

ADVFN Guide: 101 Ways to Pick Stock Market Winners

by Clem Chambers

Sample Tip: Avoid T-shirt Deals

Another sign that you should avoid a company is shirt deals.

From a common sense point of view, how can it make sense to pay millions of pounds to have your name on a football shirt?

Undoubtedly a great salesman could present to us and dazzle us with science and have the ignorant scales fall from our eyes to see in full Technicolor why it makes perfect sense to blow a fortune on having your company name on a bunch of youngsters kicking a football. I'm sure we wouldn't be swayed by the bragging rights of a big bunch of tickets to all the games; for friends and family and customers with an amazing box with incredible views, I'm sure the reasons will be strictly commercial. Isn't the whole country transfixed by football?

However, many companies doing these kinds of deal, and doing them big, have gone spectacularly bust. AIG was on Manchester United's shirt, Northern Rock on Newcastle United's. Man City and Accident Group, Charlton and AllSports, West Ham and the XL airline; all these companies came horribly unglued.

Perhaps a company doing a shirt deal is actually just out of control.

You can extend this idea to companies that put their names on stadiums and to firms that sponsor Formula One. Remember the Enron Stadium and the Parmalat Formula One team? This of course could be what is known as observer bias, in so much as you don't notice companies that do these deals and don't go bust.

Yet even so, the thought is, why would you throw such titanic money around on these kind of unaccountable deals which have no measurable returns if you were running a smart business? Manchester United is a great team, but \$100 million to put your logo on 11 shirts is surely a sign of a kind of unexpressed insanity. It's easy to come up with a lot of bad reasons to do so but not many good ones.

As such, when you're thinking of selecting a stock or shorting one, this kind of trophy marketing is a red flag.

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