"SPONSORSHIPS 101" EXCERPTS

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Section 1 – Sponsorship Basics

SPONSORSHIP ASSETS

The typical sponsorship relationship has the sponsor paying the property for specific rights and benefits, often referred to as sponsorship assets. Depending on the popularity and the value of the property, sponsorships can be sold for a few hundred dollars to tens of millions of dollars per year. These marketing rights fees continue to increase over the years, and properties continually look to add new marketing programs or assets that will allow them to charge greater marketing rights fees and ultimately achieve greater revenue streams.

Years ago, sponsors were given a sponsorship package by the property, but by no means was it customized for that corporation. Today, although there is typically a minimum spend required to purchase a sponsorship, the overall packages the specific sponsorship assets are much more tailored for the needs or the desires of the sponsor.

In many businesses, competition drives the price down – not in the sponsorship world. The more active a category is (meaning that there are several companies or more in the category that get involved in sponsorships - some of the most active are soft drinks, auto manufacturers, telecommunications and beer) the higher the rights fee will be. Some properties that have heavy competition for their rights (Olympic Games Organizing Committees), such as the Vancouver 2010 Organizing Committee, have relied on a "bid process" to determine the winner. In effect, these properties are turning the tables on the potential sponsor(s) and asking the interested parties to submit a detailed proposal that includes financial and marketing commitments.

Most sponsorship packages include some or all of the following assets:

- *Intellectual Property*
- *Category Exclusivity*
- *Media*
- *Tickets/Hospitality*
- *Venue Signage*
- *Sponsor Identification*
- *Event Marketing/Special Events*
- *In-Game Promotions*
- *Pass-Through Rights*
- *Direct Marketing/Use of Property's Database*

INTELLECTUAL PROPERTY

This was listed first as it's arguably the biggest reason a majority of corporate sponsors sign sponsorship deals. The intellectual property that a sponsor is typically interested in acquiring is the right to use the property's registered trademarks and logos. For example, if you sign a sponsorship with Major League Baseball, you will have the right to use all MLB trademarks and logos. These include the MLB "silhouetted batter" logo, Spring Training logo, Playoffs logo, World Series logo and registered trademarks. Or, if you sign a deal with the NCAA, you would have the rights to use the NCAA logo and registered trademarks such as "March Madness," "Men's Final Four," "Women's Final Four," "College World Series" and a host of other NCAA Championship registered logos and trademarks.

As mentioned earlier under Property, prior to using any property's registered marks or logos, the sponsor must submit each usage to the property for approval. The photo (to the right) shows the sponsor using the property's logo.

Section 2 – Why Sponsorships?

Most companies sign sponsorship deals to achieve a specific business objective. Sponsorships are too expensive and corporations face much greater scrutiny in terms of accountability than in years past to not have the investment tied to measurable business reasons.

That being said, below are some of the reasons that companies sign sponsorship deals….

- *Companies like to sponsor their "hometown" teams or events (or feel an obligation to support to be labeled as good corporate citizens)*

This can be witnessed by reviewing the sponsor line-up of the Atlanta Braves. The following Atlanta-based companies all sponsor the hometown team – Coca-Cola, The Home Depot, Cingular, Georgia-Pacific and Delta.

- *A top executive is a fan of a certain sport, team or athlete, and makes the decision for the company to sponsor*

Many fans are extremely passionate about the teams, players and events they support. Fans come in all ages, backgrounds and income levels. When a fan is also an executive at a major corporation, he/she can have the influence to determine sponsorship decisions.

- *The event or team is based in a market, state, region or country that the sponsoring company is moving or expanding into*

Qwest Communications signed a naming rights deal for the Seattle Seahawks new stadium, Qwest Field. At the time, Qwest was new to the Seattle-area and wanted consumers to have a top-of-mind awareness of the company.

A slight twist to the example above would be a company signing a sponsorship in an area where they already have a small customer base that they want to grow. An example of this would be Tennessee-based First Horizon National Bank which signed on as a sponsor of the club at Philips Arena in Atlanta after Bank of America didn't renew its partnership. First Horizon was looking to expand in areas where they had a good collection of mortgage customers and Atlanta was one of those markets. Philips Arena was attractive to the bank due to its year-round events and also the demographics of the clientele attending the club during events.

Section 3 – How to Choose a Sponsorship (Understand the Sponsoring Company or Brand)

So far you've learned the basics of sponsorships and some of the primary reasons why companies get involved in sports sponsorships. At this point, we're going to focus on how to choose the best sponsorship for a particular company. There are two steps in this selection process:

- *Internal – Understanding the sponsoring company or brand*
- *External – Understanding the sponsorship market and the options that exist*

We'll start with "Internal" in Section 3 and move to "External" in Section 4.

One of the biggest mistakes a sponsorship marketer can make is not taking sufficient time to learn the company's business. Until you have a solid understanding of the company, you won't be effective in your position. If done correctly, sponsorships should be used to address a specific company need or business objective. Sponsorships involve utilizing the equity and assets from the property to drive the company's business. Unless you know the company's objectives, you're not using sponsorships for the right reason.

Listed below are key areas about the company you'll need to have a sound understanding of before you should ever pursue any sponsorships:

- *Overall company objective/ marketing objective*
- *Product/brand*
- *Seasonality*
- *Target audience*
- *Brand awareness*
- *Brand attributes*
- *Geography of business*
- *Employees/associates*
- *Key challenges*
- *Sponsorship history*
- *Executive interests*
- *Approval process*

There are many things you should know within each of the categories above. This section will go through each in greater detail.

YOUR TURN

Before reading any further, select a company and attempt to answer each of the questions on the next few pages with your selected company in mind. Some questions you won't be able to answer, but thinking through each question will help you understand what is important to know.

Company: ________________________________

Overall company objectives/marketing objectives

- What are the specific sales goals for your product(s)?
- Is the company looking to bolster its customer database? If so, how many names are you looking to add?
- What are the top 3-5 overall objectives for the company this year?
- What are the top 3-5 marketing objectives for the company this year?
- Is your company interested in increasing shelf space at your key retail accounts?
- Is your company interested in increasing the number of customer test drives?

Overall company objectives should drive sponsorship objectives. If these aren't aligned, a sponsorship's value to the company will most likely be questioned.

Product/brand

- Does your company manufacture one product or many?
- If your company is a retailer, how many products/brands are sold in your stores?
- Are there new products/brands that will be introduced soon?

What products or brands will be aligned with the sponsorship? In some cases, there will be several products that can be used with the sponsorship. Beverage companies like The Coca-Cola Company and Pepsi-Cola often negotiate exclusive sponsorship relationships that allow them to use any of their portfolio of brands in the sponsorship. Therefore, it's the responsibility of the sponsorship marketer to work with the appropriate brand teams and senior management to determine which brand(s) make the most sense for the property and the demographics the property delivers.

For years, brewing company Anheuser-Busch has aligned its Busch brand with NASCAR's second-tier racing series (Busch Series), while Budweiser (MLB) and Bud Light (NHL) have been targeted at other properties. A-B's Michelob brand is more of a premium brand and, therefore, was aligned with the PGA TOUR. In 2005, Pepsi for the first time used its NFL sponsorship to push its Diet Pepsi brand rather than the flagship Pepsi brand. Diet cola sales continue to increase among men and Pepsi felt it would be an avenue to further bolster that brand's image among the NFL's male-driven fan base.

If there's a constant in corporate America, it's that priorities often change without much notice. As was the case with Pepsi's NFL deal. The lead brand at the beginning of the sponsorship was Pepsi, but it later changed to Diet Pepsi. By negotiating the ability to use all of a company's many brands, you will have the option to be flexible when priorities change. In addition to current brands/products, it's also important you know if any other products are in development by the company. It's much easier to negotiate prior to the deal being signed than it is to go back after the deal has been completed and the company's priorities or focus has changed.

Section 4 – How to Choose a Sponsorship (Understand the Sponsorship Market)

How do you know if the sponsorship "fits" your organization? Keep in mind the acronym "FITS"…

F*ocus area*
I*ntangibles*
T*arget audience*
S*easonality*

The process of finding the right property is a matter of matching up some of the key aspects of what you know about your company to similar aspects about the property. At this point, if you hadn't taken the time to learn the key areas about your company, you'd never be able to identify the four elements needed for the "FITS" test.

Let's go through each one individually….

F stands for **Focus area** (or geography). Where does your company conduct business? Do you need to focus on its entire geographic footprint or just one market or region? Where do you want/need to have an impact on the company's business? If your company is only based in the Midwest, then your geographic focus and the sponsorships that make sense for your company will be different than if you were only interested in a single West Coast market (e.g., Los Angeles, Seattle, etc.) or the entire country. Knowing the answers to these and other similar questions will help you in narrowing the search for the right sponsorship.

YOUR TURN

To better understand "Focus area," research the following companies and complete the chart below:

COMPANY	HOMETOWN	US – REGIONAL/NATIONAL	INTERNATIONAL
Coca-Cola	Atlanta, GA	National	Yes
Gatorade			
Visa			
Coors			
Allstate			
Tostitos			
SunTrust			
New Belgian Brewing Co.			
Menard's			

Now, for each property below, indicate if it is primarily relevant in a specific market, region, country or internationally.

FIFA World Cup (soccer) ______________________________

Los Angeles Dodgers ______________________________

Hershey (PA) Bears (minor league hockey) ______________________________

Canadian Hockey Team ______________________________

NCAA Final Four ______________________________

The three columns (Hometown, US – Regional/National, International) you completed in the above chart begin to steer you in the right direction regarding sponsorships that would be relevant for your company.

HOMETOWN

As discussed earlier, many companies support the local team(s) in its home market. Conversely, it can also be used to eliminate sponsorship options. If your company isn't located in or doesn't do business in the market(s) where the sponsorship is relevant, then it probably doesn't make much sense to sponsor a team or event in that location. However, if your company is expanding into that location, it's a different story as the sponsorship can be an effective way to drive awareness for your brand in a fun and unique way.

US–REGIONAL/NATIONAL

Similar logic exists here as well….you should look for partnerships within the focus area of your company. If your company only does business in one part of the country, then focus your time and energy on properties

that cover that area. If your company does business across the entire US, it makes more sense to look at some of the larger, national properties that provide a much broader coverage area.

For example, if your company only does business on the West Coast of the US and you're interested in a collegiate sports property, it would make sense to focus on opportunities within collegiate athletics within that part of the country. Collegiate conferences such as the Big East (primarily located in the northeast and mid-Atlantic), Atlantic Coast Conference (primarily located in the mid-Atlantic and southeast) and Big Ten (located in the Midwest) wouldn't make sense for the company. However, the PAC 10 (which covers the entire West Coast and inland to Arizona) would be a viable option for the company based on the "Focus area" alone.

INTERNATIONAL

For companies that do business around the globe, it opens up an entirely new set of properties that can be considered for sponsorship by the company. Visa, for example, is accepted as a form of payment at merchant locations around the world. Therefore, it makes sense for VISA to partner with properties that provide coverage around the globe, such as the Olympic Games. Partnering with an international property allows them to activate their sponsorship with member banks and retail partners around the world.

It's important idea to keep in mind that companies may not want to pursue a sponsorship that covers the entire reach of the company. Just because a company conducts business internationally, doesn't mean that each of the company's sponsorships must be international in nature. Rather, that company may be more interested in a sponsorship that covers a region of the US where its business is being impacted by a new competitor in their category. Once again, it shows the importance of understanding the company's priorities and objectives. An international company might be focused on one country, state or market rather than a worldwide partnership.

In summary, "Focus area", is a three-part process….

1. *Identifying the company's geographic footprint*
2. *Identifying the area you'd like to impact with the sponsorship*
3. *Identifying properties that provide relevance in that area*

Section 5 – How to Negotiate a Sponsorship

The first thing to keep in mind is that each negotiation is a value proposition. In most sponsorship relationships, the property owns assets (e.g., use of logos and trademarks, tickets, media, etc.) that are in demand by the potential sponsor. Therefore, most sponsorship deals involve dollars going from the sponsor to the property to pay for the assets. The value of the assets is dependent upon several factors:

1. The popularity, success (e.g., media ratings, wins/losses, etc.) and/or location of the sport or team over a period of time. For example, a New York Yankees sponsorship is more expensive than a Kansas City Royals sponsorship and a NFL sponsorship is more expensive than a Major League Soccer sponsorship.

2. The competitiveness of the business category. Categories such as beer, telecommunications and banking that have several companies active in sponsorships drive up the price of the deal, especially when more than one company within the category is interested in a particular sponsorship.

3. Amount of assets included in the sponsorship package. Pretty simple here…the more you get the more you pay.

As you begin the negotiation, determine early in the process if the property needs, or could utilize, your company's products or services. There are two ways in which sponsor products/services can be part of the deal:

- *Value-in-Kind (VIK) - Sponsor provides to the property at no charge*
- *Business-to-Business (B-to-B) - Property purchases from the sponsor*

These are relatively similar as in both cases sponsor products or services are being used by the property. The primary difference is who pays for it.

VALUE-IN-KIND (VIK)

In some situations, the sponsor has assets (e.g., products, services) that the property wants, needs or could use for business purposes. When a sponsor provides products or services to the property it is referred to as value-in-kind or VIK. In some cases, the VIK is equal to the assets received, and sometimes the sponsor provides VIK and cash to achieve the level of the assets received from each property. Each deal is different and must be negotiated as such.

Many events (such as running road races) use large amounts of sponsor products through VIK deals in staging the event. Categories such as food (e.g., bagels, fruit, granola bars, etc.), beverages (e.g., water, juice, isotonic/energy drinks, etc.), t-shirts and trophies/awards are covered largely by these VIK sponsorships.

Assuming that the property needs the product or service, the VIK is budget-relieving and thus has a true value to the property. Stated more simply, the VIK saves the property from spending cash out of its budget.

An example of VIK is an automobile sponsor for a property providing vehicles for use during an event. For example, during the MLB All-Star Game Week, Chevrolet provides automobiles for use by MLB executives, players and others. Or, at PGA TOUR events, Cadillac and other event sponsors provide vehicles for use by PGA TOUR players and executives.

YOUR TURN

Assume each of the companies listed below is a sponsor of the New York Yankees. For each product, explain how the Yankees organization could utilize each product in the normal course of its business.

Verizon ______________________________

____

Pepsi-Cola ______________________________

____

Scotts (grass seed) ______________________________

____

Bank of America ______________________________

____

Chevrolet ______________________________

____

Using the list above, let's say the Yankees must purchase $250K of grass seed and lawn maintenance items each year to keep the field in top shape throughout the year. If the Yankees do a sponsorship deal with Scott's and receive all necessary product (VIK) as part of the deal, it essentially saves the Yankees $250K out of their budget. From Scotts' standpoint, they will realize a savings as well because it might cost them $125K (wholesale cost – true cost to manufacturer) to provide the Yankees $250K (retail cost) in lawn care items. As you can see, it's a win for both organizations.

Properties should always keep an eye on their budgets to see where they are spending dollars. Starting a conversation with a potential sponsor through a VIK discussion is often easier; plus, it provides the potential sponsor with the endemic tie they're always looking for.

Let's look at another example where the property may want, but not need, the product/service. Once again, using the list above, let's say the Yankees are interested in providing cars for the personal use of their top ten (10) executives. If this is a new program and the cars haven't been guaranteed to the executives and no dollars have been allocated in the budget for the vehicles, the deal would not be budget-relieving. At this point, the team must make a decision if it wants to trade its own assets (e.g., signage, media, etc.) for an executive perk. In reality, many teams and university athletic departments provide its administrators with an automobile to use.

Section 6 – How to Evaluate a Sponsorship Package

As part of negotiating a sponsorship, you must understand how to accurately evaluate each of the elements within the package. If not, there's a very good chance your company will pay more than the deal is worth. In most sponsorship packages, some elements are more easily quantifiable than others because a "market rate" has been developed over time. These elements include:

- *Media*
- *Signage*
- *Tickets*

Other elements will be much more difficult to quantify. In these situations, the value could vary drastically based on the competitiveness of the business category. These elements include:

- *Category exclusivity*
- *Use of property's intellectual property*
- *Pass-through right*s

From the sponsor's standpoint, the goal is to negotiate a package in which the cost of the sponsorship is as close as possible to the value that can be quantified using the first list above (e.g., media, signage, tickets, etc.). By doing so, you're minimizing the dollars paid for rights that are very difficult to quantify.

There is certainly value in being able to utilize a property's logos and trademarks, as well as value in restricting your competitors' access to the property through category exclusivity. However, measuring that value in true dollars is extremely difficult to do. For example, if you're able to negotiate $500K worth of assets (e.g., tickets, media, signage, etc.) but the final agreed upon deal is $1.5M, which means you're paying $1M for rights that will be difficult to quantify and may or may not have nearly that much value.

Let's take a look at an example to further illustrate the point. Assume that soft drink manufacturer, Grandpa's Root Beer, is interested in a sponsorship package with a Major League Baseball team that includes the following assets:

- *Category exclusivity & use of team's intellectual property*
- *½ inning of behind-home-plate signage*
- *Four (4) season tickets*
- *Two (2) player appearances (negotiated directly with players/agents, not the team)*
- *Lunch for ten (10) people with the General Manager (GM)*
- *Opportunity for one (1) person to throw out the ceremonial first pitch at a home game*
- *Opportunity to set-up a sampling booth at one-hundred (100) team-organized community events*
- *Opportunity to include product information/offer in mailings to season ticket holders*
- *Pool of ten thousand (10,000) tickets*
- *One (1) suite night for 20 people*
- *Pouring rights for Grandpa's Root Beer and Diet Root Beer in the stadium (e.g., product is sold at stadium concession stands and by vendors)*
- *Pass-through rights*
- *Five (5) radio spots per game [one (1) during pre-game show, three (3) in-game, one (1) during post-game show)*

Sponsorships can become very emotional decisions within corporations as oftentimes the decision-makers are fans of a particular sport or team. The more you can quantify the true value of the assets and take emotion out of the equation, the better you'll be able to properly evaluate the package. That being said, let's now look at each element and how it can be evaluated.

ELEMENT: Category exclusivity & use of team's intellectual property (names, logos and trademarks)

ANALYSIS/EVALUATION: Depending on the popularity, success and location of the team as well as the competitiveness of the business category, the team may value it from thousands of dollars to six figures to a million dollars or more. From the sponsor's standpoint, a lot will depend on how important the deal is to the company and at what price the company is willing to walk away from the sponsorship. In addition, if a competitor is also interested in the sponsorship, the company might be willing to pay more to keep the competition out. Since companies don't have unlimited budgets, every company has a point at which they will walk away from the deal. Therefore, the overall amount budgeted for this sponsorship will impact how much is paid to obtain category exclusivity and intellectual property rights. We'll come back to this again at the end of this section as it will make more sense after reviewing each of the other elements.

ELEMENT: ½ inning of behind-home-plate signage

ANALYSIS/EVALUATION: The majority of the value in this signage is through the television audience who sees it as the backdrop of every pitch. Many people in the stadium won't be able to see the signage as their seats don't face home plate or they're too far from the signage to read it clearly. Sponsors can evaluate this based on the following information:

1. *Expected television audience using the average duration of signage presence per ½ inning*
2. *The cost of a :30 TV spot within the broadcast.*

For example, if during each ½ inning of signage presence the company receives :30 of on-screen exposure, it would be similar to the company purchasing eighty-one (81) :30 television spots (1 spot in each of the team's 81 home games). However, because the signage is static (doesn't involve changing audio or visual which normally allows a better opportunity to showcase a brand to consumers), the value wouldn't be as high as it would be for a :30 TV spot. A company can provide a much better portrayal of its brand through a :30 TV spot than they can through a sign whose image doesn't change and doesn't allow for any verbal messages. As

a benchmark, if a :30 spot in the game costs $3,000 (this information can be obtained from the company's media department or media buying agency), the cost for one spot per game (81 games) would be $243,000. Therefore, if the value of the BHP signage is not as valuable as a :30 TV spot, the value is something less than $243K.

You might determine that the value is 50% of a :30 spot or 33% of a :30 spot and then you could place a value on the element (50% = $121,500, 33% = $81,000). In addition, due to the location of the signage right behind home plate, it is embedded in the action of the game and can become a part of highlight reels (e.g., ESPN's SportsCenter, sports coverage on the local news, etc.) if a big hit or play happens during the ½ inning your company's signage is visible. This can be a nice by-product of the signage, but since this cannot be guaranteed in advance, very little value should be placed on this aspect. Because Grandpa's is hoping to drive awareness of the brand, the BHP signage can be an effective way to drive exposure. Therefore, the value ratio for Grandpa's will be 40% in this scenario

Value = $97,200

Section 7 – How to Develop a Sponsorship Activation Plan

Now that you've finalized the sponsorship deal, what's next? What do you do with the assets you've obtained in the deal? Where do you start? Who should you include in the planning process? This section is designed to answer those and other questions. By the end of this section, you should be able to easily answer these and other questions, and will have a much better idea of how corporate America activates a sponsorship.

As you learned in Section 2 ("Why Sponsorships"), simply put, the ultimate goal of a sponsorship is to achieve a specific business objective or objectives. On its own, signing the sponsorship deal doesn't help the company achieve its objective. For example, if Miller Brewing Company signs an NFL team sponsorship with an objective of driving sales of its Miller Lite brand in that particular NFL market, simply signing the sponsorship deal won't guarantee that the company will meet that objective. Until resources (staff and dollars) are allocated to communicate the sponsorship and why consumers and/or fans of the team should purchase Miller Lite, the sponsorship doesn't have a chance to be successful.

It's no different than marketing a new brand. If a company doesn't take the time to tell consumers that the brand exists and why they should purchase it (e.g., special product features, etc.), the new brand won't have a successful launch and probably won't be around for too long. **In order to maximize the value of a sponsorship investment, you must utilize the assets negotiated in the deal to achieve the objectives laid out for the sponsorship.** In order to stay focused on these ever-important objectives, companies develop a sponsorship activation plan.

Before we get started developing the activation plan, there are two important thoughts to keep in mind….

1. *A company must be prepared to spend above and beyond the cost of the sponsorship to maximize the value of the investment.*
2. *The major idea for the sponsorship activation plan should be known prior to finalizing the negotiation.*

Let's look at a very simple example to further explain the first point.

Your company (Grandpa's Root Beer) signs a sponsorship deal with a Major League Baseball team and receives the following assets in exchange for the financial commitment:

- Use of team logos and trademarks
- ½ inning of behind-home-plate rotational signage
- Four (4) season tickets
- Two (2) player appearances (negotiated directly with players/agents, not the team)
- Lunch for ten (10) people with the General Manager (GM)
- Opportunity for one person to throw out the ceremonial first pitch at a home game
- Opportunity to set-up a sampling booth at one-hundred (100) team-organized community events
- Opportunity to include product information/offer in mailings to season ticket holders
- Pool of 10,000 tickets
- One (1) suite night for 20 people
- Pouring rights for Grandpa's Root Beer and Diet Root Beer in the stadium (e.g., product is sold at stadium concession stands and by vendors)
- Pass-through rights
- Five (5) radio spots per game (1 – pre, 3 – during, 1 – post)

The following scenarios will demonstrate different ways Grandpa's Root Beer could use the assets of the sponsorship to achieve its objective(s):

SCENARIO 1

In this scenario, the only assets used are the following:

- Placing "Grandpa's Root Beer" on the home plate sign
- Selling Grandpa's beverages in the stadium
- Radio

Analysis: In this scenario, Grandpa's generates visibility for its brand from the sign behind home plate and drives sales of its product at the stadium, but derives no other value from the unused elements in the sponsorship package. The unused assets should never have been purchased which would have saved Grandpa's Root Beer significant dollars in the negotiation.

SCENARIO 2

In this scenario, the following assets are used:

- "Grandpa's Root Beer" appears on the home plate sign
- Products are sold at stadium concession stands
- Season tickets, lunch with General Manager and first pitch opportunity are provided to the sponsorship manager's friends and co-workers to use
- Radio

The player appearances and at-stadium sampling opportunities at team events go unused because no one takes the time to organize the events.

Analysis: Once again, Grandpa's Root Beer receives exposure on the stadium sign, sells its products at games and the sponsorship manager's friends and co-workers most likely enjoyed themselves at the games, at lunch with the General Manager and throwing out the first pitch. This person's friends may or may not like him/her more because they were provided these opportunities, but the company doesn't benefit in any tangible way.

In addition, company executives would not be pleased that the tickets, etc. were provided to the sponsorship manager's friends and co-workers rather than being used to benefit the company.

SCENARIO 3

In this scenario, the following assets are used:

- *The behind-home-plate sign is used to advertise Grandpa's NEW Diet Root Beer that launched at the beginning of the baseball season.*
- *Radio spot was developed with a baseball theme linking the product to the team and driving consumers to retail locations to purchase the product*
- *One of the player appearances was used for the player to record the script for the radio spot.*
- *Radio spots*
- *The other player appearance was used as barter with a top retailer in exchange for prime display space in the store.*
- *The tickets were used as giveaways in a sales contest that beat sales projections for the new brand by 10%.*
- *The lunch with the GM was used as the prize for an incentive contest for the local sales force that calls on retail accounts. The top 10 performers were invited to attend the exclusive lunch.*
- *The suite night was used as the grand prize for a sales promotion conducted during April and May (winner could take 19 friends to the game).*
- *As in the other examples, Grandpa's Root Beer and Diet Root Beer were sold at stadium concession stands, but this time, Grandpa's developed a special commemorative souvenir cup that was used when its product was purchased.*
- *The opportunity to throw out the first pitch went to the store manager at the local retailer that had the top Grandpa's Root Beer sales for the market.*

Analysis: Clearly, this scenario illustrates the company taking full advantage of the assets from the deal to drive business (sales of the new Diet Root Beer product). Also, in this example, Grandpa's spent incremental dollars to conduct the sponsorship activities (e.g., develop/produce creative for behind-home-plate signage, develop/produce radio spot, develop/communicate/track results of the sales contest for the season tickets, lunch with the General Manager and first pitch opportunity, develop/product souvenir cup as well as promotion/execution of the player appearance). As you can see, unlike the first two scenarios in which very little time or money was spent on the sponsorship, that wasn't the case with this final example. For all these reasons, this example has a much better chance of driving Grandpa's Root Beer business than the first two scenarios.

These examples may be a bit extreme but I wanted to show the importance of utilizing the sponsorship assets to drive business, which takes time and money to execute. For years, the general rule in sponsorships was the average company would spend 3x the cost of the sponsorship to activate it in a way that would achieve the stated objectives. Therefore, if the deal cost $1 million, the company would most likely spend up to $3 million developing and implementing the activation plan. As sponsorships costs continue to increase, companies don't spend quite to that level, but the overall activation costs are still very significant. In fact, according to industry experts, IEG, the average company now spends about $1.70 for each $1.00 spent on a sponsorship deal. Regardless of the exact ratio, the concept remains the same and companies must be prepared to spend significantly after the deal to maximize the value of the investment. If not, the sponsorship doesn't have a chance to be successful. **In almost every situation, if a company isn't prepared to spend the activation dollars, they're better off not signing the deal in the first place.**

The second important point referenced above (that was also mentioned in Section 5 – "How to Negotiate a Sponsorship") is that **companies should develop their activation plan PRIOR to negotiating the sponsorship.** By developing your plan in advance, you can negotiate all the necessary assets in the deal. If you don't develop your plan until after the deal is signed, there's a very good chance you won't have the right assets to implement your ideas. As you can imagine, it's difficult to know what assets to negotiate for if you have no idea what your plans are for the sponsorship. It's not necessary to have all the tactical details of the plan finalized, but it is extremely helpful to know any big promotional or advertising ideas.

Section 8 – How to Break Through the Clutter

The chart below shows the number of sponsors for some of the top national properties:

Property	# of Sponsors
NFL	22
MLB	18
NHL	22 (10 – Canada only)
NBA	21
WNBA	17
NCAA	8
NASCAR	46
MLS	21
PGA TOUR	55
LPGA TOUR	24
US Olympic Team	10 (plus 12 worldwide TOP partners)

As illustrated above, a sponsor is often just one of a larger group of at least 20 companies that have secured similar sponsorship rights and benefits from the property. **You could reason, then, that sponsors are competing against each other for attention from the property's target audience.** Let's examine this for a minute using the NFL as an example.

At the time this manual was written, the NFL had 22 sponsors. As part of its sponsorship, each of these companies would presumably receive a number of highly-coveted NFL Super Bowl tickets. As you learned in the activation section, sponsors utilize the assets received in a sponsorship deal to drive business. Well, if all 22 NFL sponsors conduct consumer promotions to give away Super Bowl tickets, there is no sense of uniqueness for any of the sponsors. Sponsors have tried over the years to make the ticket giveaways unique by adding a different spin to it:

- *Giving away a large number of tickets so the winner can take his friends/family ("Win 10 tickets")*
- *Giving away tickets for a period of years ("Win Final Four Tickets for Life")*
- *Having the winner attend the game with a celebrity or former player (e.g., Attend the Super Bowl with Joe Montana, Attend the NHL Stanley Cup Finals with Bobby Orr, Attend the World Cup with Pele, etc.)*
- *Giving away tickets to multiple games (e.g., Attend each of the four Bowl Championship Series games via travel on a private plane, attend the NCAA Men's and Women's Final Four in the same weekend, etc.)*

This is exactly why sponsors are searching for unique programs that belong exclusively to them and, most importantly, can't be emulated by either business competitors or other league sponsors. **In other words, differentiation is the key.**

Because of all the previously mentioned clutter within sponsorships, sponsors are searching for ways to make their sponsorship "stand out" or differentiate themselves from the rest of a particular property's sponsors. As discussed in the last section, the creation of an activation plan is how the sponsorship comes to life in a relevant way for the target audience. In developing the plan, you can create promotions, events and other ideas that are unique to the property's sponsor family.

As part of creating the sponsorship activation plan, another way of creating differentiation is to develop what is called an "ownership position" or "signature property." Creating this signature property is usually most effective if it's done in conjunction with the property that the company is sponsoring. As with most ideas in sponsorships, the idea can come from the sponsor, the property or a joint effort between the two organizations. The property adds credibility or legitimacy to your program as you're trying to impact fans of the sport with whom the property has already established credibility. When creating the program, keep in mind that it should be **relevant** to and **meaningful for** each of the following groups:

- *Sponsor*
- *Property*
- *Target audience (fans of the property)*

SPONSOR

What does it mean to be relevant to or meaningful for a sponsor's brand? Most importantly, the signature property should meet one or more of the corporate or sponsorship objectives and/or communicate information about the company or brand to the consumer (e.g., product features, corporate tagline, etc.). The reference can either be very obvious or a subtle reminder.

PROPERTY

The next step is to ensure that the program is relevant to and meaningful for the property. As you learned in the "Negotiating" section, properties have a handful of priorities they're working to achieve. From a property's standpoint, anytime a sponsor helps it achieve, or take steps to achieve one of its priority areas, it is a big win for the property. Of course, all properties have the opportunity to approve sponsors' use of its marks. If the property doesn't like the program, the sponsor won't be able to implement it.

TARGET AUDIENCE

The final step, and arguably the most important one, is ensuring that the program is relevant to and meaningful for the target audience, or fans of the sport. Many sponsors typically conduct consumer research to obtain feedback on their concepts prior to the launch of a new program. The purpose of this research, obviously, is to eliminate any concepts that don't resonate with the consumers. The advance research won't guarantee that the program will be a success, but it's always helpful to have feedback prior to launching anything new to help ensure a higher rate of success.

Section 9 – Importance of Research & Testing

SELECTION PHASE - PROPERTY RESEARCH

The most important consideration when selecting a property for a company to sponsor is that the fans of the property (e.g., attendees, viewers, listeners) must be the same as the company's target audience. If the fans aren't the company's customers, it doesn't matter how good the activation plans are because they'll be targeted

at consumers who aren't your customers.

How do you determine if the fans of the property are your company's customers?

There are numerous resources in the form of research companies and studies that can provide the information you're looking for. In order to make an informed decision, the following information is needed:

1. *The size and avidity of the fan base*
2. *Breakdown of the company's target audience within the fan base*
3. *Likelihood of the target audience to purchase a company's products or services*

SIZE AND AVIDITY OF THE FAN BASE

In terms of the fan base, **avidity** refers to how consumed each fan is with a particular sport. ESPN's annual Sports Poll breaks down avidity into "casual" fans and "avid" fans for each of the top properties. In this poll, "casual" refers to those that have watched or attended one game or event of a particular sport/property in the last 12 months, and "avid" fans are those that watch or attend one or more games per month. A property's total fan base is determined by adding the casual and avid fan bases together.

Let's assume 15-year-old Mary Smith in Dallas, TX, watches an NBA game because she happens to be in the living room while her dad watches his favorite team play. According to the methodology of the ESPN Sports Poll, she would be considered a "casual" fan, but nevertheless, a fan of the NBA. Although this example could be a little extreme, you can see the huge gap that can exist between a casual fan (Mary Smith) and an avid fan (who watches at least one NBA game per month). Categorizing Mary Smith as a fan of a sport is quite a leap because she might not read, watch or pay attention to anything else pertaining to that sport for the rest of the year. However, since all leagues/sports are measured in the same way, the poll provides a fair comparison between properties. Keep in mind, though, that the number representing the total fan base might be somewhat skewed because it includes people like Mary Smith who could hardly be considered a fan.

Size and avidity are both important considerations when selecting a property. Size provides the overall number of people within the fan base. Avidity refers to the consumption level of people within the fan base. The more avid the fan base, the more opportunities the sponsoring company will have to interact with the fan base because the average fan will be more consumed with the sport.

For example, if "casual" fans attend/watch as few as one game per year, that doesn't provide many opportunities to interact with that fan. Depending on whether the fan watched or attended the event, your company can reach the fan through the TV broadcast (e.g., commercial spot, in-broadcast feature/billboard, product placement, etc.) or at the game or event (e.g., in-game on-field/on-court promotions, booth/display, signage, fan giveaway, etc.). Conversely, "avid" fans attend/watch once per month and each occasion provides an opportunity to showcase your brand. In addition, if a fan attends/watches one game per month, chances are he/she will also follow the property in other ways – radio, website, newspapers, ancillary programming, licensed merchandise, etc.

Section 10 – How to Measure the Value of a Sponsorship

In Section 6, we discussed how to evaluate a sponsorship package based on the assets within the package and the planned activation. That evaluation is used to estimate the value of the sponsorship to a company and is used to negotiate a deal. This process to evaluate the actual value to the company is very similar. The main difference is that this process uses the actual activation results in the evaluation. When evaluating a sponsorship's value to a particular company, there are two different schools of thought – "Return on

Investment" (ROI) and "Return on Objectives" (ROO). The two are very different:

RETURN ON INVESTMENT (ROI)

This model suggests a company derives a value from the sponsorship that's at least equal to the dollars spent on the deal. For example, if a company spends $1M, they expect to get at least $1M in return. Each company tracks this "return" differently, but generally speaking, companies are looking for a quantifiable increase in business. This can come in a number of ways depending on the company's business:

- *Increased sales of a product that is promoted through the sponsorship*
- *Increased spending by key customers who are entertained by the sponsoring company at a top event (e.g., Super Bowl, Daytona 500, etc.)*
- *Advertising value of the media received via the sponsorship*
- *PR value of activities conducted around the sponsorship*

RETURN ON OBJECTIVES (ROO)

This model suggests that success is measured by the objectives for the sponsorship being met, rather than solely a value equation based on the dollars spent. Companies following this approach recognize that sponsorship decisions are made for reasons that may not be easily quantifiable. Some examples of this include

- *Employee pride and morale*
- *Exciting the sales force*
- *Enhancement of a company's brand.*

Also, a company might be using a sponsorship to increase sales of a product by a certain percentage. The % increase might be met as a result of the sponsorship and activation plan, but the value might be less than the cost of the deal.

Because some sponsorship objectives are difficult to quantify (such as those listed above), measuring the value of a sponsorship to the sponsoring company is something that has challenged sponsorship executives for many years. In recent years, however, as corporations closely scrutinize each dollar spent, it's incumbent upon sponsorship executives to develop a methodology that can provide a value for the investment.

Regardless of which method is preferred, the key is that quantifiable measurements are established and agreed upon in advance to measure the results of the sponsorship and activation plan. Benchmarks should also be set prior to the activation taking place. For example, if the goal of the sponsorship is to increase awareness of the sponsoring brand by 15%, you must know what current awareness levels are at the beginning in order to measure the difference between the pre-activation number and the post-activation number.

Section 11 – Understanding Areas of Vulnerability

NATIONAL VS. LOCAL SPONSORSHIPS

Like most national properties, the NFL is designed to drive revenue on both the national and the local level. On the **national** level, the NFL sells league sponsorships which include use of the league's intellectual property (e.g., trademarks such as NFL, Pro Bowl, NFL Draft and their corresponding logos, etc.), tickets to league-controlled events such as Super Bowl, Pro Bowl and NFL Draft, media commitment to broadcast partners, commitment to spend a minimum amount with NFL teams as well as other assets. On the **local** level, each of the 32 NFL teams has its own collection of assets which it packages and sells to interested corporations. These

packages include team-controlled assets such as intellectual property (team name, trademarks and logos), tickets to home games and other team events, team-controlled media (e.g., pre-season TV, radio, online and other ancillary programming, etc.) as well as other assets.

Due to the distinction between the league and team deals, and the fact that neither affords the sponsor protection on the other level, league sponsors could very well see their competitors sponsoring NFL teams and vice-versa, team sponsors could see their competitors sponsoring the NFL.

Some of the highest-spending NFL league sponsors are able to negotiate "collective use" of team marks into its sponsorship package. This benefit allows the sponsor to utilize all 32 NFL team names or logos in its advertising or marketing efforts upon two conditions:

- *All 32 NFL team names or logos must be used*
- *All 32 NFL teams names or logos must be the same size in the creative*

For example, NFL league sponsor, Coors, couldn't use the "collective use" asset on creative such as point-of-sale in its home state of Colorado and make the Denver Broncos logo 3x as large as the other 31 team logos UNLESS Coors has a separate sponsorship deal with the Broncos. The reverse holds true for NFL team sponsors who don't receive the "collective use" asset from teams (only the NFL can sell this benefit to its league-wide partners). For example, Atlanta Falcons sponsor, SunTrust Bank, cannot use NFL assets such as Super Bowl, Pro Bowl or the NFL shield logo in its marketing or advertising programs since Bank of America is the NFL sponsor in that category. Even if an NFL sponsor has "collective use of team marks" in its deal, each of the 32 NFL teams still has the ability to sell a team sponsorship in that category. Depending on the company's objectives for the sponsorship, a nationally-focused league deal might make more sense or a regionally/locally-focused team deal might make more sense or a combination of the two might work best.