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.