CSLS

Canadian Sponsorship Landscape Study

Led by Dr. Norm O'Reilly & Dr. Benoit Séguin

University of Ottawa

2010

Presented by:

CANADIAN SPONSORSHIP FORUM

SMCC CCC Sponsorship Marketing Council of Canada / Conseil canadien sur la commandite

Research Partners:

iSM Institute for Sport Marketing

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Canadian Sponsorship Landscape Study

Acknowledgements

The authors would like to sincerely thank the following people:

Each and every respondent of the survey for taking the time and energy to provide us with the data needed to compete such a study.

Dr. Ann Pegoraro and **Pierre Huneault** of the **Institute for Sport Marketing** and the **School of Sports Administration** at Laurentian University.

Mark Harrison, David Corelli, Christine Hogg and the entire team at **TrojanOne**, organizers of the **Canadian Sponsorship Forum**.

Susan Charles, Paul Hétu, and **Randy Scotland** at the **Sponsorship Marketing Council of Canada.**

Don Mayo and **Ivan Mutabdzic** at **IMI.**

Dana Ellis at the **University of Ottawa.**

Mark Sabourin at **The Sponsorship Report**.

Fourth Annual Canadian Sponsorship Landscape Study

As presented by The Sponsorship Marketing Council of Canada and the Canadian Sponsorship Forum

Research Report

Results of this survey were previously presented March 21st, 2010 at the Canadian Sponsorship Forum in Whistler and April 20th, 2010 at the SMCC Conference in Toronto

Report Layout

This Report is Organized as Follows:

1. Introduction to the Landscape Survey
2. Methodology
3. Key Observations with Supporting Data
4. Additional Takeaways
5. Background on Sponsorship & Previous ISM Research

Canadian Sponsorship Landscape Study

1. Introduction to the Landscape Survey

Why a Landscape Survey?

- Dearth of Canadian-based information on sponsorship
- Interest to know details on sponsorship
  - Size, stakeholder needs, ROI, activation ratio, evaluation, trends, challenges, concerns, etc.
- Interest of delegates expressed at Canadian Sponsorship Forums and participants at the SMCC annual conferences
- Popularity and practitioner use of IEG studies in the United States
- Calls from the academic literature
- Sponsors and sponsees out of synch (industry feedback)

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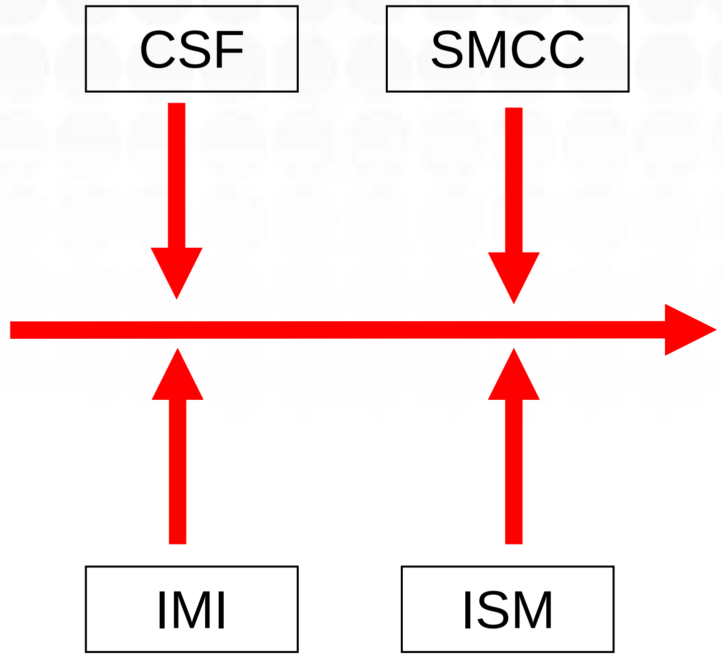
The Study Plan

Drivers of the Study

- Sponsorship growth & resulting need for data
- CSF delegate demand
- Academic research
- Understanding of key success factors in sponsorship
- Sponsors and sponsees remain “disconnected”



Study

- 2007
- 2008
- 2009
- 2010
- 2011*

*2011 – Data will be collected for the 5th annual Study in early 2011. Visit www.sponsorshiplandscape.ca

Survey Objectives

Objectives of the Landscape Study

- The purpose of the CSLS is to conduct a survey of Canadian businesses to provide an overview of the sponsorship industry in Canada
- The research pays particular attention to the spending patterns of sponsors and revenue generated through sponsorship by sponsees
- It surveys sponsors, sponsees and agencies with the overall objective to describe the ‘landscape’ of sponsorship in Canada
- Explore the management, planning, and realities of sponsorship in Canada today

2. Methodology

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Methodology

- Online data collection, supplemented by phone and email contact, were used to recruit respondents
  - Three separate surveys were administered (sponsor, sponsee, agency)
  - The surveys can be viewed at www.sponsorshiplandscape.ca

- Series of questions
  - Demographic
  - Quantitative
  - Qualitative

- Stratified sampling technique used to estimate industry size

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Four Years of Data

Input from sponsors, sponsees and agencies

- Triangulation Approach
- Quantitative & Qualitative Questions
- Industry Size Estimation

Feb 1 - Apr 1, 2010 (n=559)

- 142 Sponsors
- 294 Sponsees
- 123 Agencies

Language of response (2010)

- 88.6% English
- 11.4% French

2009 (n=277)

- 67 Sponsors
- 145 Sponsees
- 65 Agencies

2008 (n=377)

- 109 Sponsors
- 167 Sponsees
- 61 Agencies

2007 (n=504)

- 171 Sponsors
- 247 Sponsees
- 86 Agencies

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Sponsor Sample

- Wide variety of industries represented
  - Broad cross-section of industry categories
  - Based on Statistics Canada's definition

- Comprised mostly of English speaking and For-Profit organizations
  - 76% English and 24% French
    - Similar to representation in Canadian population
  - 86% For-Profit and 14% Not-for-Profit

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Sponsee Sample

Where are the respondents coming from?

Sports	50.2%
Causes	15.6%
Festivals/Events	14.4%
Entertainment	5.0%
Arts	3.8%
Others	11.1%

Event	7.6%
Facility	5.1%
Athletes	3.1%
Team	7.6%
Club	2.5%
Community Sports	5.1%
Regional Sport Org	2.5%
Sport League	10.1%
Player's Union	1.5%
National Sport Orgs	16.5%
Provincial Sport Orgs	25.3%
University Athletics	9.8%
Other (e.g. MSO)	6.3%

Event	16%
Charity	40%
Cause	24%
Others	20%

Annual Events	65.3%
Festivals	30.4%
Fair & Other	4.3%

Notables: Education, Hospital, Ballet, Museum, Recreation, Facility, NGO, Tradeshow, Conference, Media

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Sponsee Sample

- Each had on average of 21.1 sponsors
  - Range: 1-210
  - Wide Range (SD = +/- 26)
- Wide range in annual budget
  - Average: $112.9 million
  - Some Very Large
    - 12 organizations of $1 Billion+
  - Many Small
    - 58 organizations of under $1 Million
- Reach
  - International 12.2%
  - National/Canadian 35.8%
  - Multi-Provincial 3.4%
  - Provincial 23.6%
  - Regional 14.2%
  - Local/Municipal 10.8%

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Agency Sample

- Language
  - 88.1% English * 11.9% French
- Business Type
  - 89.8% Profit * 10.2% Not-For-Profit
- Reach
  - International: 35% * National: 46% * Multi-Provincial: 2.1% * Provincial: 10.4% * Regional: 2.1% * Local 4.2%
- Agency Type

Promotion Agency	1.8%
Sponsorship Agency	26.8%
PR Agency	1.8%
Event Management Agency	12.5%
Advertising Agency	8.9%
Media Buyer	5.4%
Other Agencies (many)	42.9%

Background: Business Orientation

Sample Pool (2010)

- Sponsors tend to be For-Profit (85%)
- Sponsees tend to be Not-for-Profit (83%)

Note: Although overall it did not skew the analysis, when we segment,

- 22% of sponsors only invested in For-Profit organizations
- 33% of sponsors only invested in Not-for-Profit organizations
- 45% of sponsors invest in a combination of both
    - 53% on Not-for-Profit & 47% on For-Profit

3. Observations for the Research and Supporting Data

Summary: Observations from 2009

1. Sponsorship spending ‘survived’ the economic crisis
2. Sponsorship as a proportion of marketing communications budgets stable
3. 2010 forecasts: sponsors cautious, sponsees and agencies optimistic
4. Evaluation was a casualty
5. Sport (by far), causes and festivals/events are the most dominant areas of sponsorship spending
6. People in the industry are very worried about the economy, HR issues, ROI and activation
7. The Digital World is the secret to future sponsorship growth
8. There is a disconnect between renewal and expressed interest in ROI
9. We’re ‘smarter’ when an agency is involved
10. Sponsorship decisions are made year round

Summary: Observations from 2009

11. In-kind sponsorship trending up, particularly in very large sponsors
12. Although surprisingly unaware, the industry – except some properties - does not feel ambush legislation is necessary
13. Key drivers of renewal and sponsorship interest in sponsee are brand related
14. Sponsees are under-servicing sponsors in all key areas
15. Sponsorship is not a major contributor to many sponsees

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OBSERVATION #1:
Sponsorship spending 'survived' the economic crisis

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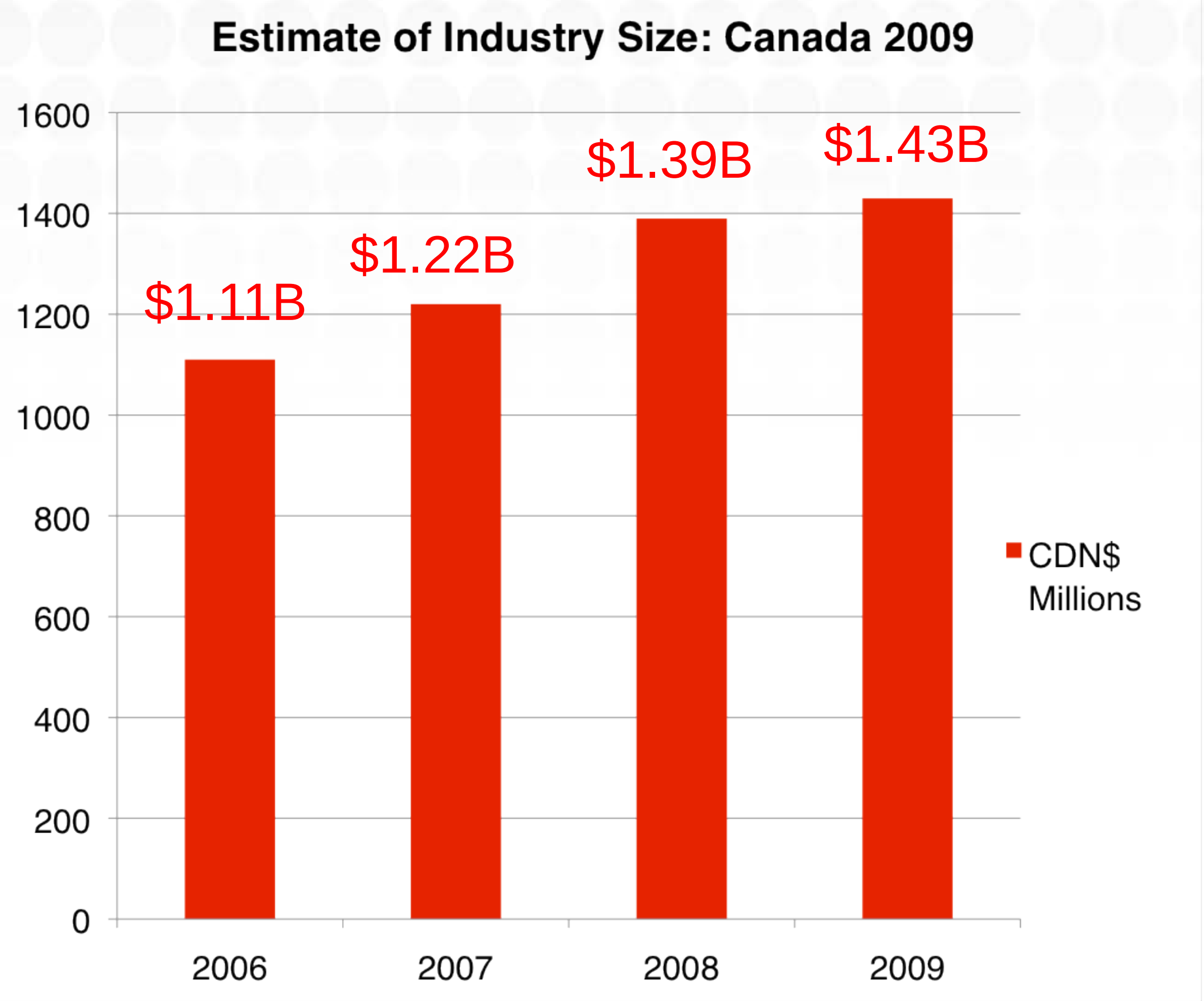
Sponsorship Industry Size

Counter to expectations expressed in 2009 (expected 24% drop in sponsorship spending to $1.19B), based on our sampling process and conservative assumptions, we estimate that ***$1.43 BILLION*** was the industry size in Canada in 2009

- This is a continuing increase since 2006
  - 2009 – estimated at $1.43 BILLION
  - 2008 – estimated at $1.39 BILLION
  - 2007 – estimated at $1.22 BILLION
  - 2006 – estimated at $1.11 BILLION
- This number represents a *2.9% increase* from 2008 and a 28.8% increase since 2006

Sponsorship Industry Size



Last year's respondents expressed an expected 24% drop in sponsorship spending to $1.19B

Actual value reported $1.43B (or +2.9%)

A 28.6% increase since 2006 is reported

$$$'s by Extrapolation by Industry

Taking the $1.43B number and our percentages:

• Professional Sport	$401 M
• Amateur/Olympic Sport*	$321 M
• Cause Marketing	$210 M
• Festivals, Fairs and Annual Events	$181 M
• Arts	$70 M
• Media Program	$60 M
• Education	$41 M
• Entertainment, Tours and Attractions	$27 M
• Other * (business events mostly)	$113 M

Similar Trending to IEG Studies

Global Spending	2007: US$37.7 billion (IEG, 2007) 2008: US$43.5 billion (IEG, 2008) 2009: US$44.4 billion (IEG, 2009)
North America	2007: US$14.91 billion (IEG, 2007) 2008: US$16.78 billion (IEG, 2008) 2009: US$16.79 billion (IEG, 2009)

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The Activation Ratio

Leveraging/Activation

- Average of $2,014,545

Note: This represents a ratio of .76:1 (leverage:investment) compared to:

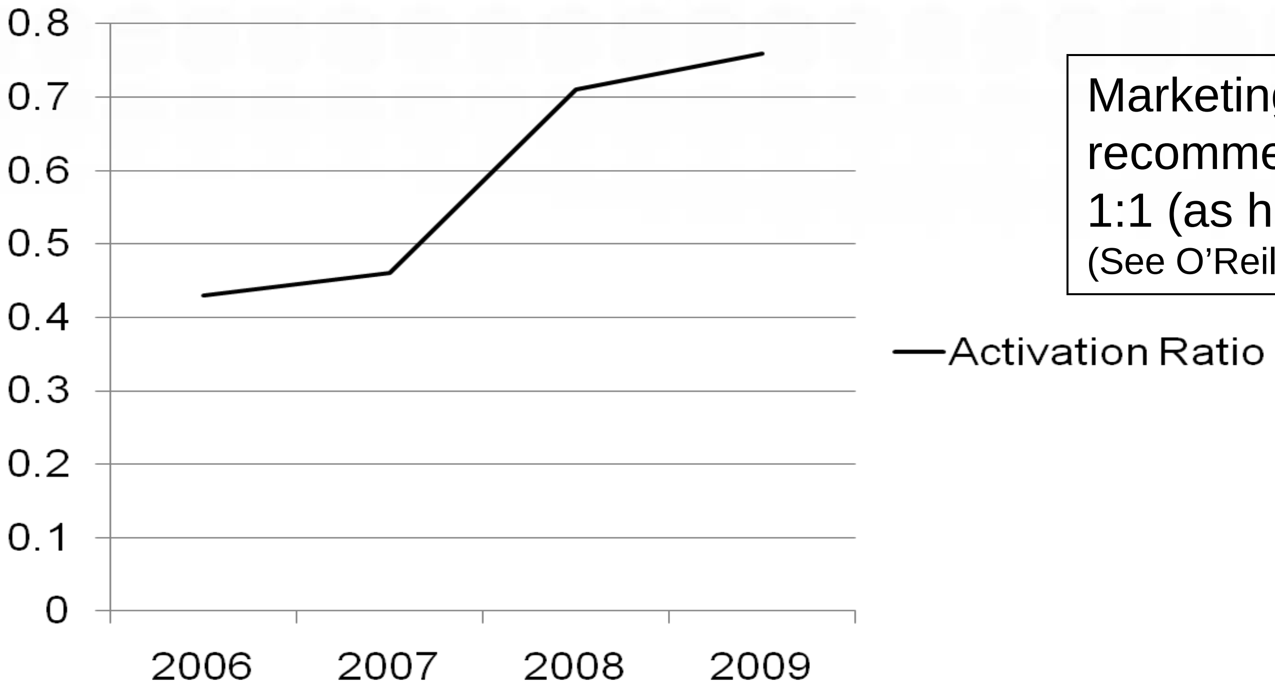
- *.71:1 in 2008*
- *.46:1 in 2007*
- *.43:1 in 2006*

The most common leveraging tactics in 2009 were hosting/hospitality and advertising

The Activation Ratio

Ratio of Activation Spend:Sponsor Rights Fees

- In 2009 was .76:1 (highest to date)



Marketing literature recommended: at least 1:1 (as high as 10:1)
(See O'Reilly & Seguin, 2008)

OBSERVATION #2:
Sponsorship as a proportion of marketing communications budgets is stable

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Sponsorship Investment in 2009

- Average number of sponsorships: 70.7 (range 1-1300)
  - Remove largest four sponsors, average goes to 20.4
  - Up from 2008 – 12 * 2007 – 10 * 2006 – 18

- Total sponsorship investment (rights fees) (average/sponsor):
  - 2009 - *$2,646,299* (range $0 to $30,000,000)
  - 2008 - $4,545,689 (range $0 to $40,000,000)
  - 2007 - $960,315 (range $0 to $25,000,000)
  - 2006 - $516,769 (range $0 to $12,000,000)

- In-kind sponsorship investment (average):
  - 2009 - $938,044 (range - $0 to $12,500,000)
  - 2008 - $456,858 * 2007 - $140,051 * 2006 - $122,446

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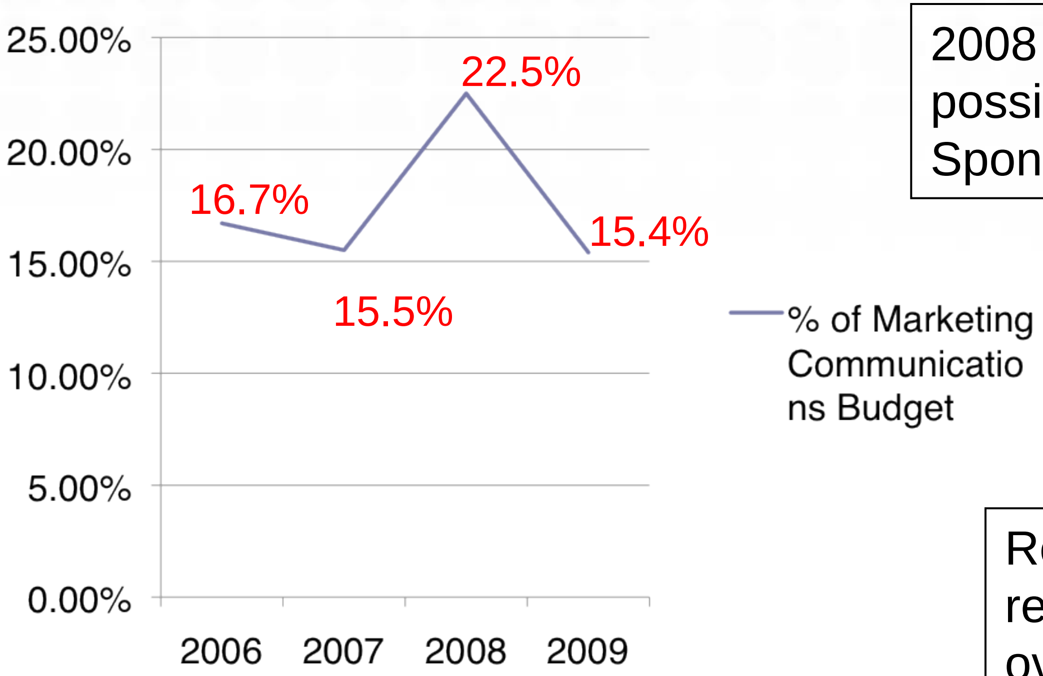
Proportion of Overall Marketing Communications Budget in Sponsorship

Sponsorship Marketing (rights + activation) as % of total MarCom budget is stable



2008 increase ('blip') possibly related to Olympic Sponsorship outlays

Result supported by other research (SMCC, ISM) – overall marketing communications spend/budget is flat

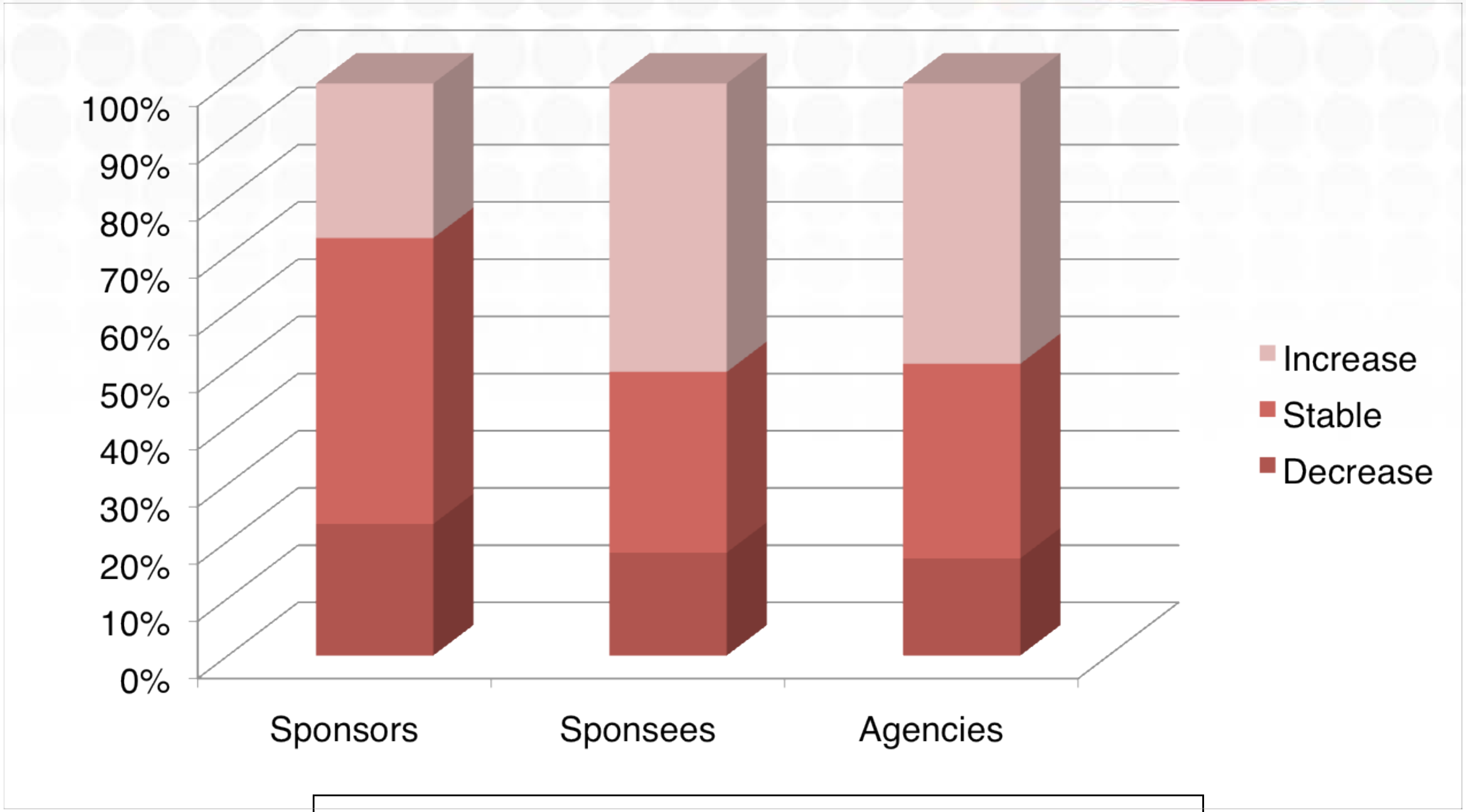
Budget Allocated to Sponsorship

- Proportion of marketing communications budget
  - 2009 – *15.4%* (range: 1% to 50%)
  - 2008 - 22.5%
  - 2007 – 15.5%
  - 2006 – 16.7%

- Expected to remain stable in 2010
  - Increase a lot – 4.5%
  - Increase a little – 22.1%
  - Stay the same – 51.5%
  - Decrease a little – 16.2%
  - Decrease a lot – 2.9%

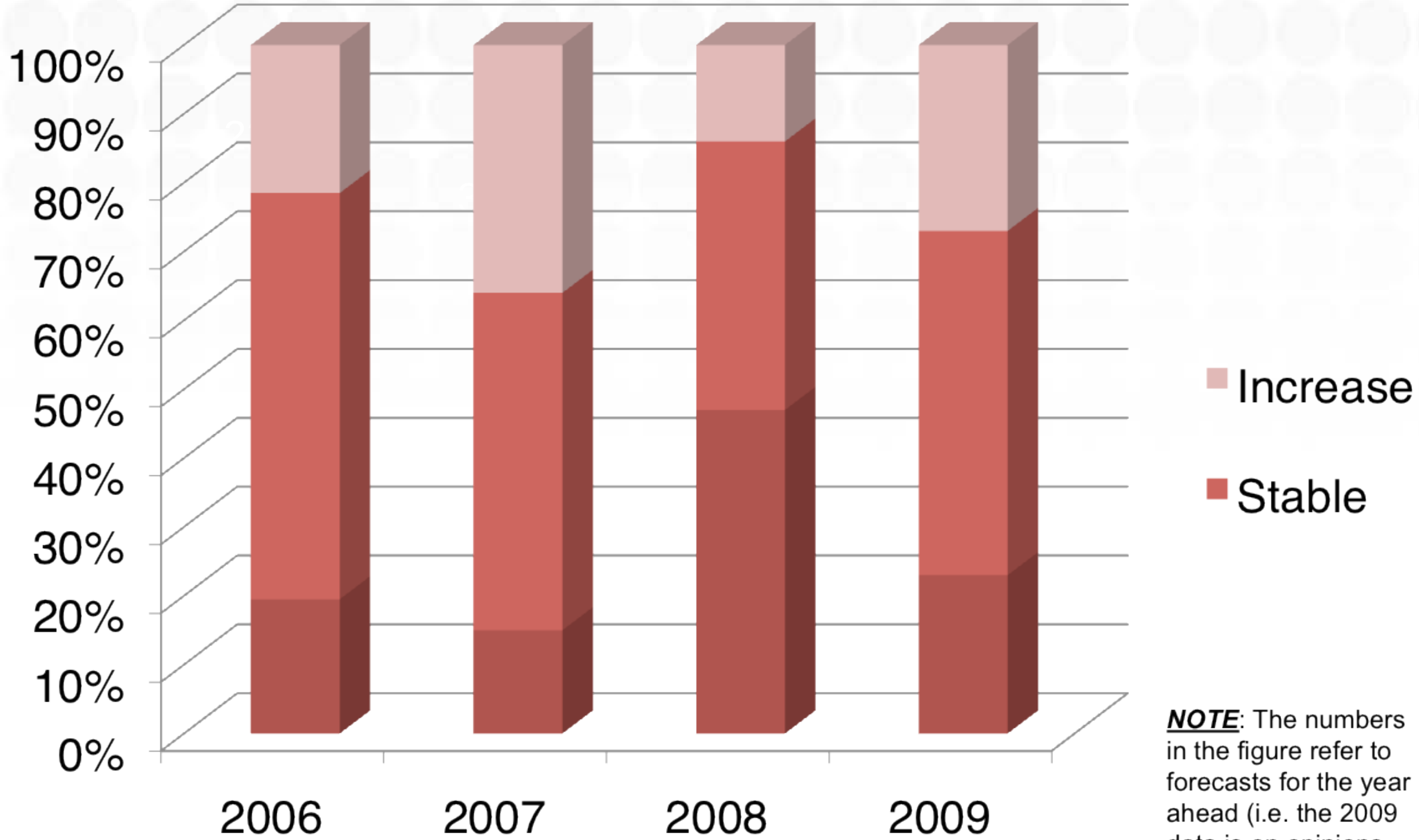
OBSERVATION #3:
For 2010 forecasts: sponsors cautious, sponsees and agencies optimistic

Sponsorship Spending Projections for 2010



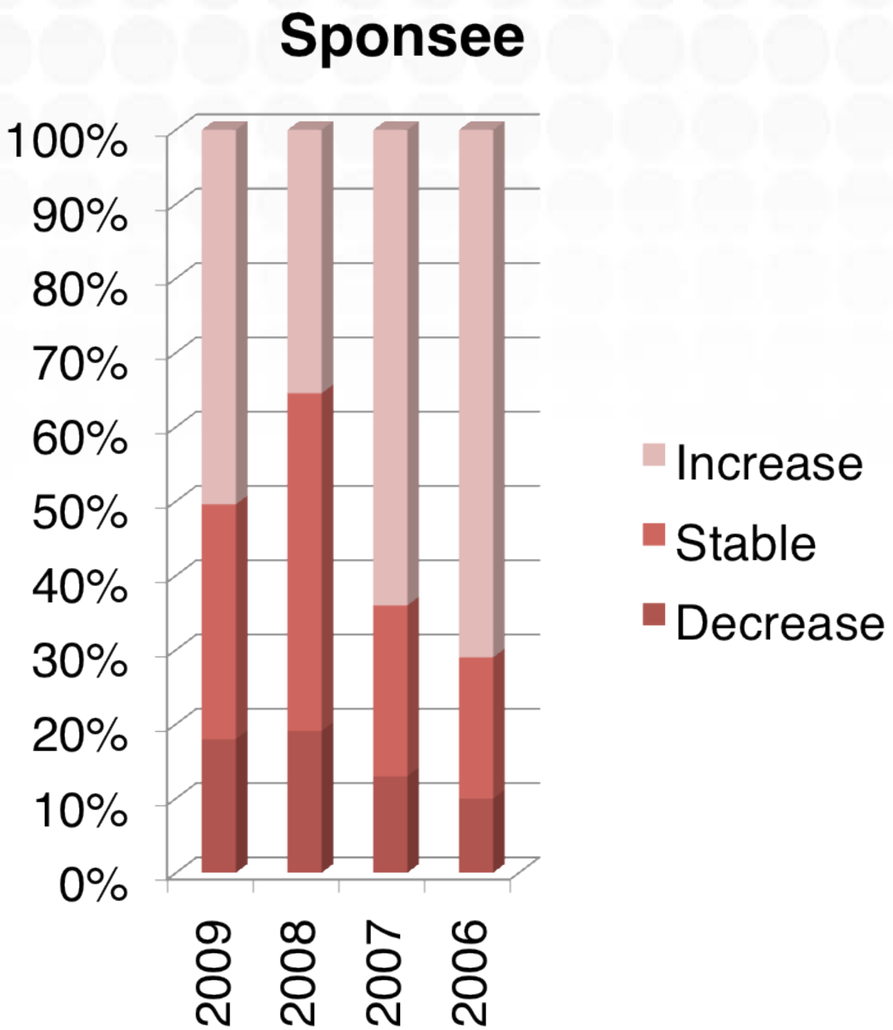
For sponsors, average increase expressed was 12.2% & average decrease 18.2%

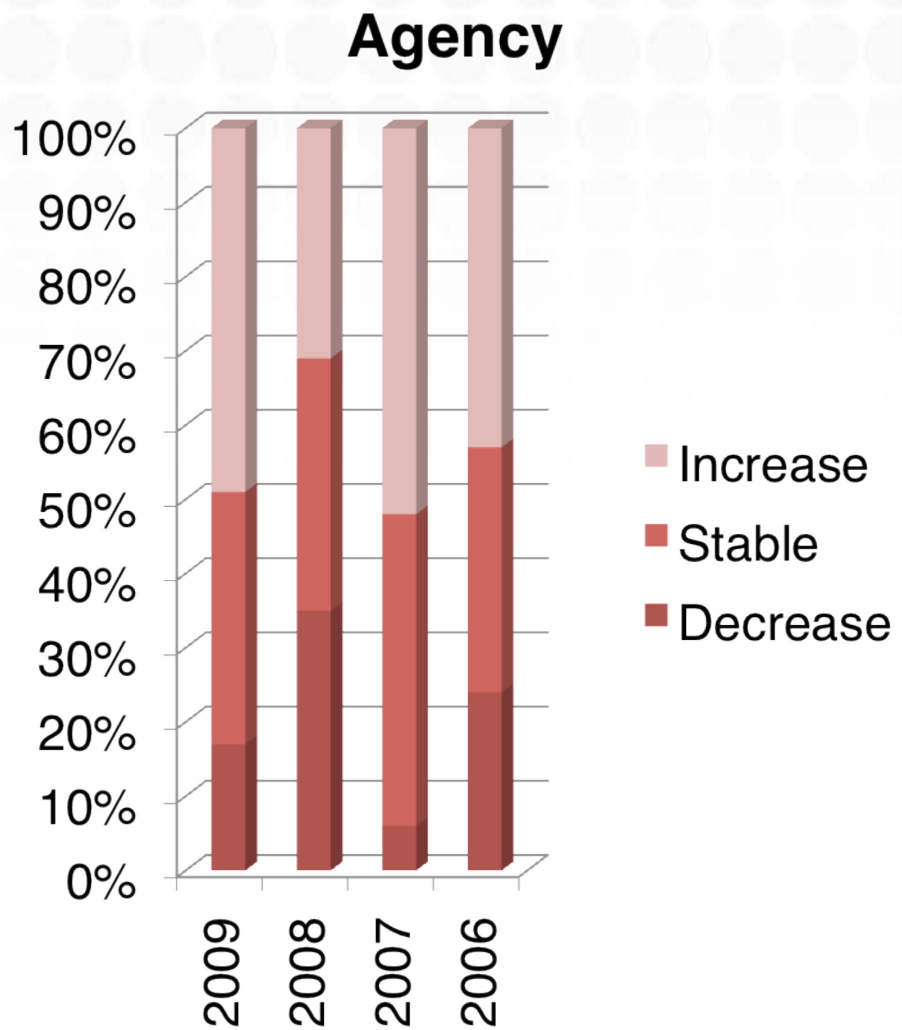
Sponsor Forecasts: 2006-present



NOTE: The numbers in the figure refer to forecasts for the year ahead (i.e. the 2009 data is on opinions about the 2010).

Sponsee & Agency Forecast Trends





Challenges Facing Sponsors in the Future

As reported by sponsors, sponsees and agencies

Overall Themes from Open-Ended Questions – *(themes from responses provided in Jan-Mar, 2010)*

Sponsor	***Sponsee***	***Agency***

• Economy/Budget
• ROI
  • Evaluation
  • Meeting needs/objectives
• Activation
• New media
	• Economy/Budget
	• Number of requests for sponsorship
	• Cluttered marketplace
	• ROI
	• Activation
		• Budget/Economy
		• ROI

Challenges Facing Sponsors in the Future

Select Quotes

“Activation of sponsorships so they are truly unique” (Sponsor)

“Budgets, sound activation, with properties, and metrics concerning value received from sponsorship” (Agency)

“Keeping up with technology and integrating the latest new media platforms into sponsorship programs” (Sponsee)

“Lack of innovative properties to support or align with the corporate brand” (Agency)

Challenges Facing Sponsees in Future

As reported by sponsors, sponsees and agencies

Themes from Open-Ended Questions

Sponsor

- Economy/Budget
- ROI
  - Deliver
  - Evaluate
- Attracting & retaining sponsors
- Clutter
  - Number of properties

Sponsee

- Economy/Budget
- ROI
  - Deliver
  - Evaluate
- Clutter
  - Standing out
  - Compete for resources
- Activation
  - Funding
  - Use of creative strategies
- New media
- Relationship building

Agency

- ROI
- Budget/Economy
- Clutter
  - Market saturation
  - Competition
- Acquire/retain sponsors
- New Media

Challenges Facing Sponsees in the Future

Select Quotes

“Providing quality evaluations of the value provided” (Sponsor)

“Being able to package new media (Facebook, Twitter, etc.) into sponsorship activation” (Sponsee)

“Still ongoing lack of understanding of ROI and measurement. In particular, cause related properties that believe the ‘good’ overrides the need to be strategic, measurable and relevant” (Agency)

Challenges Facing Agencies in the Future

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As reported by sponsors, sponsees and agencies

Themes from Open-Ended Questions

Sponsor

- Dealing with economy/budget restriction
- Creative activation
- Providing value
- Getting new clients
- New media

Sponsee

- Budget/Economy
- ROI
  - Methods & Measurement
- Clutter/Standout
  - Competition for sponsorship $$$
  - Creativity
- Social media
- Fee justification
- Human Resources issues
  - Turnover
  - Expertise

Agency

- Budget/Economy
- Activation
  - Effectiveness
  - Creativity
- ROI
  - How to measure
- Social media
- Clutter/Competitions for resources

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Challenges Facing Agencies in the Future

Select Quotes

“Demonstrating return on sponsorship metrics that align with the corporate dashboard (i.e. making sponsorship a true component of the mix – not a second cousin)” (Sponsee)

“Justifying their existence in sponsorship relationships – properties are becoming more sophisticated, thus making sponsors more comfortable working without an agency as a go-between” (Agency)

“Selling the right vision and ROI” (Sponsor)

OBSERVATION #4:
Evaluation investment was a casualty

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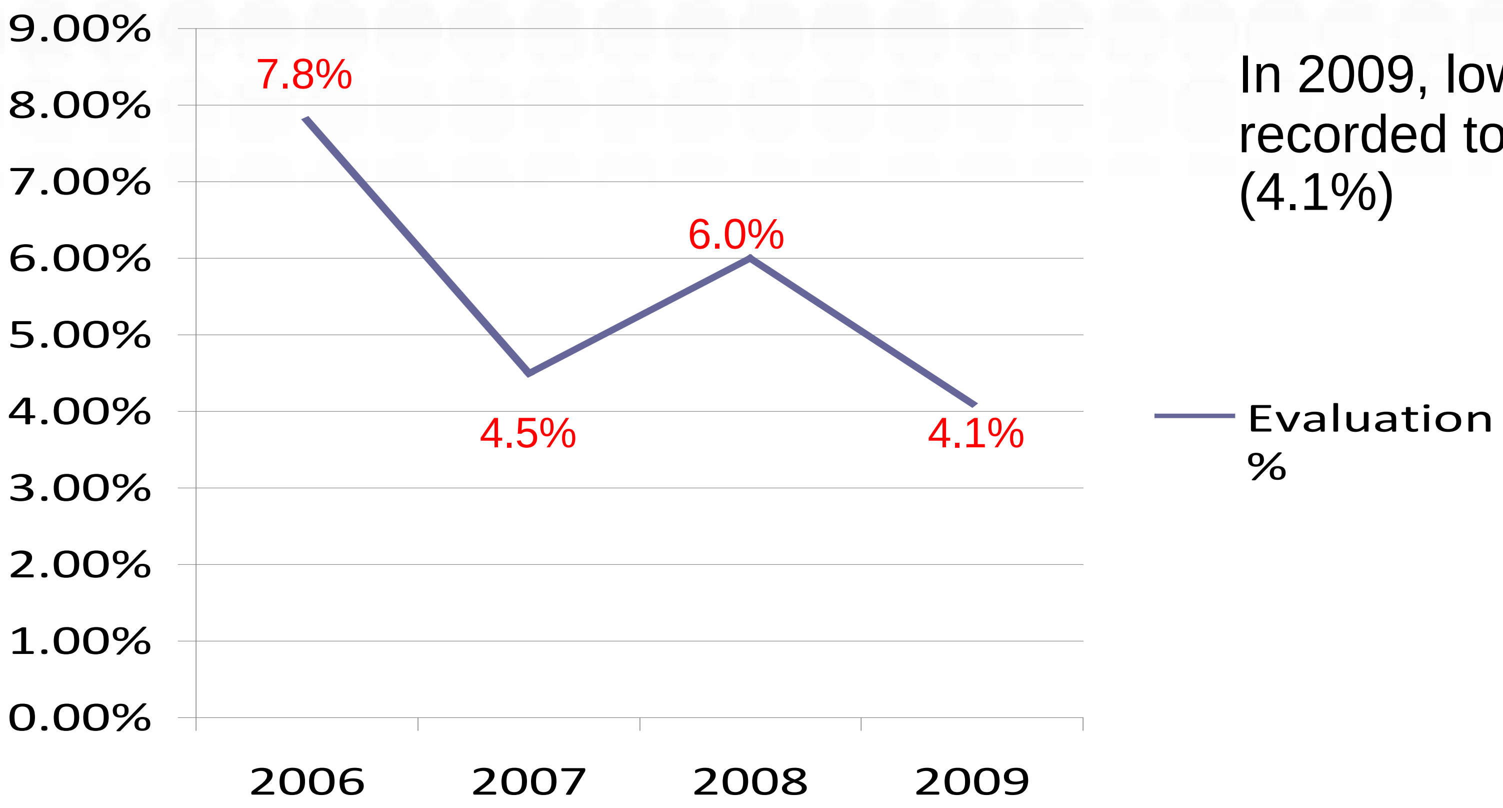
Evaluation in Sponsorship

- Proportion of sponsorship rights fees spent by sponsor on sponsorship evaluation:
  - 2009 – *4.1%* (Range 0 to 40%)
  - 2008 – 6.0% 2007 - 4.5% 2006 - 7.8%
- Of the amount spent on evaluation, 13.1% of budgets allocated to sponsorship was spent on pre-sponsorship evaluation (range 0 to 100%)
- Future challenges for sponsors identified by respondents
  - “Evaluation is still a huge problem”
  - “Activation of sponsorships so they are truly unique”
  - “Need to measure and prove ROI”
  - “Price justification”
  - “Proving that you [the sponsee] are worth the investment”
  - “Quantifying ROI”
  - “Proving the value of the sponsorship”

Investment in Evaluation

Proportion of sponsorship rights fees spent by sponsor on sponsorship evaluation



In 2009, lowest recorded to date (4.1%)

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OBSERVATION #5:
Sport (by far), causes and festivals/events continue to be the most dominant areas of sponsorship spending.

Sponsorship Mix by Sponsee Type

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Percentage of sponsorship rights fees spent on:

• Professional Sport	28.3%
• Amateur/Olympic Sport	22.5%
• Cause Marketing	14.7%
• Festivals, Fairs and Annual Events	12.6%
• Arts	4.9%
• Media Program	4.2%
• Education	2.9%
• Entertainment, Tours and Attractions	1.9%
• Other (mostly business events)	7.9%

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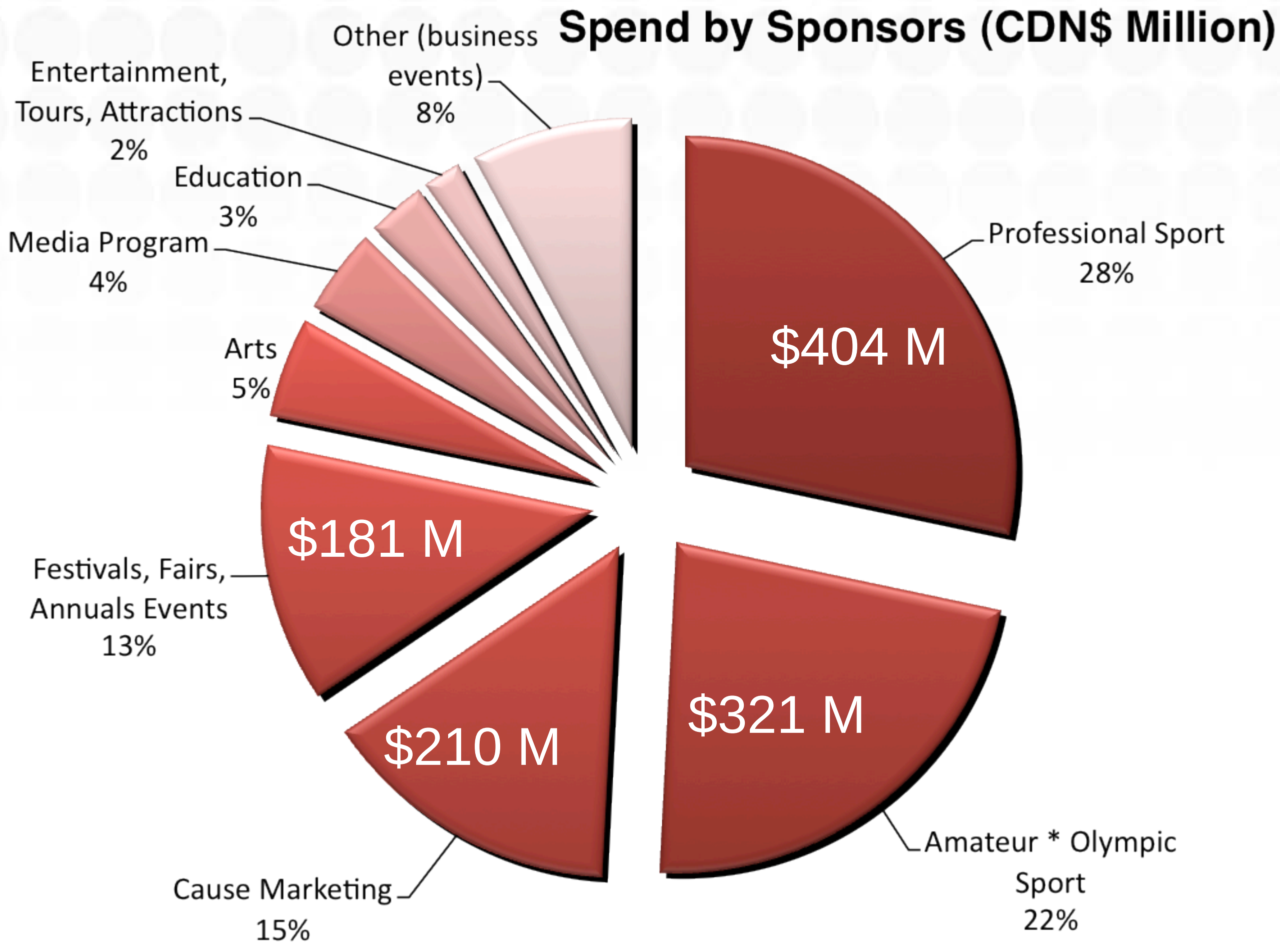
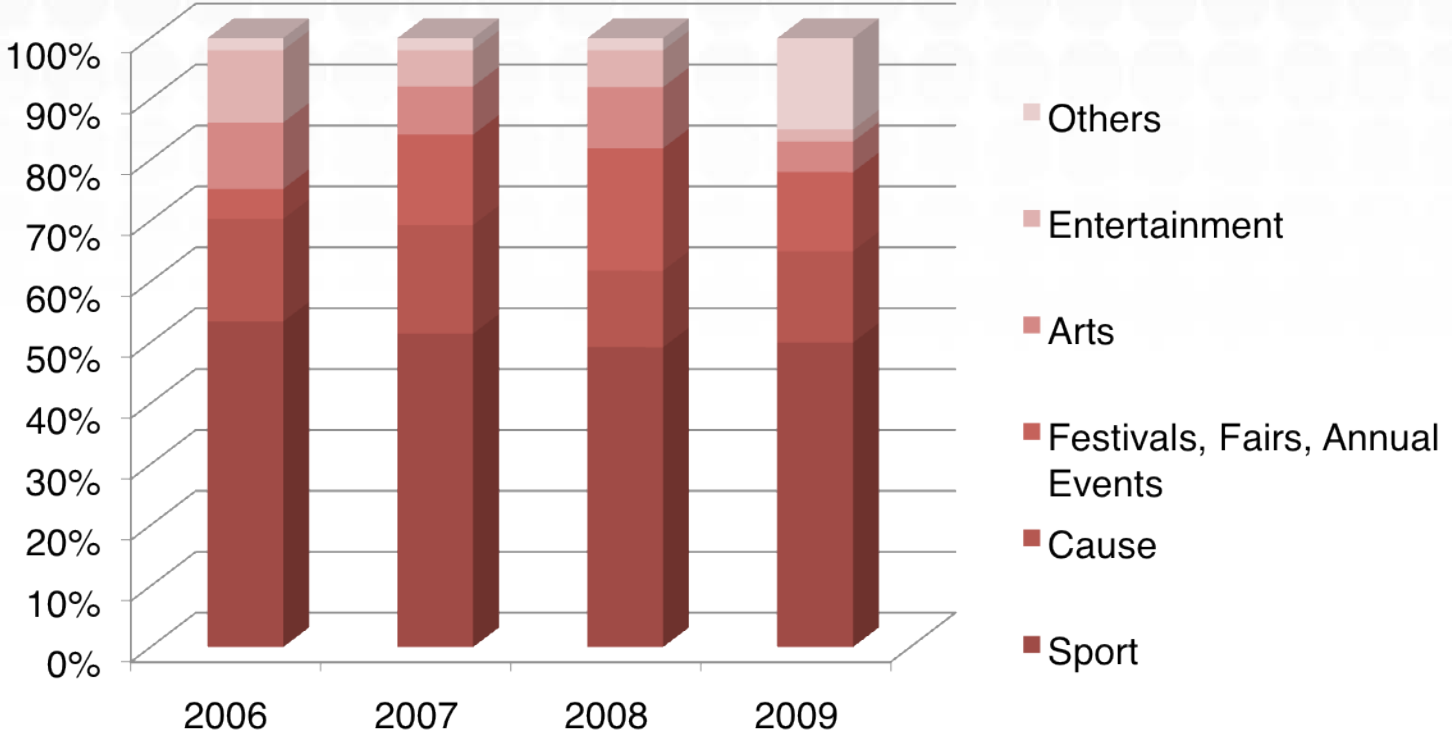


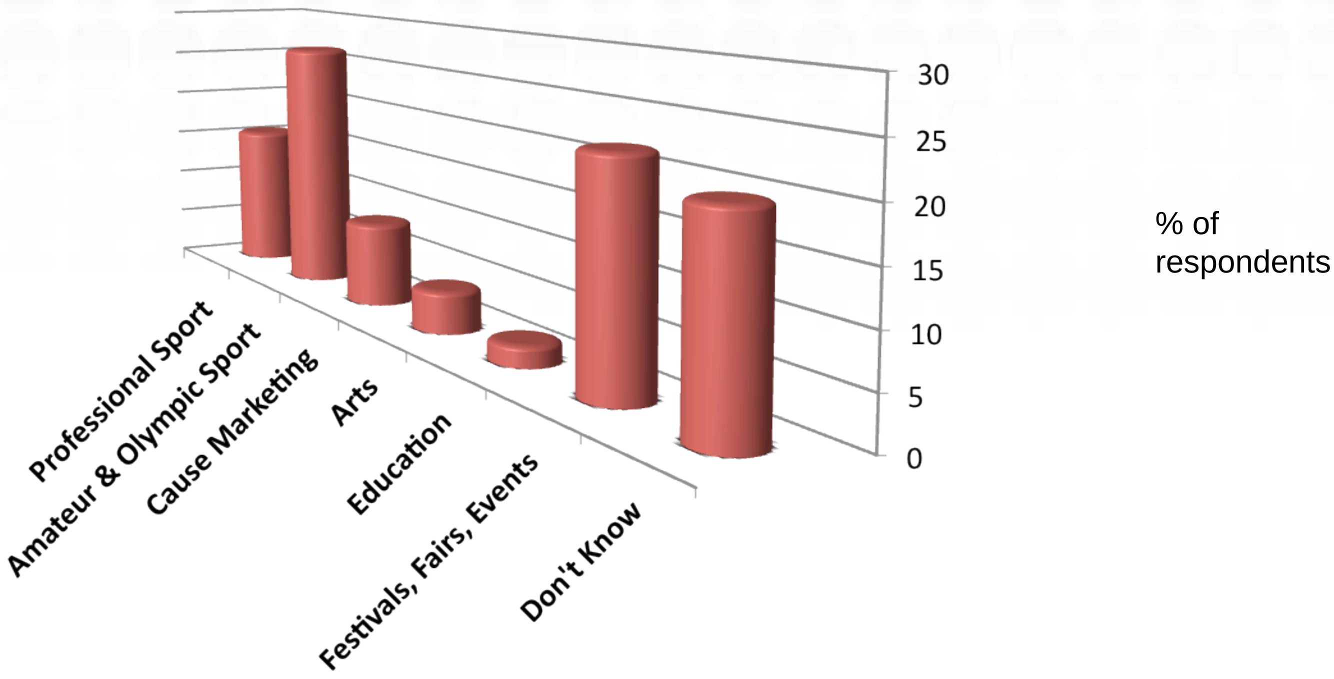
Trend by Categories: Since 2006

Percentage of sponsorship rights fees spent on:



Most Effective Category for Generating ROI

What is the effective category for generating ROI?



Sponsor Strategy

Use of Mega-Events*

- 84% do not invest in mega-events*
- For those who do, average proportion of their sponsorship rights fees budget spent is 46%

Reach of Sponsee

• International	3.3%
• National/Canadian	38.4%
• Multi-Provincial	8.3%
• Provincial	21.9%
• Regional	15.2%
• Local	12.9%

*Mega-Events refer to large event with a global reach to large markets

Largest Sponsee

- Average Size: $666,217
  - Professional Sport 35.1%
  - Amateur/Olympic Sport 21.6%
  - Cause Marketing 8.1%
  - Arts 5.4%
  - Education 2.7%
  - Festivals, Fairs & Annual Events 21.6%
  - Other 5.4%

Details of Sponsorship Spending

Importance of a Not-for-Profit Sponsorship

- Overall – sponsors expressed no difference in spending sponsorship rights fees on For-Profit sponsees versus Not-for-Profit sponsees
- However, 22% of sponsors only invested in for-profit organizations as sponsees and 33% of sponsors only invested in not-for-profit organizations – so for some, a sponsee being not-for-profit does matter

“Getting non-profit/charitable properties to think “sponsorship” instead of ‘donation’ (largest challenge facing sponsors in next 2 years” (Sponsor)

Cash versus In-Kind Spending on Sponsorship

- Ratio: 2.82:1 (Cash to in-kind)
- Approximately 2/3rd of in-kind spending is product and 1/3rd is services

What do Sponsors Look for in a Sponsee?

Average Ratings, on a scale of 1 (low importance) to 5 (high importance)

• Brand knowledge/profile	4.46
• Brand perceptions	4.32
• Brand loyalty	4.28
• Brand value	4.19
• Value alignment (i.e., corporate citizenship)	4.14
• Protection of sponsorship rights/exclusivity	4.00
• Increasing revenue/sales	3.92
• Employee engagement	3.62
• Sales	3.60
• Product/service sampling	2.92

What do Sponsors Look for in a Sponsee?

Factor analysis to reduce data reveals three factors

1. “Brand”: Brand (4 factors), exclusivity
2. “Sales”: Increasing revenues, sampling, sales
3. “Corporate”: Value alignment, employee engagement, exclusivity

Quotes

“Protecting category exclusivity as traditional lines continue to blur in many standard categories”

“Increased scrutiny on marketing spending – and the pressure for immediate ROI”

“Finding properties with a good fit (is key challenge in sponsorship)”

“Aligning core values with the right property”

What was the Effect of Olympics on Spending?

- For those sponsors who reported sponsoring amateur/Olympic sport, 13.8% reported that they invested in the 2010 Vancouver Olympic and Paralympic Games
- On average, for these sponsors, they spent 26% of their sponsorship rights fees budget on the Games (range 5% to 50%)

Quotes related to impact of Vancouver 2010

"…has created a great deal of excitement and attention on sport and sponsorship. It has provided many great stories and examples of quality execution, activation, promotion and leveraging sponsorship which our sponsors can learn from."

"…it has hurt our sponsorship potential as major sponsors have devoted all of their resources to the Olympics."

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OBSERVATION #6:
People in the industry are very worried about the economy, HR issues, ROI and activation

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What Keeps You Up at Night?

Overall themes from open-ended questions for each stakeholder group

Sponsor Themes

1. Financial situation
2. Economy
3. Providing/attaining results (ROI/evaluation)
4. Competition/ differentiation
5. Human resources
6. Ability to activate/ execute/leverage to full potential
7. New Media

Sponsee Themes

1. Finances & Economy
2. Human resources
3. Acquisition/retention of sponsorships
4. Relationship building
5. Ability to leverage and activate
   - Funding
   - Management expectations
   - Creative programs
6. Time (lack; deadlines)
7. Number of requests
8. Clutter – standing out
9. Value & ROI
   - Delivering
   - Communicating
   - Measuring/Evaluate

Agency Themes

1. Finances & Economy
2. ROI, Evaluation and Measurement
3. Clutter, Market Saturation, Competition
4. Human resources
5. Client/industry education
   - Marketing
   - Sponsorship
6. Time (lack & deadlines)
7. New Media
8. General change
   - Global
   - Industry

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OBSERVATION #7:
The digital world is the secret to future growth in sponsorship

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Areas of Growth

Which areas do you believe will have the largest growth in marketing communications spending in general over the next two years?

Overall Themes from Open-Ended Questions

Sponsor

1. Digital
2. Social media
3. Causes
4. Experiential marketing

Sponsee

1. On-line media
2. Digital
3. Social media
4. Experiential marketing

Agency

1. Social media
2. Cause
3. Digital
4. Experiential marketing

All related to consumer engagement – a cornerstone of sponsorship

Digital World

What are you doing differently (if anything) with sponsorships and events to take advantage of the new and ever changing digital world?

Overall Themes from Open-Ended Questions

Sponsor

- Websites
- Use of social media
  - Facebook
  - Twitter
  - Myspace

Sponsee

- Websites
- Use of social media
- On-site event using digital technology
- Live event streaming/webcast
- Sponsor communications tools
- Contests/Promotions

Agency

- Use of social media
- Activation strategy
  - Use as added component

Note: Hope expressed that emerging digital technology will assist in ability to evaluate sponsorship.

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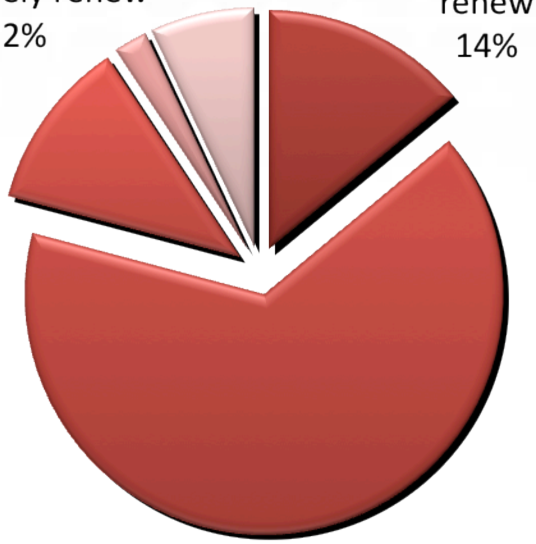
OBSERVATION #8:
There is a disconnect between renewal and expressed interest in ROI

Sponsorship Renewal

What best describes your renewal tendencies?

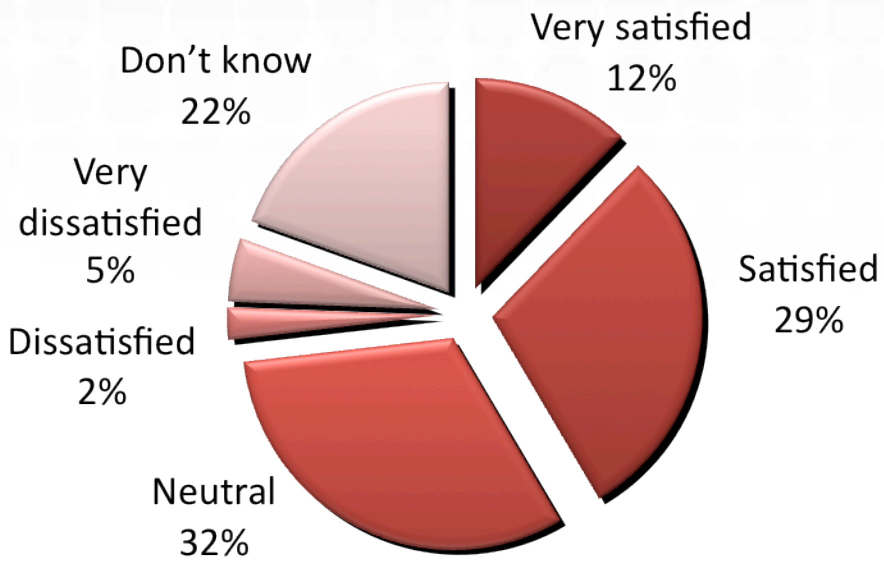


Sponsors are committed to their sponsorship programs

Satisfaction with ROI from Sponsorship

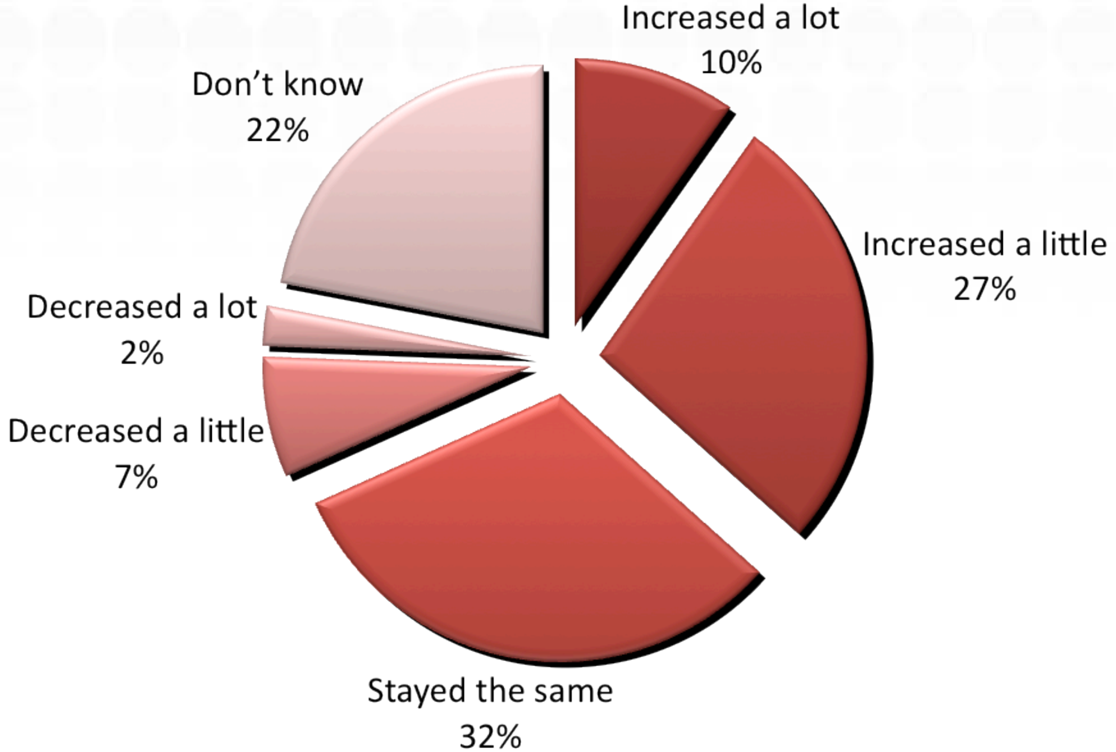
Level of satisfaction with your ROI from sponsorship

But sponsors have mixed levels of satisfaction with sponsees



ROI is Improving Slowly

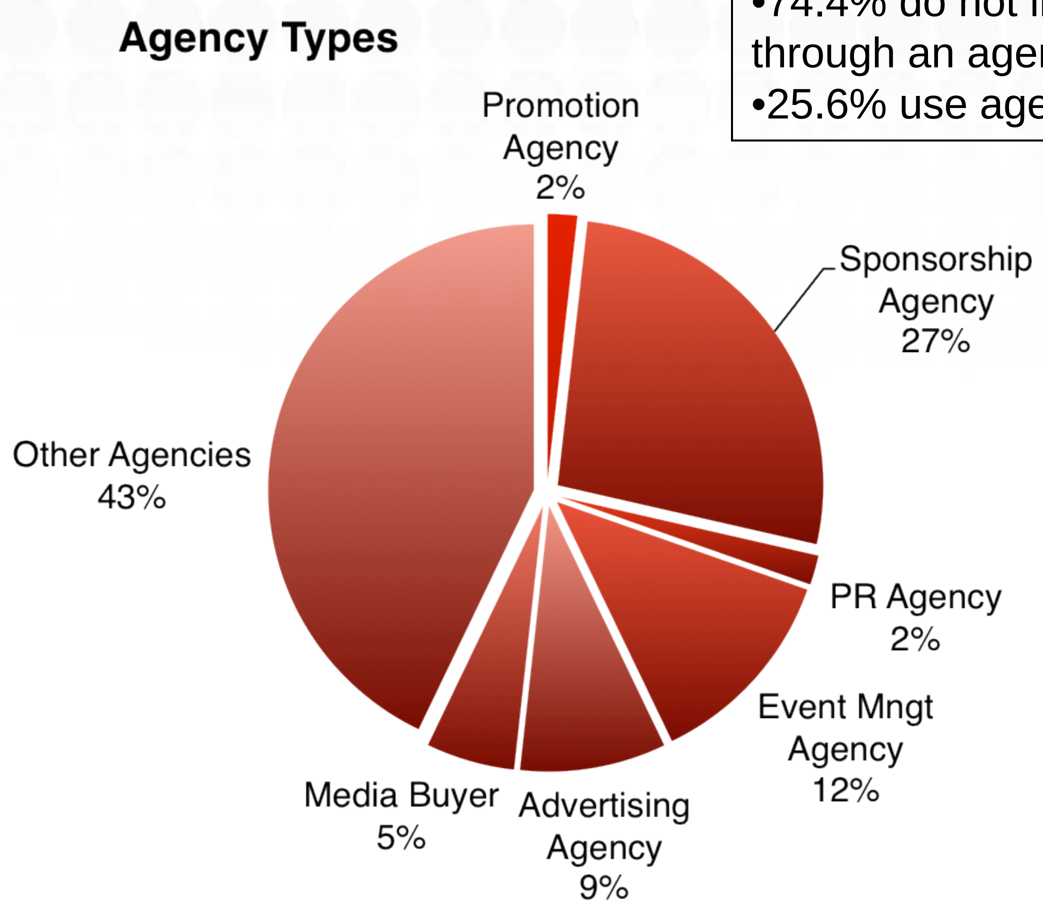
How has your ROI from sponsorship changed in last 2 years?



OBSERVATION #9:
We’re ‘smarter’ when an agency is involved

Who Are the Agencies?

Others:
- Branding Agency
- Engagement Marketing
- Communications Consultancy
- Consultant
- Full Service Marketing Firm
- Graphic Design/Marketing Support
- Innovative Solutions
- Professional Fundraiser
- Sponsorship Agency
- Research Agency
- Sport Business Management
- Tourism Agency



Agency Use:
- 74.4% do not invest through an agency
- 25.6% use agencies

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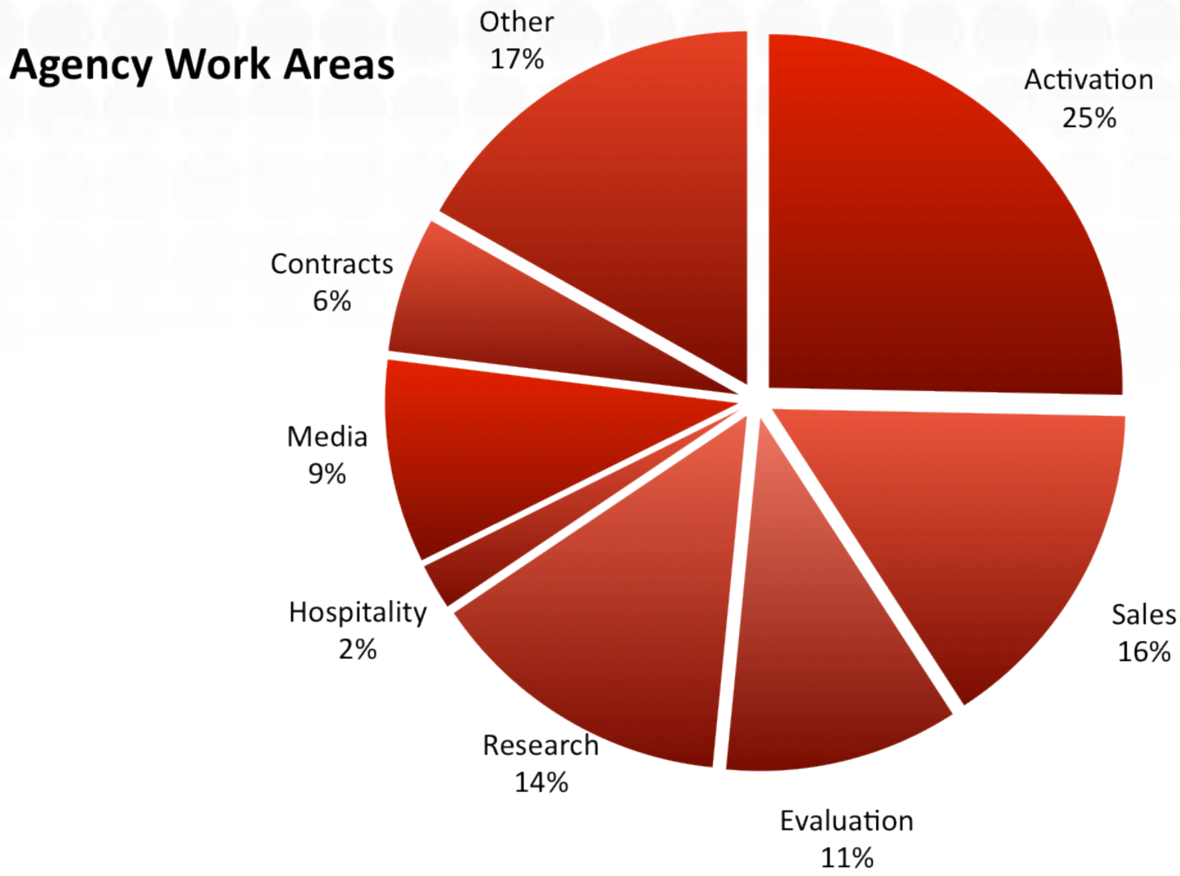
What Are They Billing For?



Other includes Athlete Representation, Consulting, Creative Activation, Fulfillment, Photography, Fundraising Events, Training

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How Much Are Agencies Billing?

- Average billings *$1,408,229* in 2009 ($153k/client)
  - Increase overall from past years but similar per client
    - 2008: $1,141,589 ($143k/client)
    - 2007: $874,473 ($155k/client)
- In-kind product or services provided by agencies for clients: $14,818/client
- Number of sponsorship clients
  - Average: 9.23 Range: 1-51
- Where?
  - Sport 39.6%
  - Festivals 25.8%
  - Cause 15.5%
  - Entertainment 7.6%
  - Arts 5.7%
  - Other 5.9% (typically workshops, conferences, etc.)

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Trends in Agency Billing

- The same sample (i.e. 2010 respondents) reported billing less in 2008
  - $963,334 on average in 2008
  - For this group, 2009 is a *45% increase* over 2008
- What about the future?
  - 49% expect an increase
    - The average expected increase is 19% (based on the respondents reported expectations)
  - 17% expect a decrease
    - The average expected decrease is 29%
  - 34% do not expect their billing to change

Where is the Billable Work?

- Proportion of Billable Work by $'s:
  - Leveraging/Activation 25.3%
  - Sponsorship Sales 15.5%
  - Evaluation 10.7%
  - Research 14.0%
  - Hospitality 2.1%
  - Media 9.3%
  - Contracts/Negotiations 6.2%
  - Other 16.8%

    - Other includes Athletes, Consulting, Creative Activation, Fulfillment, Photography, Fundraising Events, Training

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Agency-Based Sponsorship Activity

- Number of Sponsorship Clients
  - On average, each agency had 19.9 clients (range 1 to 150)
  - On average, each agency worked on 35.4 sponsorships (1 to 250)
- 38% of all agency billing comes from sponsorship
- 47.3% of billing was for sponsorships between a for-profit private sector partner and a not-for-profit physical activity or sport organization
- Quote supporting agency options
  - “Selecting agencies to work with [is a future challenge] as there are such a large number”

How Much do Clients of Agencies Activate and Evaluate?

- Activation
  - On average: $1,737,384
  - Leveraging Ratio of: 1.23 (higher than overall finding of .76:1)
- Evaluation
  - 72.7% were evaluated (much higher than overall finding of 4.1%)
  - Note: 46% of respondents noted that 100% of their sponsorships were evaluated
  - Range 30% to 100%

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Sponsors Using Agencies

- Investment in sponsorship through an agency
  - 25.6% of sponsors invested through an agency in 2009
    - Significant decrease from 2008 (number was 52%)
  - For the sponsors who do use an agency
    - On average, they invested 32% of their sponsorship rights fees through an agency (range: 10% to 100%)
    - By agency type (as identified by sponsors as recipient of their investment):

» Advertising agency	29%
» Promotion agency	21%
» Sponsorship agency	16%
» Media buyer	14%
» Event management agency	13%
» PR agency	7%

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When Agency Involved: Activation and Evaluation Are More Common

With Agency

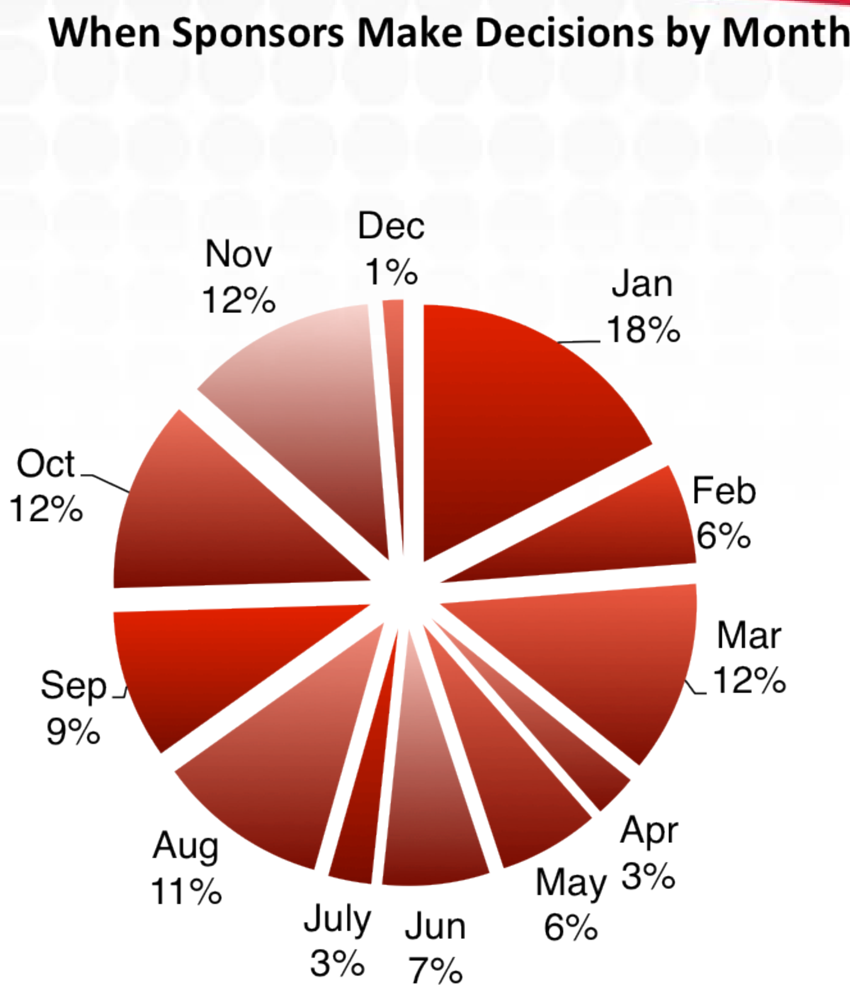
- Activation Ratio
  - 1.23:1
- Evaluation
  - 72.7% were evaluated
  - 46% of respondents noted that 100% of their sponsorships were evaluated

- Total Sample
- Activation Ratio
  - .76:1
- Evaluation
  - 4.1% were evaluated

Canadian Sponsorship Landscape Study

OBSERVATION #10:
Sponsorship decisions are made year round

When Do Sponsors Decide?

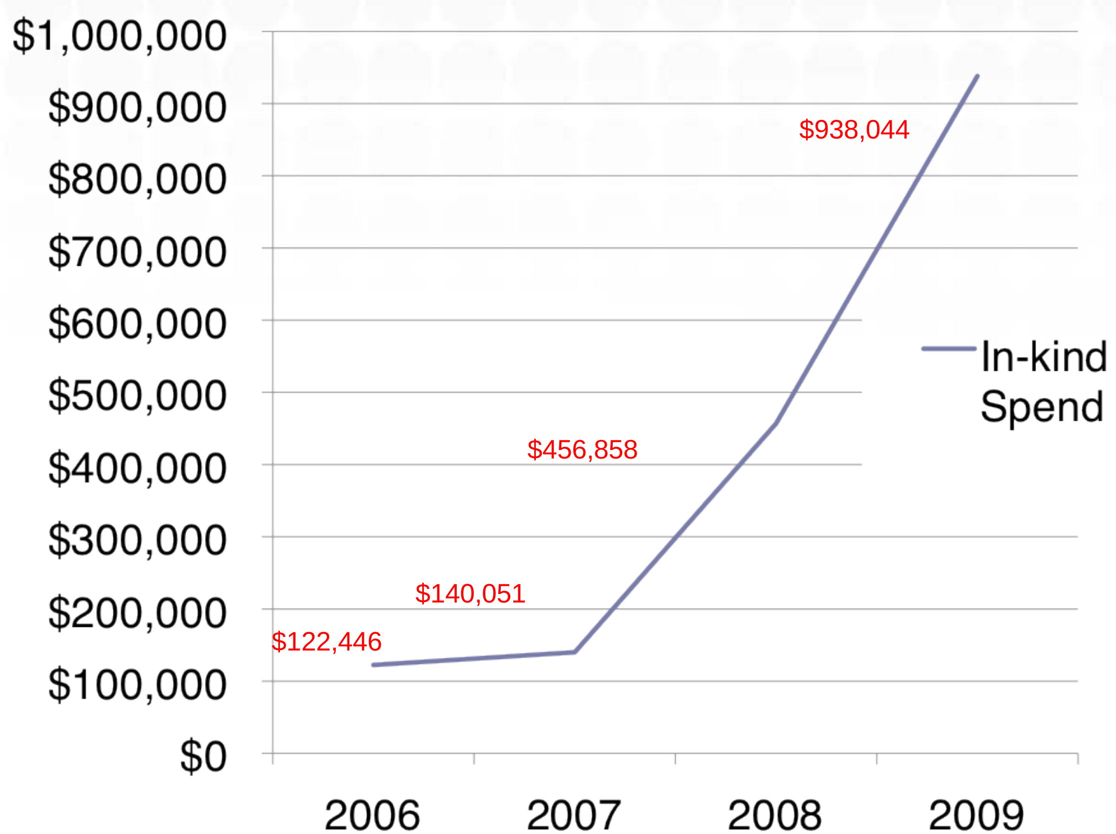


__Observation:__
Good ideas are not constrained by time of year

OBSERVATION #11:
In-kind sponsorship trending up, particularly with very large sponsors

In-kind Sponsorship (Product & Service)

In 2009, average sponsors spend was highest recorded to date.



2009 Cash versus in-kind spending: Ratio: 2.82:1
*approximately 2/3rds on product and 1/3rd on services

Influenced by very large sponsors, some as high as $12.5M on in-kind

Avg. number of sponsorships: *2009: 65.9 (range 1-1300)
*2009: 18 (minus top 4)
*2008: 12
*2007: 10
*2006: 18

2010 Olympic & Paralympic Marks Act

Were you aware?

- Sponsors – 48% said yes
- Sponsees – 47% said yes
- Agencies – 61% said yes

Should government's protect properties?

- Sponsors – 29% said yes
- Sponsees – 45% said yes
- Agencies – 26% said yes

OBSERVATION #12:
Although surprisingly unaware, the majority of the industry does not feel ambush legislation is necessary

Ambush & Legislation

Summary Themes from Respondent Quotes

Should government protect properties from ambush through legislation?

- The industry (71 % sponsors, 55 % of sponsees and 74 % of agencies) felt that ambush legislation is not necessary, e.g. protecting Olympic sponsors.

Are you aware of the Olympic and Paralympic Marks Act (OPMA)?

- Less than 50% of sponsors and sponsees were sensitive of OPMA. However, agencies seemed to be more aware of the OPMA with 63% of the respondents

Reported impact on your sponsorship decisions in 2009?

- Little impact, if any, on sponsors and agencies
- More of an impact (although fairly small) on sport specific sponsees

Ambush & Legislation

Select Quotes

“It made it hard for us to activate sponsorships as long term national sport partners could not take advantage of a sport focused month where our athletes were successful. It created bitter relationships in some instances.”

“No impact. I found the OPMA counterproductive – its enforcement cultivated a negative instead of a positive image. So I avoided it.”

Olympic Effect – Mixed Views

How has the 2010 Games impacted your primary business?

- Sponsors and agencies: no or little impact
- Sponsees
  - 45% - no impact
  - 35% - negative impact
  - 20% - positive impact

Of the 13.8% of sponsors invested in the 2010 Vancouver Olympic and Paralympic Games, 26% of their sponsorship budget was spent on the Games (range: 5-50%)

Impacts of Olympic Games on Primary Business

Select Quotes

“Business as usual for us. However, the Games have created a great deal of excitement and attention on sport and sponsorship. It has provided many great stories and examples of quality execution/activation/promotion and leveraging sponsorship which our sponsors can learn from” (Sponsee)

“Distracted our sponsors” (Sponsee)

“Pulled an enormous amount of money out of the marketplace” (Sponsee)

“Very, we are a silent participant and invite key business associates to various events” (Sponsor)

“Enormous impact, the sponsorship budget for one of our clients increased by 100% just in 2010” (Agency)

Impacts of Olympic Games on Primary Business

What are you doing to prepare/plan for London 2012?

- Across all respondents (sponsors, sponsees and agencies) little is currently being planned for 2012 Games

Impacts of Olympic Games on Primary Business

Select Quotes related to Olympic Games

“Engaging current partners who have the rights to 2012” (Agency)

“Networking with organizations that have a service history with various Games” (Agency)

“Looking at international sponsors (some domestic partners who have more of an international reach – Magna, Bombardier). Looking at 2012 as a stepping off point to the 2015 Pan Am Games. Have set up our National team Training …. To leverage the 2012 Olympics and 2015 Pan Am Games” (Sponsee)

Impacts of Major Games on Primary Business

Select Quotes

“Good for all sports although may suck dollars geared to sports out of the NSO (National Sport Organization) pockets and into the Pan Am Games pocket – makes more difficult to support other yearly sport events (World Cups, etc.) put on by NSOs” (Sponsee)

“As many of the events take place on our property just weeks before the event I worry that they may sign up sponsors that we would normally have” (Sponsee)

“Any event that generates greater awareness of sponsorship and further encourages execution has a positive spillover on my business” (Sponsee).

OBSERVATION #13:
Key drivers of renewal and sponsorship interest in sponsee are brand related

Why do Sponsors Renew?

Average Ratings, on a scale of 1 (low importance) to 5 (high importance)

• Protection of rights/exclusivity	4.20
• Sponsor-sponsee relationship	4.07
• Impact of sponsorship on sales/revenue	4.02
• Team's opinion of sponsorship success	4.01
• Impact on interest in brand/retail traffic	4.00
• Extent of media coverage	3.76
• Information collected during sponsorship	3.51
• Information from syndicated research	3.24

Factor Analysis Groups as Three Factors

Factor 1: Marketing
Brand, Media, Exclusivity, Relationships

Factor 2: Evaluation

Factor 3: Bottom Line
Sales & ROI

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Why do Sponsors Renew?

Factor Analysis Resulting Factors:

- “Marketing”: Brand, Media Coverage, Relationship, Exclusivity
- “Evaluation”: Info collection, Info from syndicated research
- “ROI”: Impact of Sponsorship on Sales

What do Sponsors Look for in a Sponsee?

Average Ratings, on a scale of 1 (low importance) to 5 (high importance)

• Brand knowledge/profile	4.46
• Brand perceptions	4.32
• Brand loyalty	4.28
• Brand value	4.19
• Value alignment (i.e., corporate citizenship)	4.14
• Protection of sponsorship rights/exclusivity	4.00
• Increasing revenue/sales	3.92
• Employee engagement	3.62
• Sales	3.60
• Product/service sampling	2.92

Factor Analysis Groups as Three Factors

Factor 1: Brand

Factor 2: Sales: Increasing Revenues, Sampling, Sales

Factor 3: Corporate: Value alignment, Employee Engagement, Exclusivity

What do Sponsors Look for in a Sponsee?

- Factor Analysis Resulting Factors:
  - “Brand”: Brand (4 factors), Exclusivity
  - “Sales”: Increasing revenues, Sampling, Sales
  - “Corporate”: Value alignment, employee engagement, exclusivity

- Quotes for further detail
  - “Protecting category exclusivity as traditional lines continue to blur in many standard categories”
  - “Increased scrutiny on marketing spending – and the pressure for immediate ROI”
  - “Finding properties with a good fit [is key challenge in sponsorship]”
  - “Aligning core values with the right property”

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What's in Your Sponsorship Package?

Average Ratings, on a scale of 1 (low importance) to 5 (high importance)

• Protection of sponsorship rights/exclusivity	4.49
• Onsite sponsor identification	4.34
• Sponsor recognition	4.14
• Inclusion in property promotions	4.00
• Property rights (i.e., logo usage)	3.91
• Investment by property in activation	3.66
• Access to property database	3.43

Factor Analysis Groups as Two Factors

Factor 1: Awareness:
Rights, Sponsor Identification, Recognition, Exclusivity

Factor 2: Sponsee Commitment/Activity:
Access to Database, Investment by Property in Activation Program

Canadian Sponsorship Landscape Study

What's in Your Sponsorship Package?

- Factor Analysis Resulting Factors:
  - “Awareness”: Rights, Sponsor Identification, Recognition, Exclusivity
  - “Sponsee Commitment/Activity”: Access to database, Investment by property in activation program

- Quotes for further detail
  - “Reaching a more and more fragmented audience”
  - “Description of properties which allow activation”

OBSERVATION #14:
Sponsees are under-servicing sponsors in all key areas

Contrasting Value and Frequency

Service Offered by Sponsee for Sponsor	Value	How Often	P
Protection of Sponsorship Rights/Exclusivity	4.33	3.69	<.05
Sponsor Recall Stats	4.24	3.23	<.05
Audience Loyalty Stats	4.09	3.09	<.05
Partnering on Activation and Activities	4.03	3.09	<.05
Concluding Report/Audit	4.03	3.34	<.05
Provide Resources for Activation Program	4.00	3.03	<.05
Profile/Info on Purchase Behaviour of Target	3.91	3.11	<.05

*Statistical Differences p<.05 – means the value expected with sponsors is different (statistically significant) than how often provided

Canadian Sponsorship Landscape Study

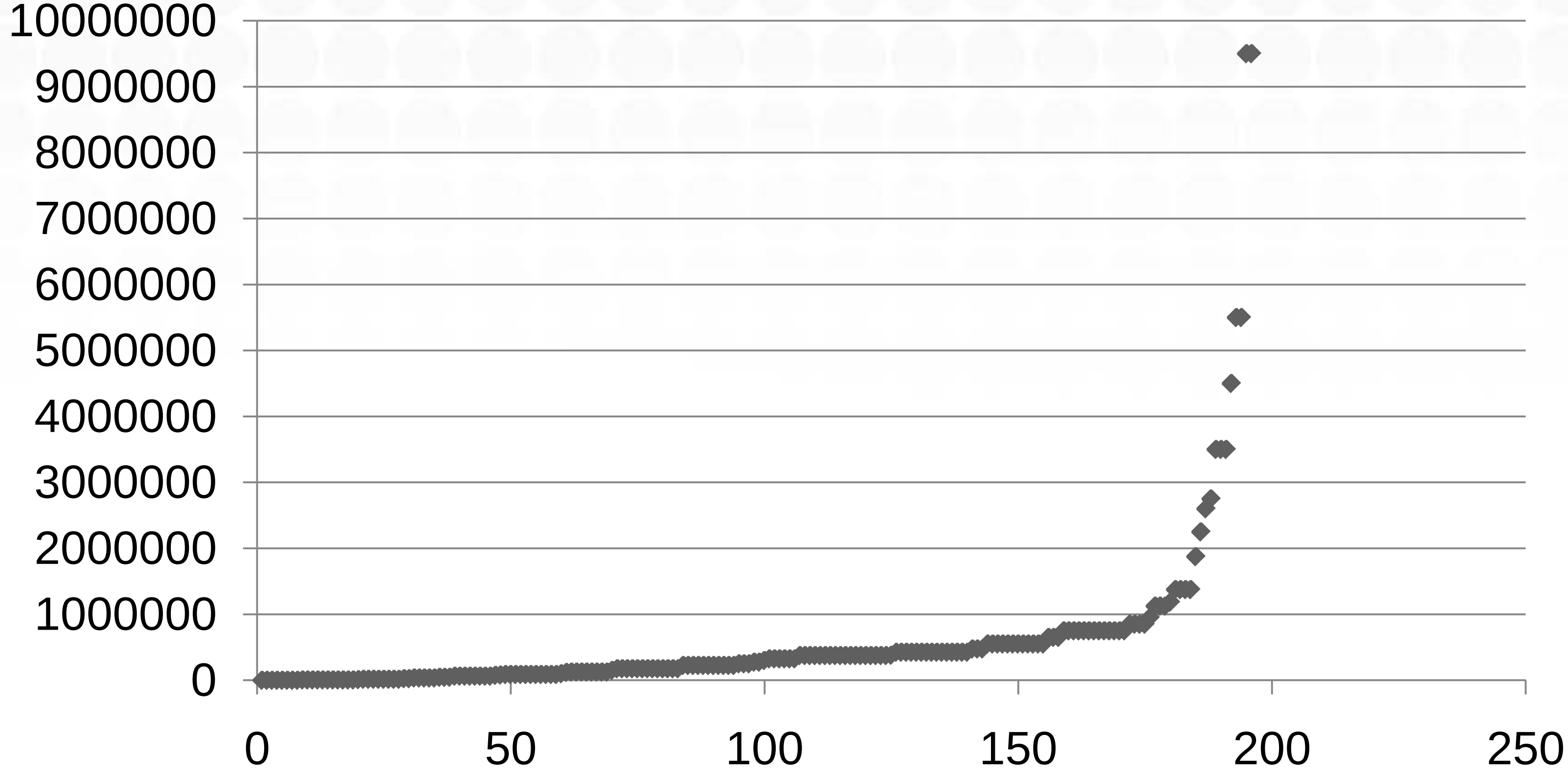
OBSERVATION #15:
Sponsorship not a major contributor to many sponsees

How Important is Sponsorship to Sponsees?

- *1.2%* of total budget from sponsorship
  - Comparison: 2.1% in 2008; 1.1% in 2007; 1.6% 2006
- *$1,320,528* in rights fees received on average
  - for this sample, a reported increase (*14.4%*) from 2008 ($1,153,883)
- Sources of Sponsorship Revenue
  - Cash 65.2% * In-kind Product 22.8% *In-kind Services 20.9%
- In-kind Revenue
  - On average: $463,113 received (range: $5,000 to $12.5M)
- Activation by the Sponsee
  - 14% of sponsorship fees on average invested by the sponsee to activate the sponsorship

Breakdown of Sponsorship Received by Sponsees

Table: Range of Sponsorship Fees received by Sponsees



**Not shown: companies over $10M (3)*

4. Additional Takeaways

Further Takeaways…

1. The recession, thus far, was not so bad for sponsorship
2. Organizations are getting smarter and more sophisticated…but:
   - Sport sponsors lag a bit behind
   - We all need to prioritize evaluation and in-kind higher
   - Sponsees need to service and activate better
   - Sponsee and agencies should be more realistic about their forecasts for future growth of sponsorship
3. Digital is key for activation and may provide ability for real-time evaluation (pre-, post- and during)
4. Maybe organizations in sponsorship do have the pre/post evaluation balance right?
5. ROI and sponsor servicing is a concern
   - We will continue to monitor
6. Most organizations in sponsorship prefer self regulation to government regulation

5. Background on Sponsorship

Sponsorship 101

Defined (Cornwell & Maignan, 1998):

"On the basis of the definitions found in the literature, we propose that sponsorship involves two main activities: (1) an exchange between a sponsor and a sponsee, whereby the latter receives a fee and the former obtains the right to associate itself with the activity sponsored, and (2) the marketing of the association by the sponsor. Both activities are necessary if the sponsorship fee is to be a meaningful investment."

**Based on over 100 ISM case studies, six key concepts in sponsorship are summarized in next slides.*

Sponsorship Key Concept #1: Fit

A good fit between business and a ‘sport property’ (e.g., clubs, teams, sport organizations and sporting events) is a key success factor. Sport properties advocates who are able to demonstrate a close fit between their properties and companies’ products/services and objectives, thereby enhance the sponsorship experience for corporate sponsors.

For instance, Canada Post uses the images associated with speed skating such as “speed,” “agility” and “grace” to enhance images of its own products such as parcel delivery. As well, the values in sport coincide with the values of Canada Post’s employees—hard work, training, perseverance and teamwork.

Sponsorship Key Concept #2: Leverage

When companies and sport organizations negotiate a sponsorship agreement, a key opportunity for business is to activate their sponsorship dollars by associating them with the full range of their corporate marketing activities including advertising, sales promotion, point-of-purchase and other marketing techniques.

The Hudson's Bay Company leveraged their association with the Olympics by selling Olympic apparel in its stores, and by presenting Olympic images and symbols in its TV commercials and other advertising. As well, the Québec Foundation for Athletic Excellence, which provides Québec student-athletes with scholarships and grants, leveraged its corporate partner's investments through press conferences, televised galas and media relations.

Sponsorship Key Concept #3: Relationships

Another best practice is when sport properties build strong relationships with the community, fans and the media as well as corporate sponsors. This includes ongoing communications, hospitality and servicing all aspects of the sponsorship.

A case in point is the Montreal Alouettes, a professional football team that embarked on a community relations program involving its players, cheerleaders, mascots and senior executives. A central part of the community strategy was a focus on children with a long-term vision of gaining and retaining their interest in football in the years to come. Players take part in the “Adopt an Alouette” program, where high schools adopt a player with whom they develop a special relationship through visits, tickets for games, e-mail and other activities.

Sponsorship Key Concept #4: Internal Marketing

Corporate sponsorship can also be used to motivate employees.

In the case of Défi Sportif—a multisport event for athletes with disabilities—corporate sponsors can sponsor special events targeted at employees that increase their awareness and understanding of people with disabilities. Défi Sportif hosts business executive luncheons that focus on handicapped employees and their integration into the company.

Sponsorship Key Concept #5: Cause

ISM research also identified that other corporate sponsorship objectives such as public goodwill and company image are sought by sponsors. Companies often sponsor a sport property to support the community or a particular cause. From the perspective of a sport property, providing activities that target the community or a cause can engage business.

The Québec Foundation for Athletic Excellence is positioned as a 'cause' to support and develop Québec athletes at the high performance level. The Foundation is comprised of individuals, corporations, firms and organizations that support a common cause—athletic and academic development of athletes.

Sponsorship Key Concept #6: Know Your Partner's Objectives

The case studies identified the importance of understanding each partner's objectives. Canada Post and Speed Skating Canada understood this principle and were able to deliver a win-win relationship. Canada Post is a committed sponsor to speed skating and in return uses the images associated with the sport to enhance their brand image.

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Previous ISM Research

- Olympic & Grassroots Sport Surveys (2003 and 2005)
  - On-line survey of funding of 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

Previous ISM Research

Disconnect between 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	Most interested in amateur sport activities at the community (grassroots) level
Sponsor has most interest in national teams, special events and individual athletes	

Canadian Sponsorship Landscape Study

Previous ISM Research

Barriers to sponsorship success

- Poor alignment of sponsor/sponsee priorities
- Limited funds available
- Properties are overpriced
- Insufficient return on investment

Previous ISM Research

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

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Canadian Sponsorship Landscape Study

Thank you!

Sincerely, Dr. Norm O'Reilly & Dr. Benoit Séguin

University of Ottawa

Presented by:

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