Institute for Sport Marketing

2007 Canadian Sponsorship Landscape Study

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Introduction

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Rationale for the Study

Feedback from previous Forum's has revealed that attendees want 'data' to support the talks

- Supported by the Management Literature

In response, the ISM and the CSF partnered on the inaugural assessment of Canada's sponsorship industry

The study was led by the ISM – housed in the School of Sports Administration, Faculty of Management at Laurentian University.

Long-term vision: an annual report of sponsorship in Canada that benefits:

- CSF attendees
- The Canadian Sponsorship Industry

Executive Summary

A Partnership

- ISM
- CSF
- IMI

Inaugural study

- Extensive Data Collection
- Evolving Longitudinal Study

Significant interest in the study

Very interesting findings for Sponsors, Sponsees and Agencies

- "Real" Canadian Data
- Data-driven direction for practice (sponsors, sponsees, agencies)

Agenda

ISM Research History

Methodology

Results

- Sponsors
- Sponsees
- Agencies
- Sponsorship Industry Size Estimation

Summary

ISM Research History

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Olympic & Grassroots Sport Surveys (2003 and 2005)

- On-line survey of funding of NSOs, MSOs and PSOs on budgets, revenues, personnel, spo 55 of 84 NSOs/MSOs & 42 of 64 PSOs

Corporate Surveys and In-depth Interviews (2004-2005)

- Online surveys (n=62) and in-person interviews (n=15) with large Canadian corporations

Sponsorship Case Studies (2002 to present)

- Qualitative data: 100+ selected sponsorship cases identified, both parties interviewed, key findings gleaned

Summary of Previous Research Findings

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Disconnect Between Sport Sponsees and Sponsors

Sponsee	Sponsor
60% said they are somewhat successful at attracting and retaining sponsors	Sport sponsees do not do a good job articulating the purpose and objectives of the sponsorship partnership
14% said they are highly successful in their sponsorship activities	71% say there is poor alignment between the sponsees and the company's sponsorship priorities
26% said they are not at all successful	
Sponsor has most interest in national teams, special events and individual athletes	Most interested in amateur sport activities at the community (grassroots) level

THE CHALLENGE: Creating the Partnership

Barriers to Sponsorship

- Poor alignment of sponsee with the sponsor's priorities
- Limited funds available
- Sport properties are overpriced
- Insufficient return on investment

Key Success Factors (100+ Sponsorship Cases)

- Building relationships
- Understanding each other's needs and objectives
- Professionalism
- Community involvement
- Quality of product/success
- Innovation and creativity
- Sponsorship evaluation
- Deliver more than expected – create added-value
- Media support

Sport as a cause: interesting positioning option

The Study Plan

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the business of sponsorship intelligence
Canadian Sponsorship Forum 2007

There is a “disconnect between sponsors and sponsees”

CSF Delegate demand for “sponsorship intelligence”

Understanding of key success factors in sponsorship

A call for Canadian sponsorship data

IMI
INTERNATIONAL
USA • Canada • Australia

Sponsorship Landscape Study

Methodology

Data Collection Tool

Approved by Laurentian University Ethics

Online, Secure Survey with Help and Support of IMI

Survey offered in French and English

After initial questions, survey breaks into three separate surveys (sponsor, sponsee, agency)

743 variables total collected

Recruitment Campaign

General Methods

- Existing Database (e.g. SPAD Alumni, CSF List of Interested Browsers and Previous Attendees, Industry Consultants, etc.)

Sponsor Specific

- 10,000 (approx.) phone calls, 33,000 (approx.) emails to industry database

Sponsee Specific

- AthletesCAN mailout, Toronto Special Events Listing, Sport Canada email to NSOs, PSOs and other sport organizations, Canadian Sport Tourism Alliance Database, Canadian/ Provincial Fairs Associations Lists, and Events and Event Associations Lists, Canadian Census Metropolitan Areas (CMAs)

Agency Specific

- Various databases purchased and 510 direct calls made. Researcher networks also contacted

Sampling Frame

Nearly 1400 respondents visited the site

997 selected a language option (879 English 118 French)

768 responded to ethics form (744 accepted and 24 declined)

666 defined sponsorship (responded to Q1)

647 responded to organizational definition:

- 171 Sponsors
- 247 Sponsees
- 86 Agencies
- 143 Did Not fit these categories

Results – Sponsors, Sponsees and Agencies

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Defining Sponsorship - Diversity

"In your opinion, which of the following best defines a sponsorship?"

	Frequency	Percent	Valid Percent	Cumulative Percent
A philanthropic donation to make positive impact	95	6.8	14.3	14.3
A promotional strategy to generate profit	225	16.2	33.8	48.0
A co-promotion to enhance reach	153	11.0	23.0	71.0
The providing of resources to an entity that otherwise could	122	8.8	18.3	89.3
Other	71	5.1	10.7	100.0
Total	666	48.0	100.0	

Note: for the 71 others, responses varied considerably.

Respondents Profile

50% of respondents are the primary sponsorship decision maker for their organization

By Position

- 50% CEOs or Presidents
- 15% Marketing/Sponsorship Coordinators
- 16% VP/Director of Marketing
- 19% Other

On average, they devote 44% of their time to sponsorship-related activities

On average, each organization has 8 people working at least 25% of their time on sponsorship

Trends in Sponsorship

Most Important Issues in Sponsorship Today

- Uncertain Fit with Overall Business Strategy
- Leveraging/Activating Effectively
- Reliable Evaluation Methods

Most Important Issues in Sponsorship in 10 Years

- Evolving Role of Agencies
- Navigating Clutter
- Proving ROI/Linking Sponsorship to Sales

Results – Sponsors

Characteristics of Sample

171 Sponsors

How big are they?

Full-time paid staff

- Mean: 1144 (Range: 1 to 10,000)

Full-time paid head office staff

- Mean: 307 (Range: 1 to 3424)
- Head Office Locations: AB (9.2%), BC (5.1%), ON (54.6%), QC (12.5%), (Others 18.6%)
- Annual Sales: $280 Million (Range: $45k to $6 Billion)

Where do they do business?

- 36.5% National Scope
- 42.9% One Province Only (all 13 P/T represented)
- 20.6% Multi-Province/Territory

In what industry?

(See chart below)

“Which industry does your organization operate in (please pick the most relevant response)?”

			Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Division A:	Agriculture, Forestry, and Fishing	5	2.9	4.0	4.0
	Division B:	Mining	8	4.7	6.5	10.5
	Division C:	Construction	6	3.5	4.8	15.3
	Division D:	Manufacturing	24	14.0	19.4	34.7
	Division E:	Transportation, Communications, Electric, Gas	20	11.7	16.1	50.8
	Division F:	Wholesale Trade	10	5.8	8.1	58.9
	Division G:	Retail Trade	10	5.8	8.1	66.9
	Division H:	Finance, Insurance, and RealEstate	9	5.3	7.3	74.2
	Division I:	Services	27	15.8	21.8	96.0
	Division J:	Public Administration	5	2.9	4.0	100.0
	Total		124	72.5	100.0	
	Missing	-9998.0	47	27.5		
	Total		171	100.0		

Results – Sponsors
Sponsorship Activity

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On average, sponsors (n=113) spend ***16.7%*** (range 0% to 100%, SD=19%) of their marketing & communications budgets on sponsorship

In terms of total 2006 sponsorship investment, sponsors (n=108) on average, invested ***$516,769*** with a wide range from $0 to $16,000,000 (SD=1,842,494).

- By range: 11% spent over $1 million, 19% spent between $100k and $1million, 70% <$100k

Thinking Back to 2005:

- When asked about changes in sponsorship spending over 2005, a ***significant increase*** (t=2.571, p<.05) is noted from an average of $468,148 (n=96 responses, range $0 to $14,000,000) to $516,769.
- By percentage, an average increase of ***10.3%*** over 2005 was found

Thinking Ahead to 2007:

- 59% believe they will spend the same amount
- 41% believe they will spend differently
    - 47.5% less and 53.5% more
    - Average expected change = ***8% increase***

2006 Sponsorship Spending:

In-kind sponsorship investment is sizeable (n=86), with an average of ***$122,446*** in-kind value invested (range: $0 to $2,000,000)

Number of sponsorships invested in is varied (range 1 to 345) – mean: 18

Sponsorship Evaluation is low (n=78): on average sponsors spend ***7.8%*** of sponsorship budget on evaluation

Mega-Sponsees are a popular investment, on average 12.6% of sponsorship budgets spent on mega-sponsees

Title sponsorships – on average 16.1% of sponsorships were title sponsorships

Results – Sponsors
Sponsorship Activity

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Leveraging/Activation

Sponsors (n=79) invest, on average, $226,296 in addition to sponsorship fee to activate/leverage their sponsorships (range: $0 to $6,000,000)

This represents a ratio of ***.43:1*** (leverage:investment) which is considerably less than recommended ratios of 1:1 or greater (values of 3:1 up to 10:1 are often seen)

The most common leveraging tactics, in order, are:

- Advertising
- Ancillary Events
- Hosting/Hospitality
- Product Sampling

Sponsorship Mix (note percentage do **not** sum to 100)

Average amount invested in:

Sport	**54.0%**
Cause Marketing	16.9%
Arts	10.9%
Entertainment, Tours, Attractions	12.6%
Festivals, Fairs & Annual Events	5.6%

Type of Investment

Cash	65.2%
In-kind Product	18.8%
In-kind Service	16.0%

More on 2006 sponsorship spending

On average sponsors invested 17.4% of their sponsorship budgets through an agency.

On average, they invested in properties with reach (note percentages will not total 100%):

International	32.7%
National	18.9%
Multi-Provincial	15.6%
Provincial	26.8%
Regional	27.2%
Local/Municipal	51.1%

Results – Sponsors
Sponsorship Activity

Considering Each Sponsors' Largest Sponsorship

- Average size (n=65): $53,711.26; 1 in 5 used an agency
- 27% were a mega-sponsee; 34% a title sponsorship
- Largest noted sponsorship rights fee $900,000
- Leveraging/Activation on average was 27.3% (range 0% to 100%) of rights fees for the largest sponsorship, significantly lower than the 43% for all sponsorships (see previous page)
- Most common leveraging tactics (Advertising, Ancillary Events, Hosting/Hospitality, and Product Sampling) unchanged from all sponsorships
- 27% of largest sponsorships evaluated for ROI (25% of which recouped 100% or more of investment costs)
- Typical break-down on average was 65.4% cash, 15.6% in-kind product and 20.9% in-kind service

Results – Sponsees

Characteristics of Sample

210 Sponsees

How big are they?

Full-time paid staff

- Mean: 104 (Range: 1 to 1,200)
- Volunteers (unpaid)
- Mean: 248 (Range: 1 to 10,000)

Agency Reach/Geographic Focus

International:	24%
National:	33%
Multi-Provincial (i.e. Atlantics):	3%
Provincial:	22%
Regional:	8%
Local:	10%

Sponsee Respondents Profile

By Position

- 29% CEOs
- 37% VP/Director of Marketing/Sponsorships
- 4% Marketing/Sponsorship Coordinators
- 14% General Managers
- 16% Director/Managers of events/sales

60% of respondents are the primary sponsorship decision maker for their organization

On average, each organization has 5 paid staff working on sponsorship (range 1 to 335) and 17 volunteers (range of 0-2000)

Annual Budgets (n=142) – Mean $70,000,000

- 1 billion+ 5 organizations

Results – Sponsees

Characteristics of Sample (2)

Where are they coming from?

Sports	129
Arts	4
Entertainment	2
Festivals	11
Annual Events	10
Causes	24
Others	9
Total:	**189**

Events	9
Athletes	34
Team	12
Community	6
Amateur Sport League	6
Professional Leagues	6
NSOs	5
PSOs	7
MSOs	3
Universities	2

Charity	9
Cause	6
Others	5

Results – Sponsors
Sponsorship Activity

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On average, sponsees (n=140) received ***1.6%*** of their budget from sponsorship

In terms of total rights fee received from sponsorship in 2006, sponsees (n=140) on average, received ***$1,097,676***.

Cash sponsors with at least 1 sponsor in each range

$500,000+	14
$100,000 to $250,000	24
$50,000 to $100,000	27
$40,000-$50,000	20
$30,000-$40,000	18
$20,000-$30,000	32
$10,001-$20,000	33
$5,001-$10,000	41
$5,000<	61

Thinking Back to 2005:

- When asked about changes in sponsorship rights received over 2005, a ***highly significant increase*** is noted from an average of $567,717 in 2005 (n=134 responses, range $0 to $10 million) to $1,097,676 in 2006 (n=140, range $0-$50 million)
- By percentage, an average increase of an additional ***93%*** over 2005 was found

Thinking Ahead to 2007:

- 71% believe they will receive more in rights fee from sponsorship with more than 50% expecting to increase by more than 100%

Value of in-kind received in 2006 (n=138)

Dollar value	% of respondents
0	15
1-20,000	42
20,001-40,000	12
40,001-60,000	12
60,001-100,000	6
100,001-200,000	7
200,001-300,000	2
300,001-400,000	3
400,001-999,000	4
1 million +	4

81%

Results – Sponsors
Sponsorship Activity

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Categories of Sponsorship Attracted by Sponsees

Sport (n=128)	66%
Cause (n=24)	**12%**
Arts (n=4)	2%
Festival/Fair (n=12)	6%
Annual event (n=10)	5%
Other (n=13)	9%

Other Results

- Other categories included categories such as athletes, educational programs, community centres and facilities.
- Sport categories attracted significantly more *"strong"* interest from potential sponsors than any other categories.
- 48% reported having from 1 to 3 new sponsors.

Leveraging/Activation (n=97)

- ***42.3%*** of sponsees did not invest any percentage of sponsorship fees into leveraging the investment of the sponsor.
- 51% of sponsees did spend 10% or more of their sponsorship fees into leveraging activities. The average being 38%.
- Product sampling and hospitality are the two most common leveraging tactics used by sponsees with approximately 70% of respondents.

Most Important Considerations in Sponsorship Today? (210 responses)

Fit
Ability to activate/activate/leverage
Add Value/value
Strategic approach (sponsee and sponsor)
ROI
Evaluation
Win-Win/Relationships

Most Important Considerations in Sponsorship Today? (210 responses)

Delivering value
Activation/leveraging
Clutter
Brand relevance/fit
Increase competition for dollars
Evaluation/Measuring ROI
New Media/Technology

Results – Agencies

Characteristics of Sample

86 Agencies

Promotions Agencies	3
Sponsorship Agencies	24
PR Agencies	6
Event Mngt Agencies	11
Advertising Agencies	11
Media Buyers	2
Integrated Marketing Agencies	3
Others (1 mention each)	23

Allocation of Billing Related to Sponsorship (percentages will not total 100%)

Sport (n=52)	52%
Average Amount (n=41):	$3,422,039
Cause (n=27)	17%
Average Amount (n=22):	$619,951
Arts (n=32)	21%
Average Amount (n=24):	$1,535,347
Entertainment, Tour or Attractions (n=32)	28%
Average Amount (n=10):	$581,397
Festival, Fairs or Annual Events (n=18)	28%
Average Amount (n=23):	$927,010
Others (n=18)	35%
Average Amount (n=13):	$209,760

How big are they?

- Full-time paid staff (n=61)
    - Mean: 119

Range: 1 to 3,435

- Full-time paid head office staff (n=59)
    - Mean: 104
    - Range: 1 to 2500

Agency Reach/Geographic Focus

International	17%
National	47%
Multi-Provincial	11%
Provincial	8%
Regional/Local	17%

Results – Agencies
Sponsorship Activity

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How Well Are They Doing?

- Average annual total sponsorship billings (n=51) is ***$1,368,754*** (Range $0 to $17,000,000)

Are They Doing Better?

- In 2005, annual billing (n-45) were ***$856,237*** (Range: $0 to $14,000,000)
- 2006 is a ***significant increase*** (t=2.489, p<.05) over 2005

What About The Future?

- 33% do not expect their billing to change
- 67% expect their billing to change with 64.5% believing it will increase
  Average rate of change: 14% increase

Percentage of Overall Business From Sponsorship

On average, 45.8% of total billings from sponsorship

Number of sponsorship clients (2006)

Mean (n=43): 17 (Range 0 to 200: SD=+/- 36)

Approximate Average Billing Per Sponsorship Per Sponsorship Client (2006)

Mean (n=37): $52,857 (Range: 0 to $750,000; high SD)

Number of Sponsorships Worked On (2006)

Mean (n=30): 28 (Range: 0 to 200; SD=+/- 43)

Results – Agencies Sponsorship Activity

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Allocation of Sponsorship Work

Leveraging (n=12)	43%
Sponsorship Sales (n=9)	46%
Evaluation (n=14)	23%
Research (n=9)	14%
Hospitality (n=6)	21%
Media (n=11)	19%
Contract/Negotiations (n=14)	25%
Other (n=13)	13%

Evaluation

In 2006, on average (n=25) 48% of sponsorship worked on were evaluated (range 0% to 100%).

Leveraging

How much did your clients invest in leveraging/activating sponsorships in 2006?

- Mean (n=26): $675,443 (range: $0 to $10,000,000)

How did this compare with 2005?

- Mean (n=26): 49.3% (range: 0% to 100%) – demonstrating growth in leveraging/activating activity

Results – Sponsorship Industry Size Estimation

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Global

US$30.5 billion (IEG, 2006)

USA

US$10 billion (IEG, 2003)
Estimated 2007: US$15B

Canada

$375 million (Thwaites et al, 1998)
$750 million (Issues in Sponsorship, 2003)

Based on this process and conservative assumptions, we estimate that ***$1.1 BILLION*** is the industry size in Canada.

Given the varied nature of sponsorship in Canada, very low response rates and a very large database, this number can be considered a general estimate at best.

Summary

Key Findings

Sponsors:

- 16.7% of marketing spending on sponsorship
- 10.3% increase in spending in 2006 over 2005 on sponsorship – it is growing!
- Only 7.8% invested in evaluation
- Activation Ratio .43 to 1

Sponsees:

- 43% do not leverage
- Growing

Agencies:

- Sponsorship as a large component of revenues and growing
- When agency is involved, sponsorship and leveraging are much more likely

Industry Size:

- Estimation: $1.1 Billion