CANADIAN SPONSORSHIP FORUM

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2nd Annual Canadian Sponsorship Landscape Study

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Agenda

- History, Rationale and Introduction
- Methodology
- Results
  - Sponsors
  - Sponsees
  - Agencies
  - Sponsorship Industry Size Estimation
- Summary

History & 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.

History & Rationale (2)

- 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 – 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

Researchers

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

ISM Research History

- 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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- 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

CSF

IMI

SPONSORSHIP LANDSCAPE STUDY

•2007 (May-Aug)

•2008 (March-May)

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

Sampling Frame 2007 and 2008

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

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

RESULTS – SPONSORS

Characteristics of Sample (1)

- 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)

Characteristics of Sample (2)

- Where do they do business
  - 32.8% National Scope
  - 45.2% One Province Only (all 13 P/T represented)
  - 23.0% Multi-Province/Territory
- Similar to 2007
- In what industry
  - Varied representation (see chart)

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	.9	1.0	1.0
	Division C: Construction	2	1.8	2.0	3.0
	Division D: Manufacturing	7	6.4	7.0	10.0
	Division E: Transportation, Communications, Electric, Gas an	18	16.5	18.0	28.0
	Division F: Wholesale Trade	9	8.3	9.0	37.0
	Division G: Retail Trade	11	10.1	11.0	48.0
	Division H: Finance, Insurance, And Real Estate	23	21.1	23.0	71.0
	Division I: Services	25	22.9	25.0	96.0
	Division J: Public Administration	4	3.7	4.0	100.0
	Total	100	91.7	100.0	
Missing	System	9	8.3		
Total		109	100.0		

Sponsorship Activity (1)

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- 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

Sponsorship Activity (2)

- 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 → avg of *15.7% more*
  - 15% believe they will spend less → avg of 15.9% less
  - 49% believe they will spend the same amount

Sponsorship Activity (3)

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2007 Sponsorship Spending:

- In-kind sponsorship on average increased to <u>*$140,051*</u> 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

Sponsorship Activity (4)

- 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

The most common leveraging tactic remains advertising

2007:

1. Advertising
2. Hosting/Hospitality
3. Co-Promotions
4. Public Relations

2006:

1. Advertising
2. Ancillary Events
3. Hosting/Hospitality
4. Product Sampling

Sponsorship Activity (5)

- Sponsorship Mix
  - 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*

Sponsorship Activity (6)

- Sponsors, on average, invested only 2.1% of their sponsorship budgets through an agency
  - A 17% decrease from 2006
  - Note: 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 the following reach:

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

Sponsorship Activity (7)

- Considering each sponsors' 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

Characteristics of Sample

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- 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 the 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

Club	3.2%
Events	9.7%
Athletes	4.8%
Team	6.5%
Community	3.2%
Sport League	3.2%
NSOs	**22.6%**
PSOs	**35.5%**
MSOs & Other	**19.4%**
Facility	1.6%

Charity	17%
Cause	50%
Others	33%

Annual Events	31%
Festival	56%
Fair	13%

Sponsorship Activity (1)

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

- <u>*$367,628*</u> in rights fees received on average (a decrease from 2006)

Sponsorship Activity (2)

- 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 <u>*2.1%*</u> 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

Sponsorship Activity (3)

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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 (4)

- 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

2007:

1. Hospitality
2. Advertising
3. Publicity

2006:

1. Product Sampling
2. Hospitality

Sponsorship Activity (5)

- **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 (1)

- 61 Agencies
  - Promotions Agencies 3
  - Sponsorship Agencies 12
  - Event Mngt Agencies 10
  - Advertising Agencies 9
  - Media Buyers 4
  - Integrated Marketing Agencies 4
  - Others (1 mention each) 19

Characteristics of Sample (2)

- 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%

Agency Billing (1)

Allocation of Overall Billing Related to Sponsorship

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

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

Agency Billing (2)

- Average billings <u>*$874,473*</u> 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 <u>*$815,618*</u>
  - 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

Sponsorship Activity

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- 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

Sponsorship Industry

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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

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- 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

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_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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We would appeciate your input and ideas for the 2008 survey

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