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: