which are provided by specialist companies, some of which provide data in real time so you are able to follow the specifics of a mounting or increased audience, or things which may be happening in a sports event. That's clearly important to us – the behaviour of the consumers using Quokka's sites. What attracts them, what repels them, what makes them stay a long time and what makes them go away: that's the type of thing that we try and measure.

In terms of overall research, certainly there are a host of companies that provide industry research and trends, if you like "macro" measurements, and, of course, we try and stay very close to them. It is very important to us that we understand our market place, so we try and cover off both these macro measures and the micro measures which relate to our own site.

**AH: I understand, Timo, that Quokka Sports is gradually opening offices in several countries with the head office, I believe, being in California. How is the company organised and how will it become organised between the functions of head office and the national offices, such as this one in the UK?**

**TL:** Our objective is to become the leading digital sports entertainment brand. In order to do that we clearly have to become a global player, and I think we have made quite large

## An Interview with Timo Lumme, Quokka Sports Ltd

strides in a short space of time in the US, where we are a pretty recognised brand. Clearly in Europe, where we are still much more at the beginning, one of the objectives of the European offices is to grow the regional business. So I would certainly see a situation where we would provide a product to communities in various countries which will be locally relevant to them and in their own local language. How that matches up against opening other new offices will depend on individual national circumstances – clearly we have to be operating in the individual territories over the medium- or long-term.

**AH: That would be each country, or would some parts of the world be serviced by a major regional office?**

**TL:** Well, again, the beauty about the on-line space is that you are able to reach global consumers from a central source with one medium, so that allows you to be a great deal more efficient in terms of opening offices, which is of course the traditional method to start colonising and exploiting the market place. But, beside that, we already have editorial teams who work in different countries and cover sports events on site wherever they may be in the world. It is then a question of when do we have to link them up with sales and marketing and production capabilities in individual countries, to be able better to serve those sports communities.

**AH: Finally, Timo, if you had to make a prediction on the behaviour of the average sports fan in say, five year's time, how different is that behaviour likely to be, how would he or she be dividing available time between the various ways of consuming sport?**

**TL:** I think that the interesting thing will be that most people will still be very passionate about a particular sport, and they will still want to practise that sport, either competitively or for fun. I think the major change

will be that the person will probably spend more time, or a more efficient use of available leisure time, pursuing and researching and being entertained by that sport, and perhaps by other sports which had previously been less interesting – because those sports will now be accessible in an entertaining and informative way. I think that they will also be able to have a closer relationship with like-minded people wherever they may be in the world – the creation of virtual communities, whereby people will be able to experience their sport more often, and in a more fun way. So I think it really opens up the possibilities of choice and hopefully a greater sense of enjoyment than has been possible in the past.

**AH: Well, Timo, you have certainly painted a fascinating picture of the future of sports through services such as Quokka, and we appreciate you sharing those thoughts with us. Thank you very much.**

**TL:** Thank you very much. ●

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### Biography

Adrian Hitchen is Executive Director of Sponsorship Research International (SRi), the Research and Consulting Division of the ISMM Group (the parent company also of ISL Worldwide). He is a long-serving member of the Group, having first joined as Research Manager in 1984 to establish the company's in-house research and information department. Adrian spearheaded the transformation of this internal function into an independent trading Division, SRi, in 1993.

Prior to joining the ISL Group, Adrian graduated from London University in 1975, and then gained extensive experience in both media and marketing research plus account management at Scottish Television and the international media representation company, Airtime International.



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