Institute for Sport Marketing

2008 Canadian Sponsorship Landscape Study

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Introduction

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History and Rationale

Following feedback from 2006 Canadian Sponsorship Forum (CSF) attendees, the first annual Canadian Sponsorship Landscape study was completed and presented in collaboration with the 2007 CSF held in Toronto in September 2007. This is the second edition.

The study experienced some successes including:

- Keynote Presentation at 2007 CSF and follow-up report to all attendees
- Largely positive feedback from CSF attendees
- ‘Academic version’ of results accepted for publication in the Journal of Sponsorship which will appear in Volume 1(3) this spring
- Some media attention (e.g., Sport Decision, NSO reports, TV/Radio interviews, etc.)
- Adoption for business purposes by organizations (e.g., CFL, Rugby Canada)

ISM Research History

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Extensive research on mega-events including:

- Olympic marketing research (2000-2008)
- Super Bowl (1998-2008)
- Grey Cup (2004)
- Commonwealth Games (2002)
- FINA World Aquatic Championships in 2005

Olympic & Grassroots Sport Surveys (2003 and 2005)

- NSOs, MSOs and PSOs on budgets, revenues, personnel, sponsorship barriers, etc. Sample: 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

Canadian Sponsorship Landscape study

Methodology - The Study Plan

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Canadian Sponsorship Forum

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

Sponsorship Landscape Study

- 2007 (May-Aug)
- 2008 (March-May)

Methodology

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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 in 2007 – reduced to 250 in 2008 to increase efficiency
- Change from 2007 to 2008 – move to online data collection from phone calls (rationale: resources, time and efficiency)

Recruitment Campaign 2008

Sponsor Specific (in 2007 we used phone, 2008 email)

- Existing Databases
- Purchased industry database

Sponsee Specific (all via email)

- Databases compiled of CMAs, Events, Festivals, Sport Organizations, Associations, Fairs, Pro Sport, Arts, Charities, etc.

Agency Specific

- Based on calls/lists in 2007 and additional research, a list of agencies developed and contacted

Methodology

Sampling Frame 2008

1012 respondents

767 responded to ethics form (735 accepted and 32 declined)

548 responded to organizational definition:

- 109 Sponsors
- 167 Sponsees
- 61 Agencies
- 221 Did Not fit these categories

Sampling Frame 2007

1375 respondents

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

647 responded to organizational definition:

171 Sponsors

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

Respondents Profile 2008

57% are the primary sponsorship decision maker

By Position

- 43% CEOs or Presidents
- 7% General Manager
- 13% Marketing/Sponsorship Coordinators
- 24% VP/Director of Marketing
- 13% Other

36% of their time spent on sponsorship-related activities

Each organization has 5 (4.7) people working at least 25% of their time on sponsorship

Characteristics of Sample

109 Sponsors

How big are they?

Full-time paid staff

- Mean: 2201 (Range: 1 to 30,000)

Full-time paid head office staff

- Mean: 345 (Range: 1 to 2950)
- Head Office Locations: representative of Canada
- Annual Sales: $195.5 Million (Range: $100k to $1.4 Billion)

Where do they do business?

- 32.8% National Scope
- 45.2% One Province Only (all 13 P/T represented)
- 23.0% Multi-Province/Territory

In what industry?

Varied Representation (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	1	0.9	1	1
	Division C: Construction	2	1.8	2	3
	Division D: Manufacturing	7	6.4	7	10
	Division E: Transportation, Communications, Electric, Gas	18	16.5	18	28
	Division F: Wholesale Trade	9	8.3	9	37
	Division G: Retail Trade	11	10.1	11	48
	Division H: Finance, Insurance, and RealEstate	23	21.1	23	71
	Division I: Services	25	22.9	25	96
	Division J: Public Administration	4	3.7	4	100
	Total	100	91.7	100	
Missing	System	9	8.3		
Total		109	100.0		

Results - Sponsors
Sponsorship Activity

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Sponsorship Activity

In 2007, sponsors spent 15.5% of their marketing & communications budgets on sponsorship
Note: This is a decrease from '06 at 16.7%

Total sponsorship investment was $960,315 (range $0 to $25,000,000) (SD=4,127,306).

- 10% spent over $1 million
- 30% spent between $100k and $1million
- 60% <$100k

Thinking Back to 2006:

- Significant increase in sponsorship spending over 2006 is noted from an average of $569,292 to $960,315 in 2007.
- This accounts for an average increase of 25.7% over 2006

Thinking Ahead to 2008:

- 36% believe they will spend more
  Average of 15.7% more
- 15% believe they will spend less
  Average of 15.9% less
- 49% believe they will spend the same amount

2007 Sponsorship Spending:

- In-kind sponsorship on average increased to $140,051 from $122,446 in 2006
- Number of sponsorships is similar to previous year 2006 with a mean of 10
- Sponsorship Evaluation remains low at 4.5% of sponsorship budgets, down considerably from 7.8% in 2006.

  Note: 59% of respondents do NOT evaluate

Results - Sponsors
Sponsorship Activity

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Leveraging/Activation

Average of $438,635

Note: This represents a ratio of .46:1 (leverage:investment) compared to .43:1 in 2006. Considerably less than the 1:1 or greater recommended

In 2007 the most common leveraging tactics, in order, were:

- Advertising
- Hosting/Hospitality
- Co-Promotions
- Public Relations

In 2006 the most common leveraging tactics, in order, were:

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

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

Average amount invested in (2006 amounts in brackets):

Sport*	52.2% (54.0%)
Cause Marketing	18.4% (16.9%)
Arts	8.3% (10.9%)
Entertainment, Tours, Attractions	6.0% (12.6%)
Festivals, Fairs & Annual Events	14.5% (5.6%)

Type of Investment

Cash	68.5% (65.2%)
In-kind Product	15.1% (18.8%)
In-kind Service	16.3% (16.0%)

**Note: IEG (2008) forecasts sport at 69% of spending in North America*

Results - Sponsors
Sponsorship Activity

More on 2007 Sponsorship Spending

Sponsors, on average, invested only 2.1% of their sponsorship budgets through an agency

- A 17% decrease from 2006
- 82% of sponsors did NOT use an agency at all
- Those who did use an agency, were significantly more likely to evaluate (21% of budgets) and leverage (ratio .58:1)

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

International	2.7%
National	14.1%
Multi-Provincial	2.9%
Provincial	19.5%
Regional	17.0%
Local/Municipal	40.1%

Considering Each Sponsor's Largest Sponsorship

Average size: $125,173

Largest reported sponsorship rights fee $2,000,000

Typically it was in:

Sport	55%
Cause	20%
Entertainment, Tours, Attractions	4%
Festivals, Fairs, Annual Events	22%
Arts:	0%

Note: Nearly 50% of respondents felt it to be important that some money goes to a sponsee with Charitable status

Results - Sponsees

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Characteristics of Sample

167 Sponsees

How big are they?

Full-time paid staff

- Mean: 150

Volunteers (unpaid)

- Mean: 449

Sponsee Reach/Geographic Focus

International:	14%
National:	27%
Multi-Provincial (i.e. Atlantics):	1%
Provincial:	39%
Regional:	8%
Local:	11%

Sponsee Respondents Profile

- Very similar to 2006
- 55% of respondents are the primary sponsorship decision maker
- 2.5 paid staff working on sponsorship and 8 volunteers
- Annual Budgets: Mean = $33,200,000

Note: One organization noted a budget of $1 billion+

Characteristics of Sample

Where are they coming from?

Sports	53.4%
Arts	5.9%
Entertainment	5.1%
Festivals, Events	13.6%
Causes	10.2%
Others	11.9%
Total:	**n=118**

Sports (In Detail)

Club	3.2%
Events	9.7%
Athletes	4.8%
Team	6.5%
Community	3.2%
Sport League	3.2%
NSOs	22.6%
Facility	1.6%

Festivals, Events (In Detail)

Annual Events	31%
Festival	56%
Fair	13%

Causes (In Detail)

Charity	17%
Cause	50%
Others	33%

Results - Sponsees

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Sponsorship Activity

1.1% of total budget from sponsorship vs 1.6% in 2006

$367,628 in rights fees received on average (a decrease from 2006)

Thinking Back to 2006:

- A small increase is noted from an average of $360,042 in 2006 to $367,628 in 2007
- This represents a 2.1% increase over 2006

Thinking Ahead to 2008:

- 64% believe they will receive more in 2008
- The avg. expected increase is 57%
- 13% believe they will receive less
- The avg. expected decrease is 38%
- 23% expect no change

Value of In-kind Received in 2007 = $142,718 on average

Dollar value	% of Respondents
0	9
1-20,000	40
20,001-40,000	12
40,001-60,000	9
60,001-100,000	4
100,001-200,000	10
200,001-300,000	8
300,001-400,000	3
400,001-999,000	2
1 million +	2

70%

Sponsorship Activity

Leveraging/Activation/Servicing

- 21.3 % did not invest in leveraging
- 62% of sponsees spent 10%+ of sponsorship revenue
- Average of 22%

Most Common Leveraging Tactics in 2007

- Hospitality
- Advertising
- Publicity

Most Common Leveraging Tactics in 2006

- Product Sampling
- Hospitality

Agency Investment

Sponsorship revenues re-invested through agencies

- Average of 6.6%
- 69% did NOT invest in agencies

Sponsorship revenues received via an agency (collaborative sponsorship sales)

- Average of 5.95%
- 75% did not use agency at all
- 16.5% of respondents received over 10% of revenues via agency

  Significant correlation ($r=.622$, $p<.01$) between agency use and total revenues received from sponsorship

Breakdown of Revenues Received

Cash	61%
Product	25%
Service	14%

Results - Agencies

Characteristics of Sample

61 Agencies

Promotions Agencies	3
Sponsorship Agencies	2
Event Management Agencies	10
Advertising Agencies	9
Media Buyers	4
Integrated Marketing Agencies	4
Others (1 mention each)	19

How Big Are They?

Full-time and Part-time paid staff

- Mean: 41 and 17; Range: 1 to 500 and 0 to 400

Full-time staff on sponsorship activities (n=59)

- Mean: 12; Range: 1 to 200

Agency Reach/Geographic Focus

International	15%
National	50%
Multi-Provincial	12%
Provincial	6%
Regional/Local	18%

Results - Agencies

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Agency Billing

Allocation of Overall Billing Related to Sponsorship

Sport	37%
Cause	25%
Festival, Fairs or Annual Events	12%
Entertainment, Tour/Attractions	9%
Arts	5%
Others	12%
Arts	5%

Note: Total billings from sponsorship: 47.1% vs 45.8% in 2006

Average billings $874,473 in 2007 ($155k/client)

- A significant decrease from 2006 sample ($1.3 million)

Does this change hold for this sample (reporting back)?

- In 2006, this sample reported that annual billing was $815,618
- 2007 is a small increase over 2006

What about the future?

- 52% expect an increase; the average expected increase is 31%
- 6% expect a decrease; the average expected decrease is 25%
- 42% do not expect their billing to change

Allocation of Sponsorship Work

• Leveraging*	23%
• Sponsorship	15%
• Evaluation	15%
• Research	11%
• Hospitality	10%
• Media	10%
• Contract/Negotiations	16%
• Other	1%

**Average client leveraging investment: $2,297,157 (max $12M)*

Evaluation

- In 2007, 67.6% of sponsorships worked on were evaluated, a significant increase over 2006 at 48%

Results – Sponsorship Industry Size Estimation

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Global Spending

2007: US$37.7 billion (IEG, 2007)
2008: US$43.5 billion (IEG, 2008)

North America

2007: US$14.91 billion (IEG, 2007)
2008: US$16.78 billion (IEG, 2008)

Europe

2007: US$11.7 billion (IEG, 2007)
2008: US$10.6 billion (IEG, 2008)

Asian Pacific

2007: US$7.6 billion (IEG, 2007)
2008: US$9.5 billion (IEG, 2008) **– a 25% increase**

Central & South America

2007: US$3.0 billion (IEG, 2007)
2008: US$3.5 billion (IEG, 2008)

Canada

$375 million (Thwaites et al, 1998)
$750 million (Issues in Sponsorship, 2003)
$1.1 billion (CSF Version 1 – 2007)

Estimation: Sponsorship Industry Size

Based on this process and conservative assumptions, we estimate that $1.22 BILLION is the industry size in Canada.

This number represents a 9.8% increase from 2006 when our estimation was $1.11 BILLION – or an estimated increase of approximately $109 million

Digging deeper, we found that:

- The Big Sponsors are spending more
- The Medium and Small sponsors are spending less

Summary

Key Findings

Sponsors

- 15.5% of marketing spending on sponsorship
- Increase of 25.7% over 2006
- 39% expect an average increase of 15.7% for 2008
- Only 4.5% invested in evaluation
- Activation Ratio .46 to 1

Sponsees

- 21.3% did not leverage/activate
- 64% expect an increase – Average of 57% for 2008

Agencies

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

Industry Size

- Estimation: $1.22 Billion (9.8% increase)

Trends in Sponsorship

2008 Most Important Issues Today

- Evaluation/ROI
- Communication with support from sponsor, sponsee, and/or agency partner(s)
- Leveraging/Activating Effectively

Most Important Issues in 10 Years

- ROI (linkage to sales)
- Ambush and Clutter*
- True Understanding of sponsorship

2007 Most Important Issues Today

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

Most Important Issues in 10 Years

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

* *Note: Impact of anti-ambush legislation such as Bill C-47 may have a significant impact in the hosting of mega-events in the future*

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