11th ANNUAL

CSLS

CANADIAN SPONSORSHIP LANDSCAPE STUDY

2017 FINAL REPORT

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SPONSORSHIP MARKETING COUNCIL CANADA

IMI

Full CSLS
Data | Past 11 Years

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CSLS 2017 11th Annual Final Report

Background | *About, History & Method*

Stakeholder Results | *Sponsors, Properties & Agencies*

Analysis | *Decisions, Spend, Activation, Servicing, Evaluation*

Insights from the Authors | *9 Expectations & Observations*

Background

ABOUT, METHOD & HISTORY

A comprehensive industry study like the CSLS is only possible with the support of partners and industry professionals willing to respond and share the study. The authors sincerely thank all the respondents and our partners listed on the following page.

ACKNOWLEDGEMENTS/CSLS PARTNERS

IMI International's unique brand of research and consulting focuses on ensuring clients maximize the financial outcome of their marketing expenditure.

The Sponsorship Marketing Council of Canada aims to help brand marketers, agency partners and sponsorship sales teams to drive advancement in the field of sponsorship marketing.

T1 is a full service, independent creative agency in Toronto. T1 creates ideas that scale. Ideas that work. Everywhere. T1 puts thinking first.

METHOD

Origins

CSLS was born from the responses of participants at the 2005 Canadian Sponsorship Forum (now SponsorshipX) asking for “Canadian data”. The results are shared freely with the industry.

Process

Originally, a phone survey, it is now online with an option to send in. Approximately 85% of responses are completed online. Recruitment is done via past respondents and industry promotions.

Design

The study is structured in a way that draws on input from the key three stakeholders in sponsorship – sponsors, properties and agencies – to provide a ‘triangulation’ view of the industry in Canada.

Analysis

As will be presented in this report, a series of analyses are done on the data, including assessments of each stakeholder group’s descriptives, longitudinal views, comparison of means, qualitative theme analyses, an industry size estimation and more!

RESPONDENTS

3,586 Respondents
2006 to 2017

A large database has now been developed allowing for detailed and insightful longitudinal study.

22.7% Were CEOs
2006 to 2017

Year-over-year, the top managers in organizations are the respondents to the survey, allowing for quality insights.

229 Respondents
2017 Sample

2017 was a good year in terms of sampling for CSLS.

HISTORY

2007

Toronto International Film Festival, Toronto

2008

World Hockey Championships, Halifax

2009

Quebec Winter Carnival, Quebec

2010

Paralympics, Vancouver

2011

Formula 1, Montreal

2012

Just for Laughs, Montreal

2013

MasterCard Memorial Cup, Saskatoon

2014

RBC Bluesfest, Ottawa

2015

FIFA Women's World Cup, Edmonton

2016

NBA All-Star, Toronto

2017

JUNO Awards, Ottawa

HISTORY, BY ERAS, OF CSLS – BY YEAR OF DATA

2006-2008

- New study driven by the industry
- Added qualitative questions
- Recession proof
- Activation jump

2009-2011

- Evaluation decline
- SMCC partnership
- Gap in service expands
- Industry concerns move from ROI to digital

2012-2015

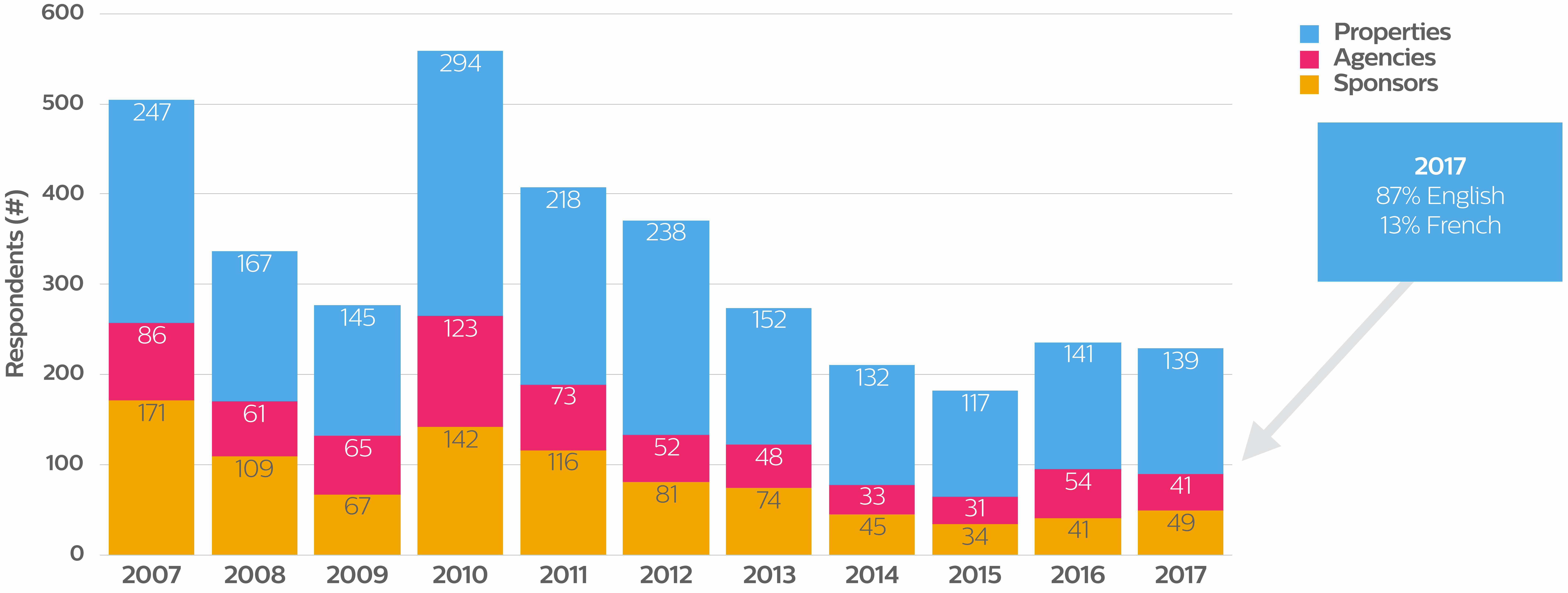
- Activation rebound
- Sport and Festivals main areas of investment
- Pro sport thrives in 2014/2015
- Stability of industry

This report is on 2016 data as reported on in the 2017 study, collected between January and March 2017.

Stakeholder Results

SPONSORS, PROPERTIES & AGENCIES

CSLS RESPONDENTS (STUDY YEAR)

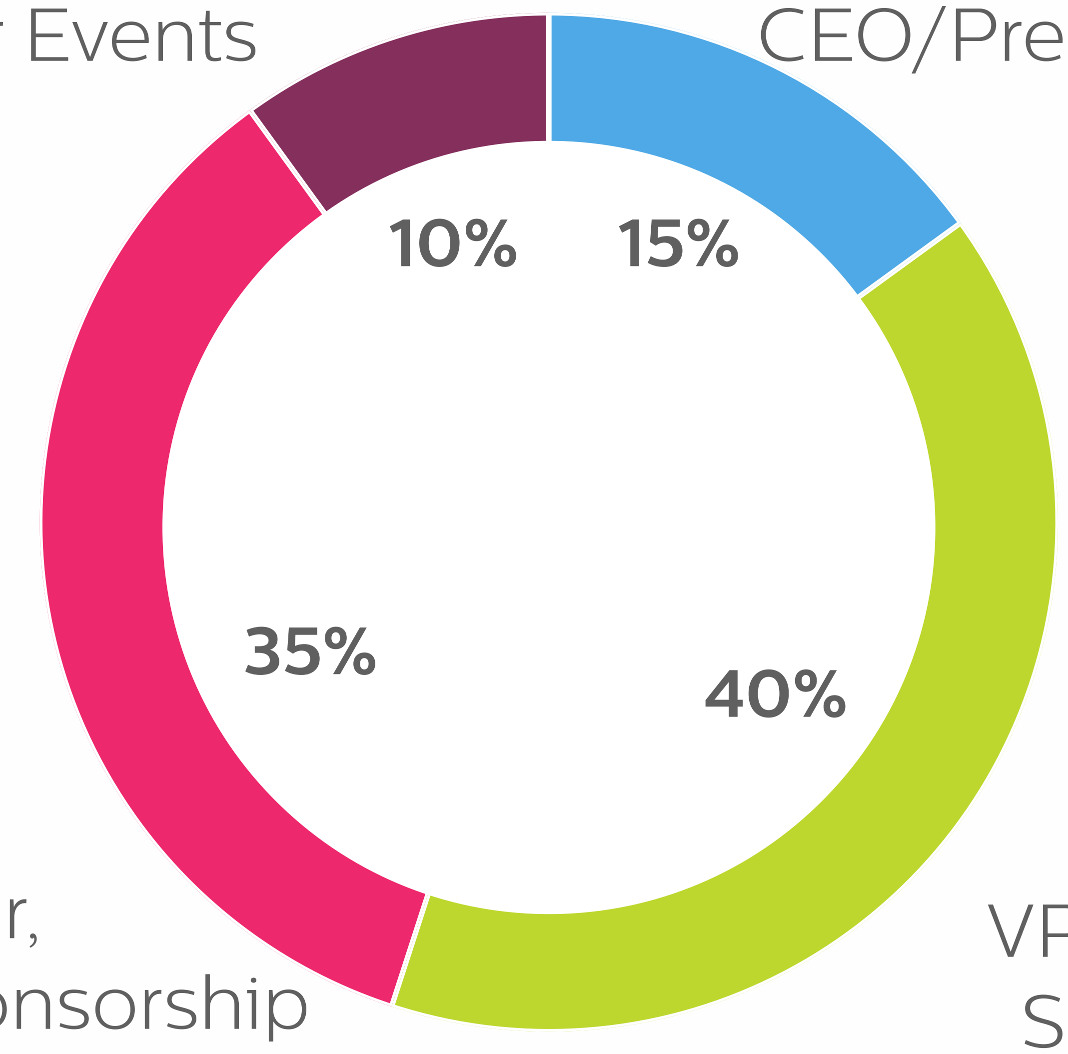


Sponsors

n=49

SPONSOR PROFILE

Title



HQ Location

65% Ontario

10% Quebec

5% Saskatchewan

10% Alberta

5% British Columbia

5% Manitoba

SPONSOR RESULTS

$5.51M
Average rights fee spend
($30M highest)

$2.92M
average activation spend

Primary sponsorship decision maker:
50% Male **50%** Female

Sponsorship budget established:
July **14.3%**
August **21.4%**
September **21.4%**

Primary sponsorship decision maker:
11% CEO
44% VP
29% Director

Investment mix:
59% For-Profit
41% Not-For-Profit

42.25
Average # of sponsorships
(range 4 to 350)

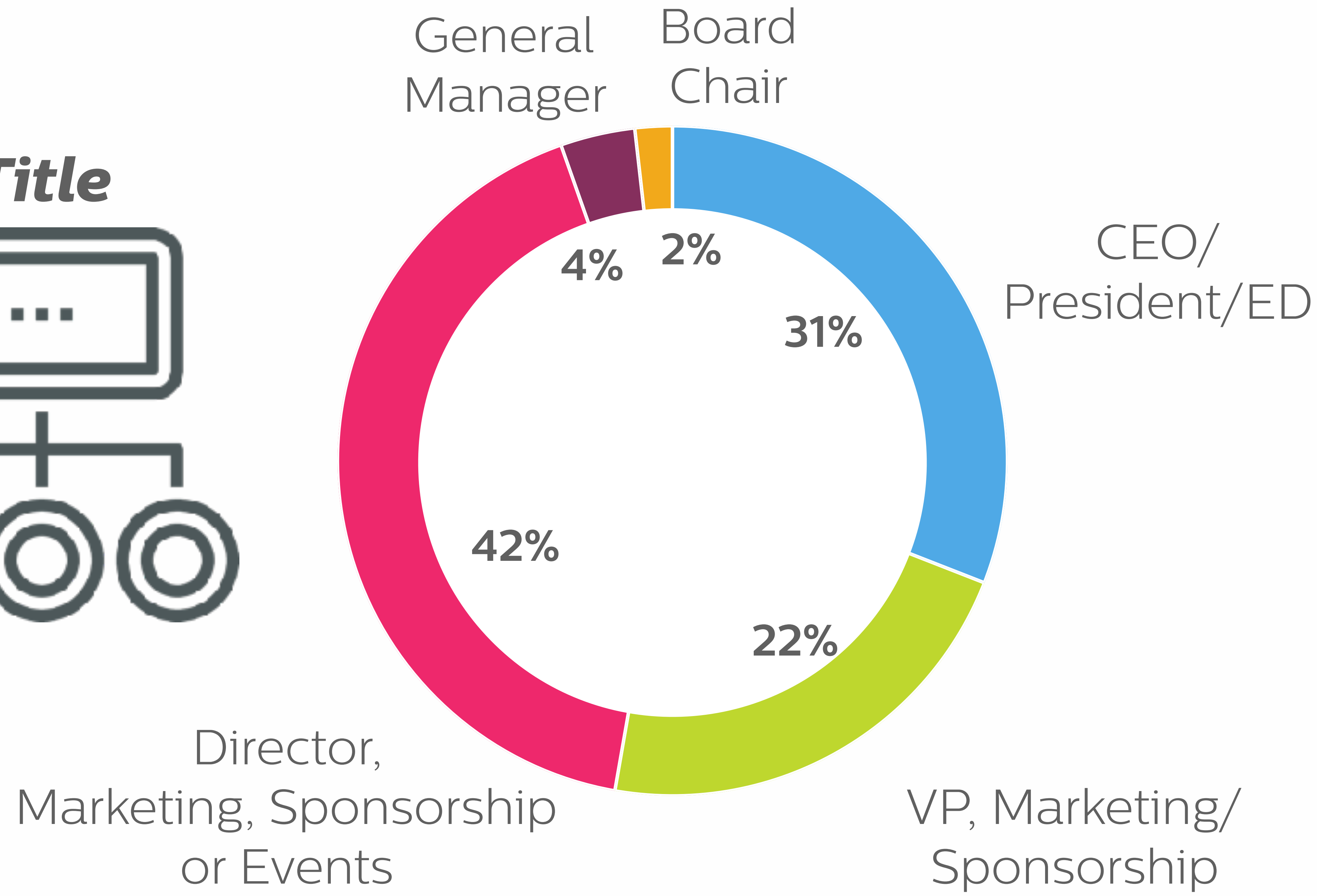
Investment mix:
85.1% Cash
14.9% Value In-Kind

Properties

n=139

PROPERTY PROFILE

Title



HQ Location

51.5% Ontario

11.9% Alberta

20.6% Quebec

7.2% British Columbia

2.3% Manitoba

6.5% Maritimes

PROPERTY RESULTS

Sponsorship revenue average
$4.6M
(range $25,000 to $60M)

Increase of **$500,000+** from 2015

$272,000
average activation spend per property

7.54
Avg. # of FT sponsorship employees
(range 0 to 150)

Property reach:
32.9% International
23.5% Canada
19.9% Multi-Province or Provincial
18.3% Regional
5.4% Local

Volunteer workforce average
Male **47%** Female **53%**

Revenue mix:
87.8% For-Profit
12.2% Not-For-Profit

32.65
Average # of sponsors
(range 1 to 200)

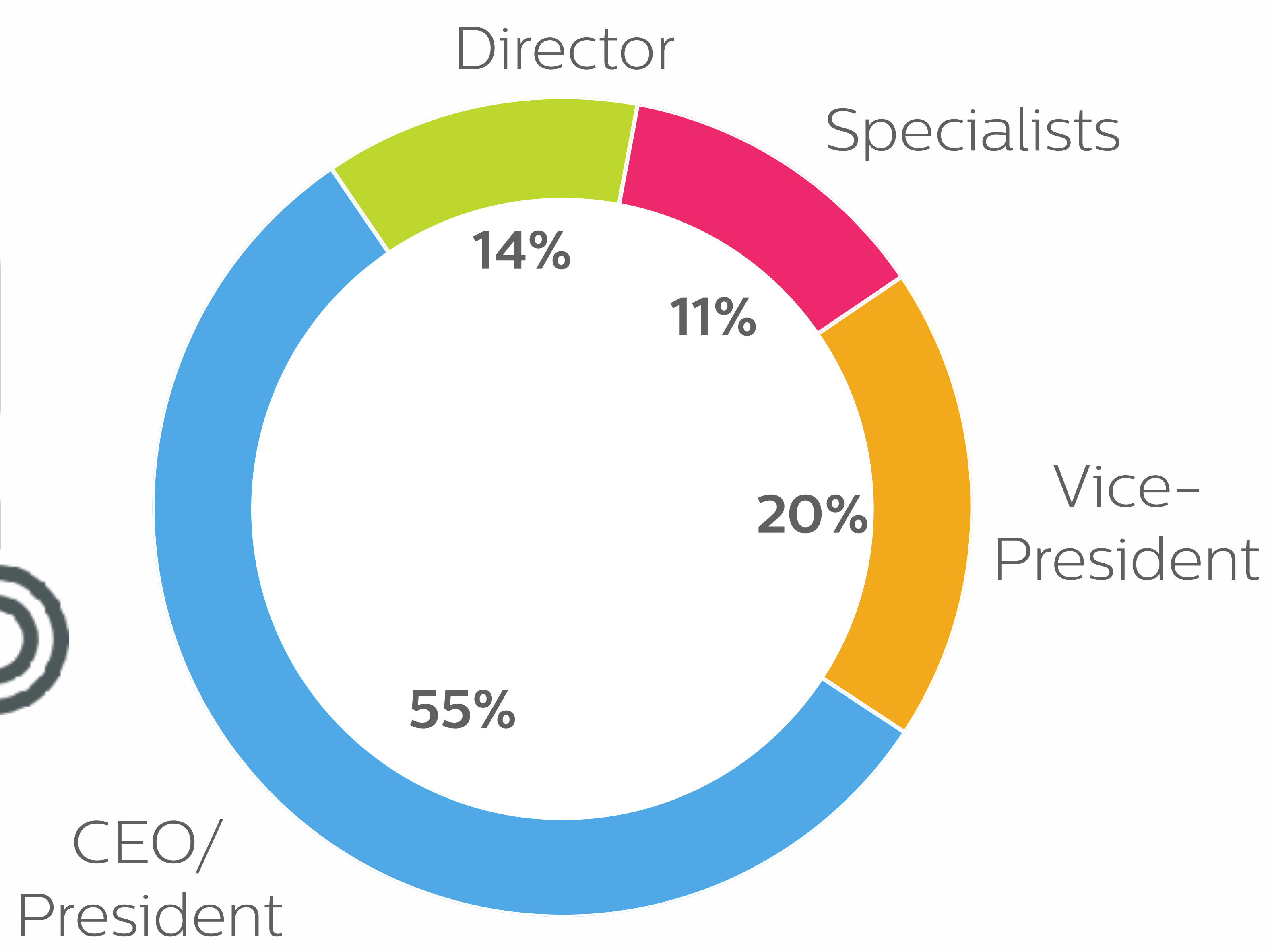
$1,318,000
average largest sponsorship
(max. was $17.5M)

Agencies

n=41

AGENCY PROFILE

Title



HQ Location

65% Ontario

5% Alberta

15% Quebec

15% British Columbia

AGENCY RESULTS

$2,455,000
Average sponsorship billings

Sponsorship billings account for
65%
of total billings

Average number of staff:
13 Men **14** Women

Primary sponsorship decision maker:
71% Male **29%** Female

Area of billings:
Festivals **24.8%**
Amateur Sport **20.7%**
Pro Sport **14.4%**
Municipalities **13.9%**
Entertainment **9.1%**

Sponsorship billings:
66.5% For-Profit
33.5% Not-for-profit

Source of billings:
Sponsors **45.5%**
Properties **45.5%**
Agencies **9.0%**

25
Average # of sponsorships worked on in 2016

Sponsorship billing by gender targets:
13% Female
16% Male
71% Non-specific

Summary of Stakeholder Descriptive Data

STAKEHOLDER SUMMARY

COMMON TRAIT #1
Strong and positive trends across Canadian sponsors, properties and agencies

DISTINGUISHING FEATURE #1
Ontario is the center of Canada's sponsorship community

COMMON TRAIT #2
Senior staff and leaders are engaged in CSLS and are often responding

DISTINGUISHING FEATURE #2
Global properties are commanding almost 1/3rd of sponsorship investment

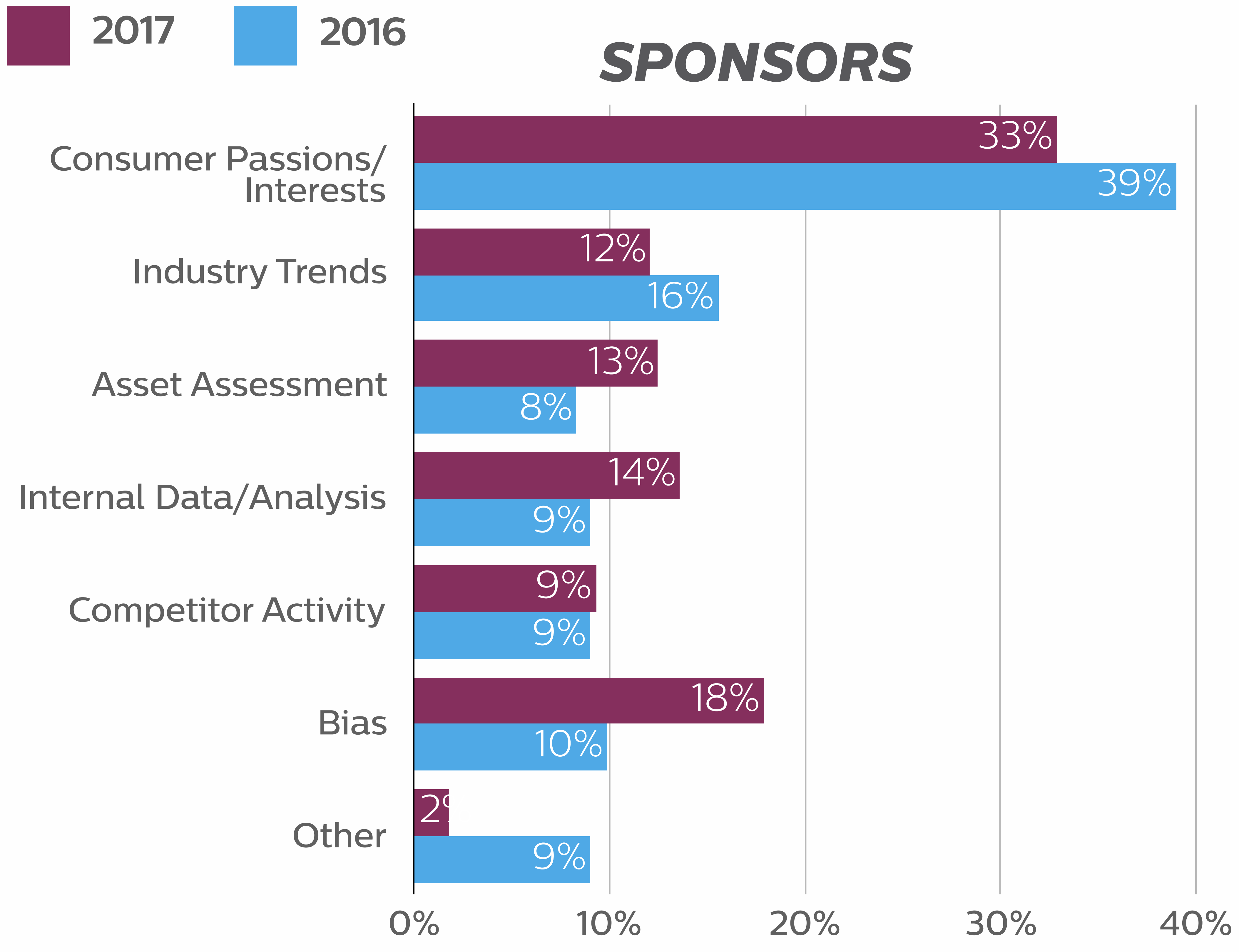
COMMON TRAIT #3
All stakeholder groups are devoting increasing human resources to sponsorship

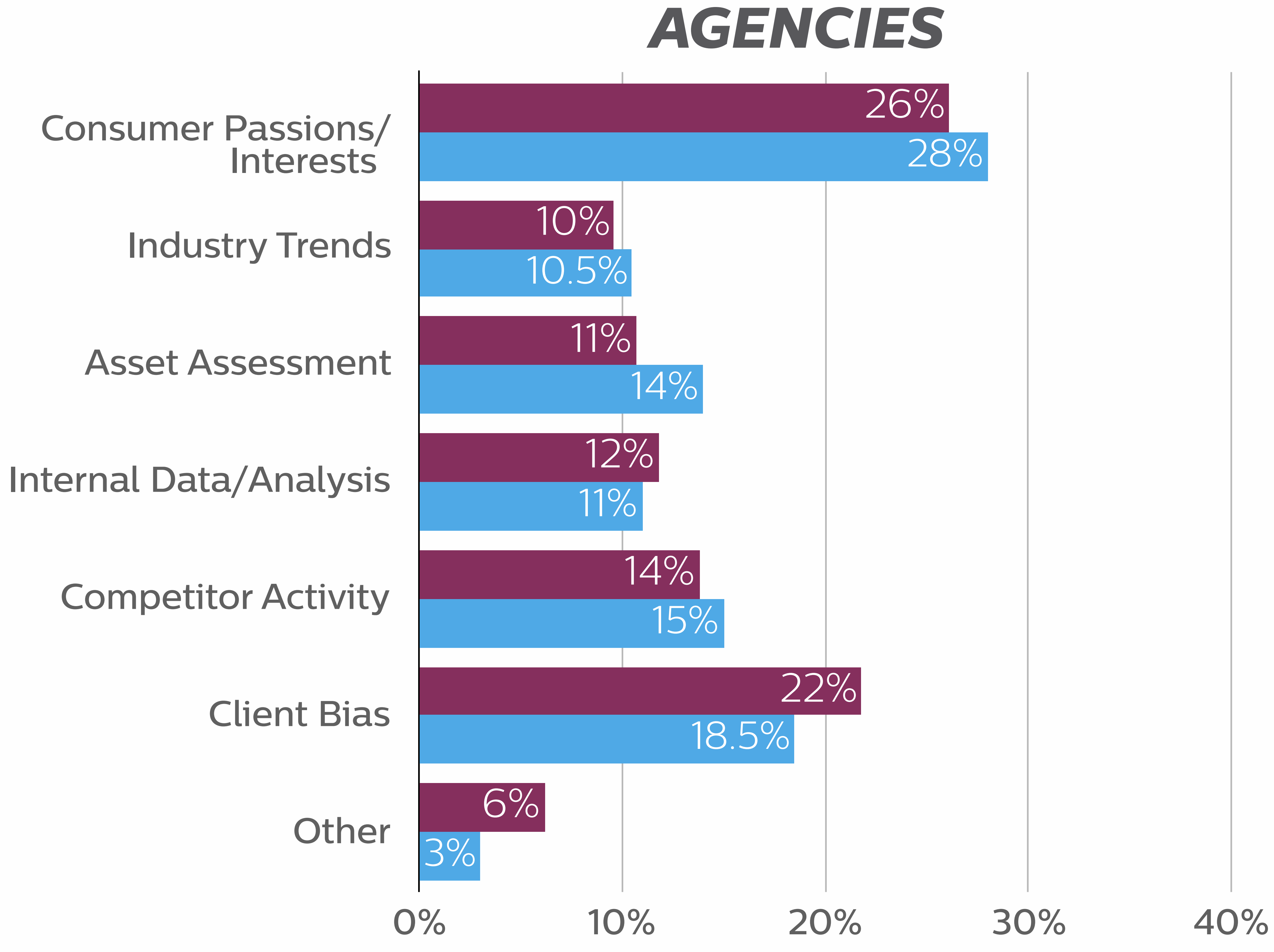
DISTINGUISHING FEATURE #1
Agency decisions related to sponsorship much more likely to be made by CEO/President

Making Decisions

FINDINGS & TRENDS

INFLUENCE ON SPONSORSHIP DECISIONS





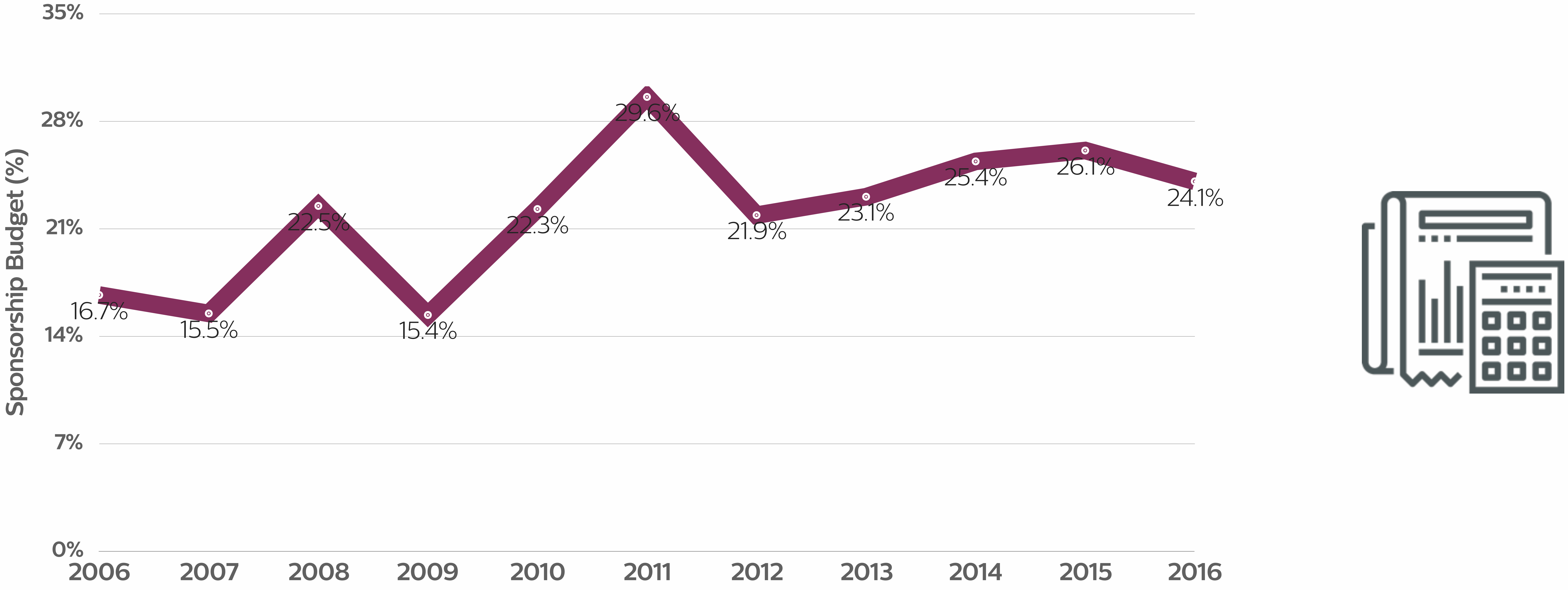
Positive finding: decisions being made on 'good' criteria
Negative finding: growth in decisions made on 'bias'

Spend

FINDINGS & TRENDS

MARKETING COMMUNICATIONS BUDGET

The 11-year average annual spend of marcom budget on sponsorship was **22.0%.**



Observation: 'stabilizing' proportion of spend

INDUSTRY SIZE

Sponsorship continues to grow across North America and around the world.

$60.1 B
Global
4.6% growth

IEG

$22.3 B
North America
4.2% growth

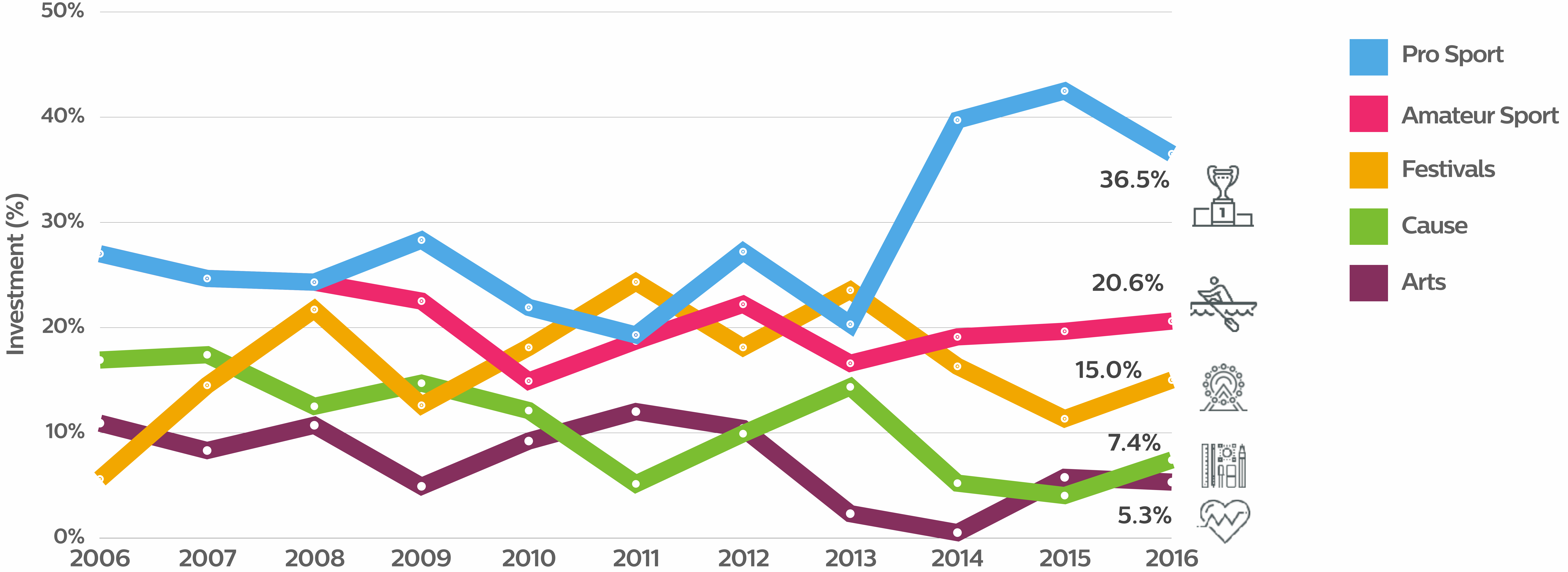
IEG

$1.96 B
Canada
13.5% growth

CSLS

Observation: very strong Canadian growth in 2016 after a few quiet years
Observation: international growth slower than Canadian growth

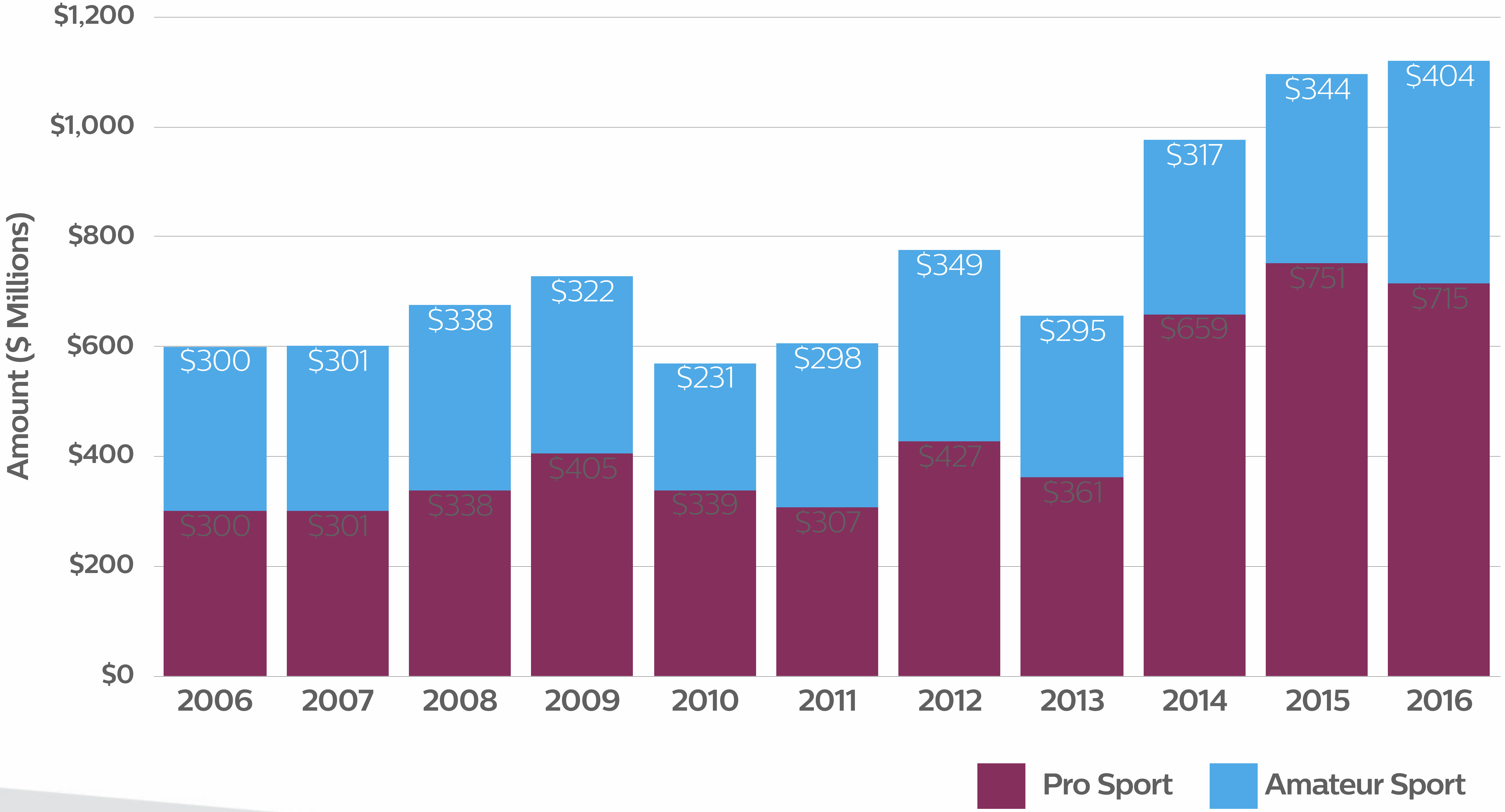
SPONSORSHIP INVESTMENT



Observation: pro sport continues to lead, festivals/causes jump in 2016

SPORT

Together, professional and amateur sport, account for **53%** of the sponsorship industry.

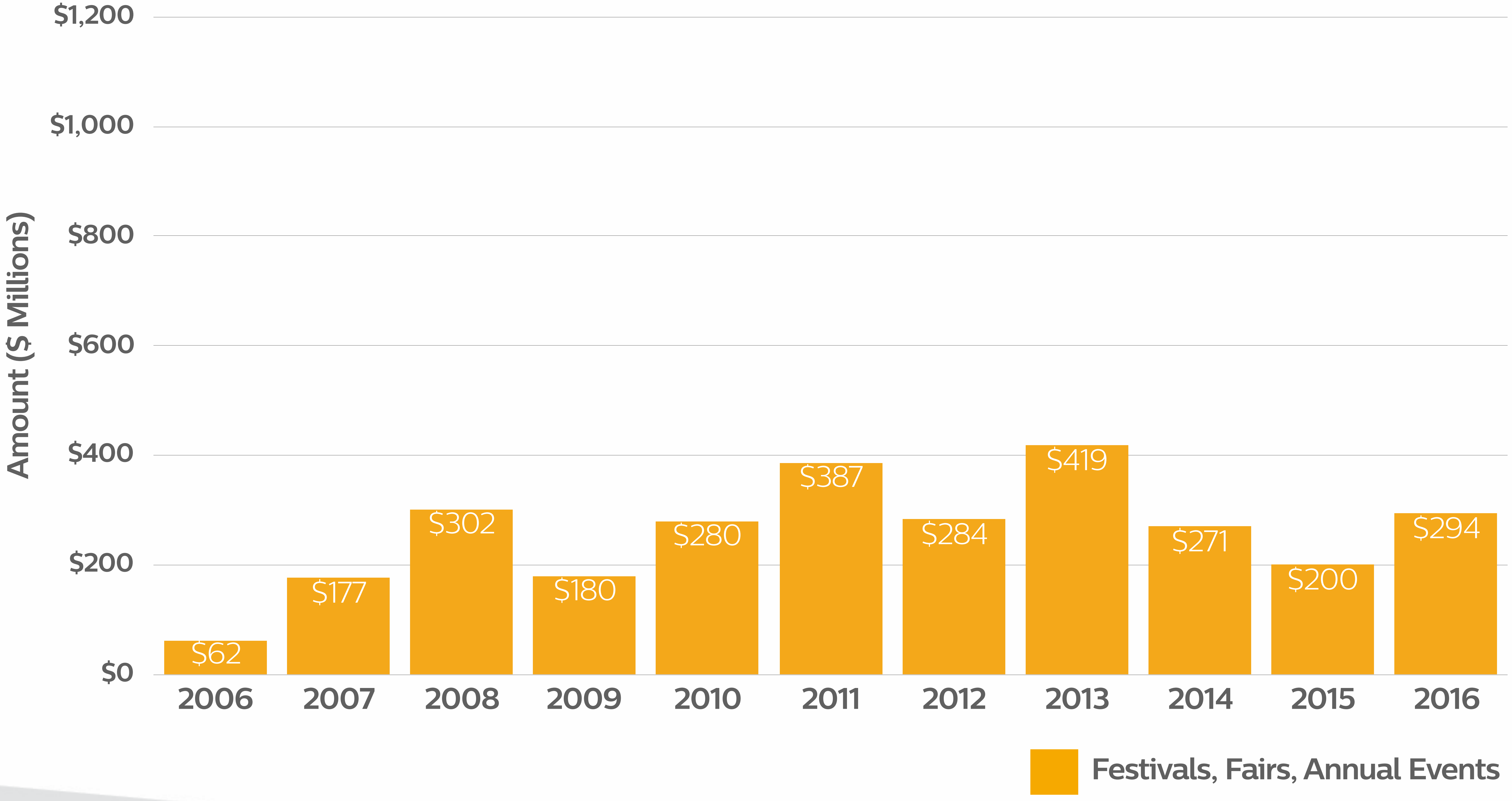


$404 M
Amateur Sport

$715 M
Pro Sport

FESTIVALS, FAIRS & ANNUAL EVENTS

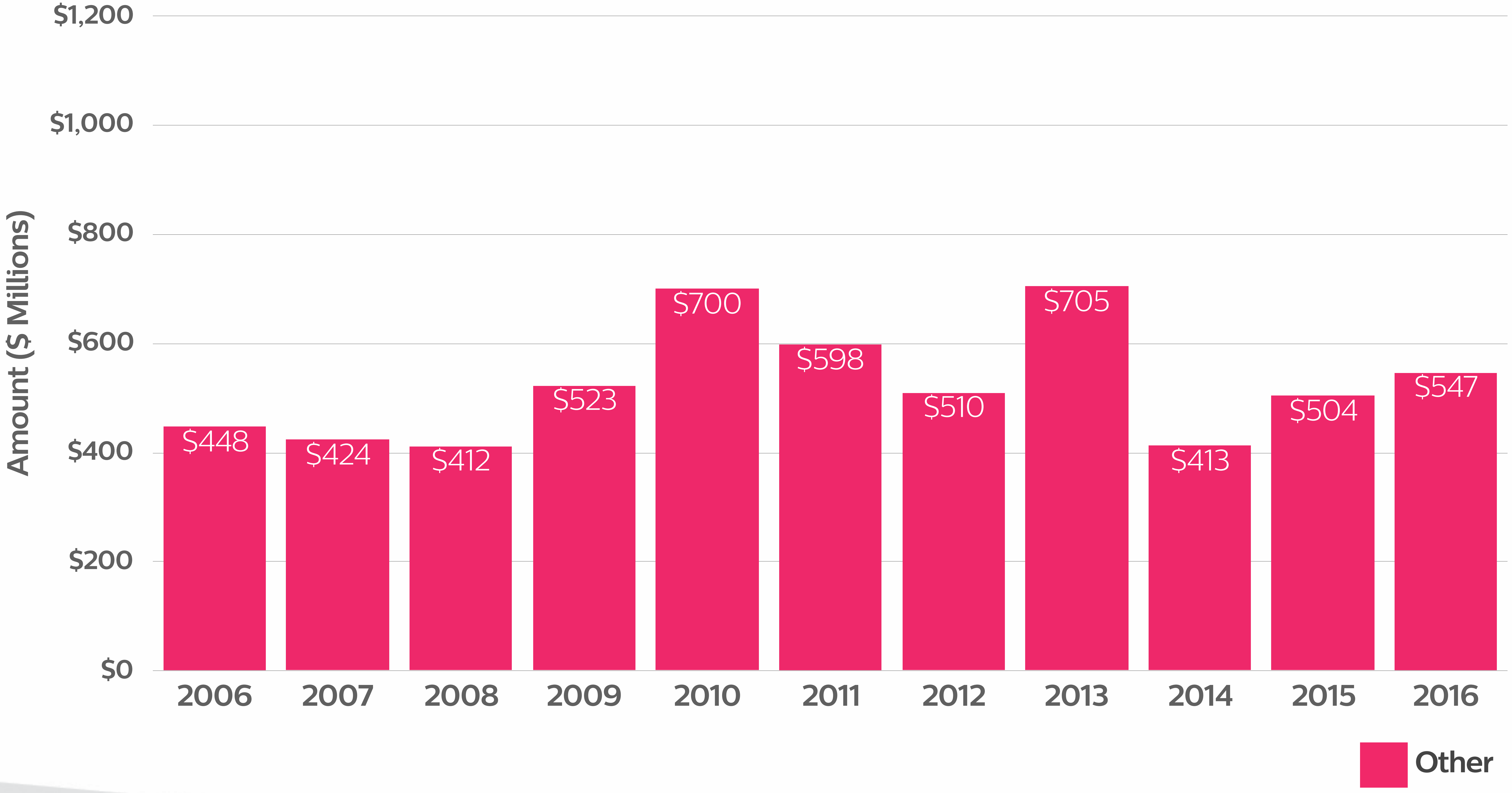
Festivalization has led to significant growth in this sector since 2006.



$294 M
Festivals

OTHER

Non-sport and non-festival sponsorship accounts for **28%** of the industry.



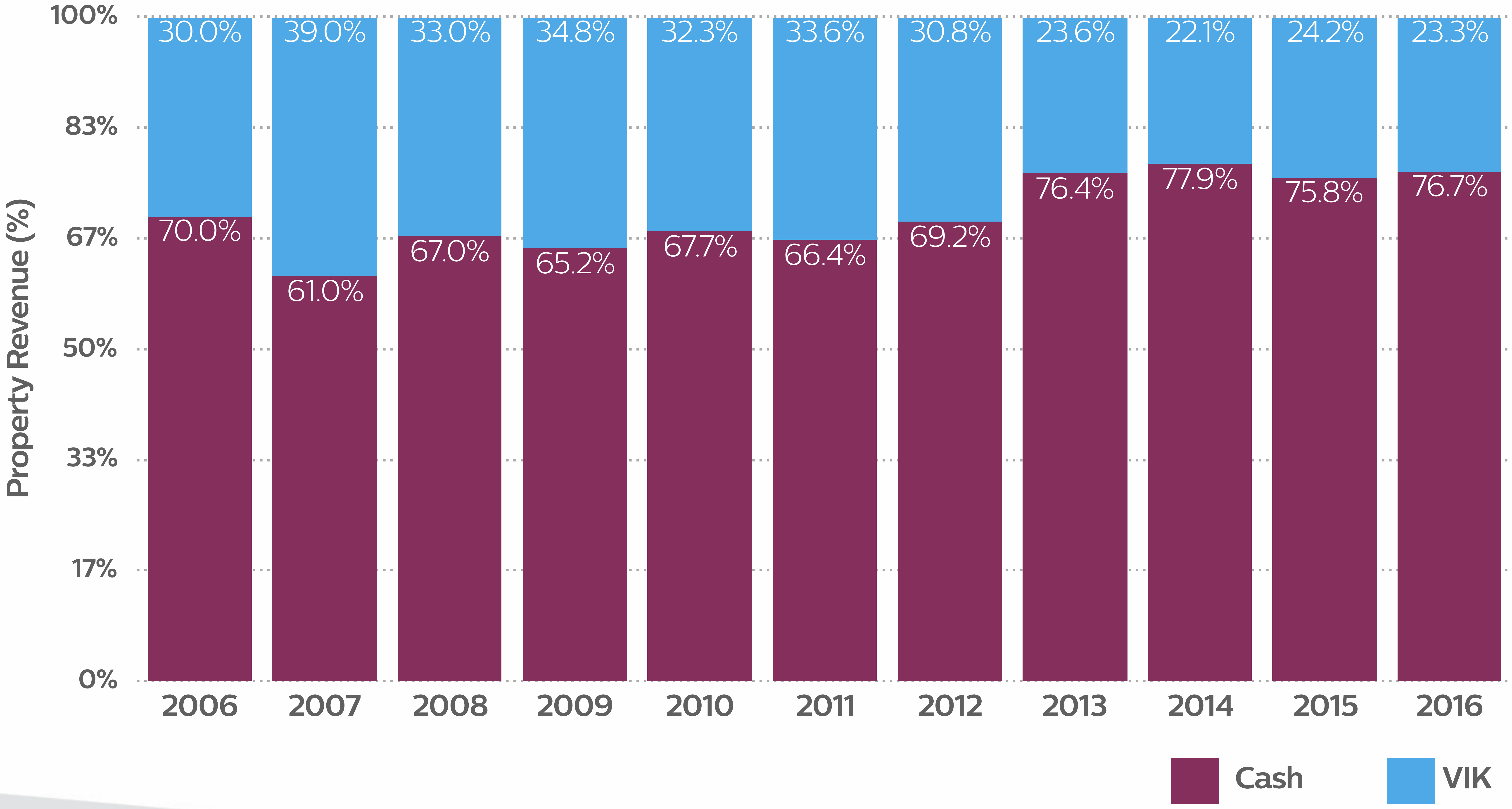
$179 M
Municipalities

$104 M
Arts

$145 M
Cause

$81 M
Education

CASH VS. VALUE-IN-KIND REVENUE



$1.08 M
Value In-Kind

Average Property Revenue

$3.52 M
Cash

GEOGRAPHIC FOCUS

Community-based properties continue to be important for sponsors.

1.8%
International

39.6%
National

5.7%
Multi-Provincial

13.8%
Provincial

23.2%
Regional

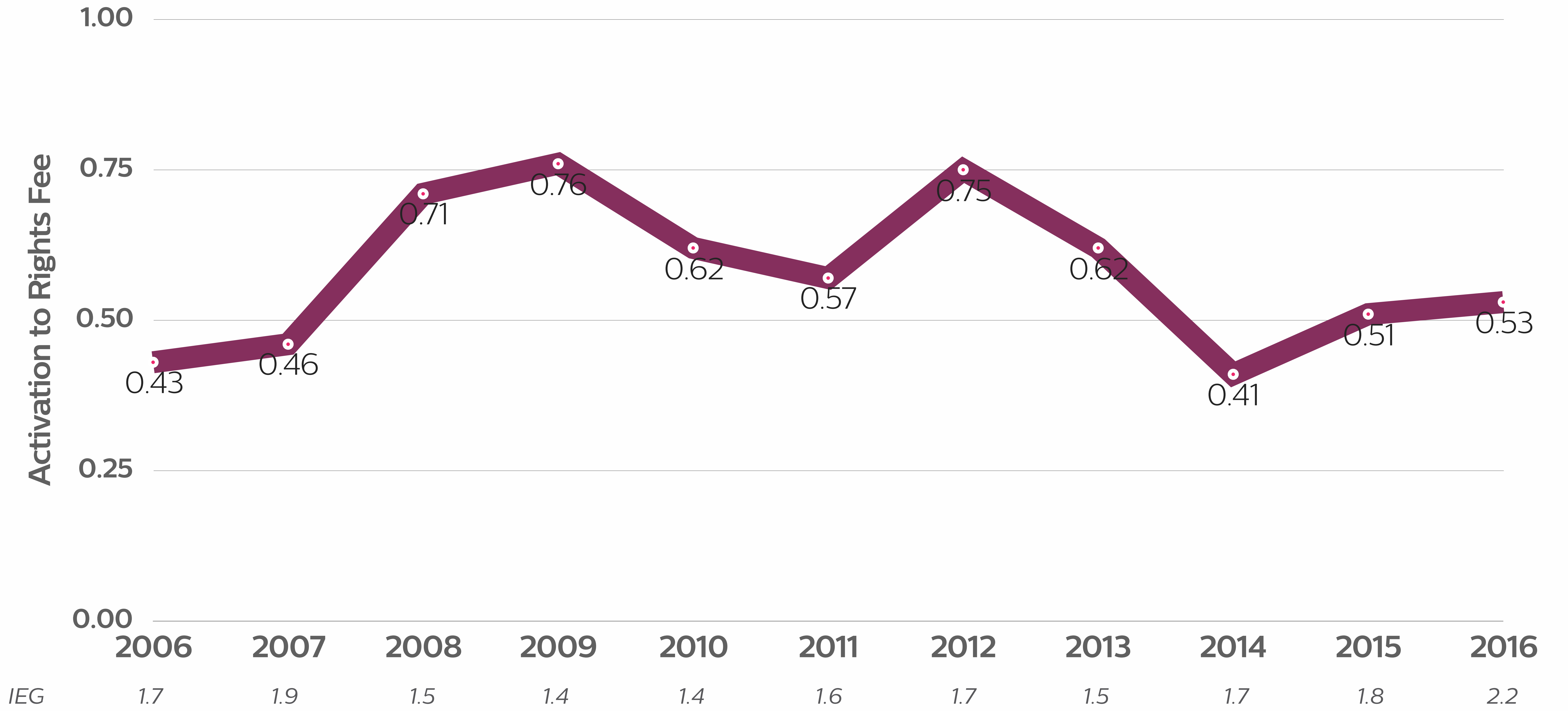
15.9%
Local

Activation

FINDINGS & TRENDS

SPONSOR ACTIVATION RATIO

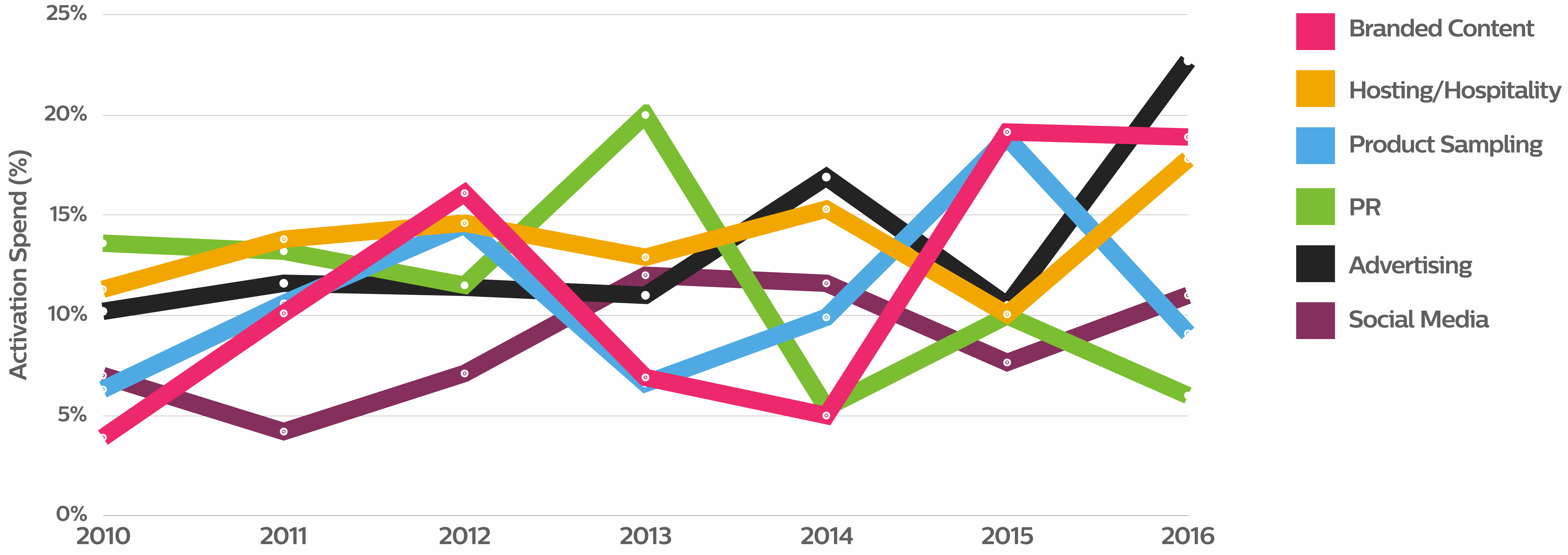
According to IEG in 2016, the US activation ratio passed **2.0** for the first time (**2.2**).



0.53
Activation to Rights

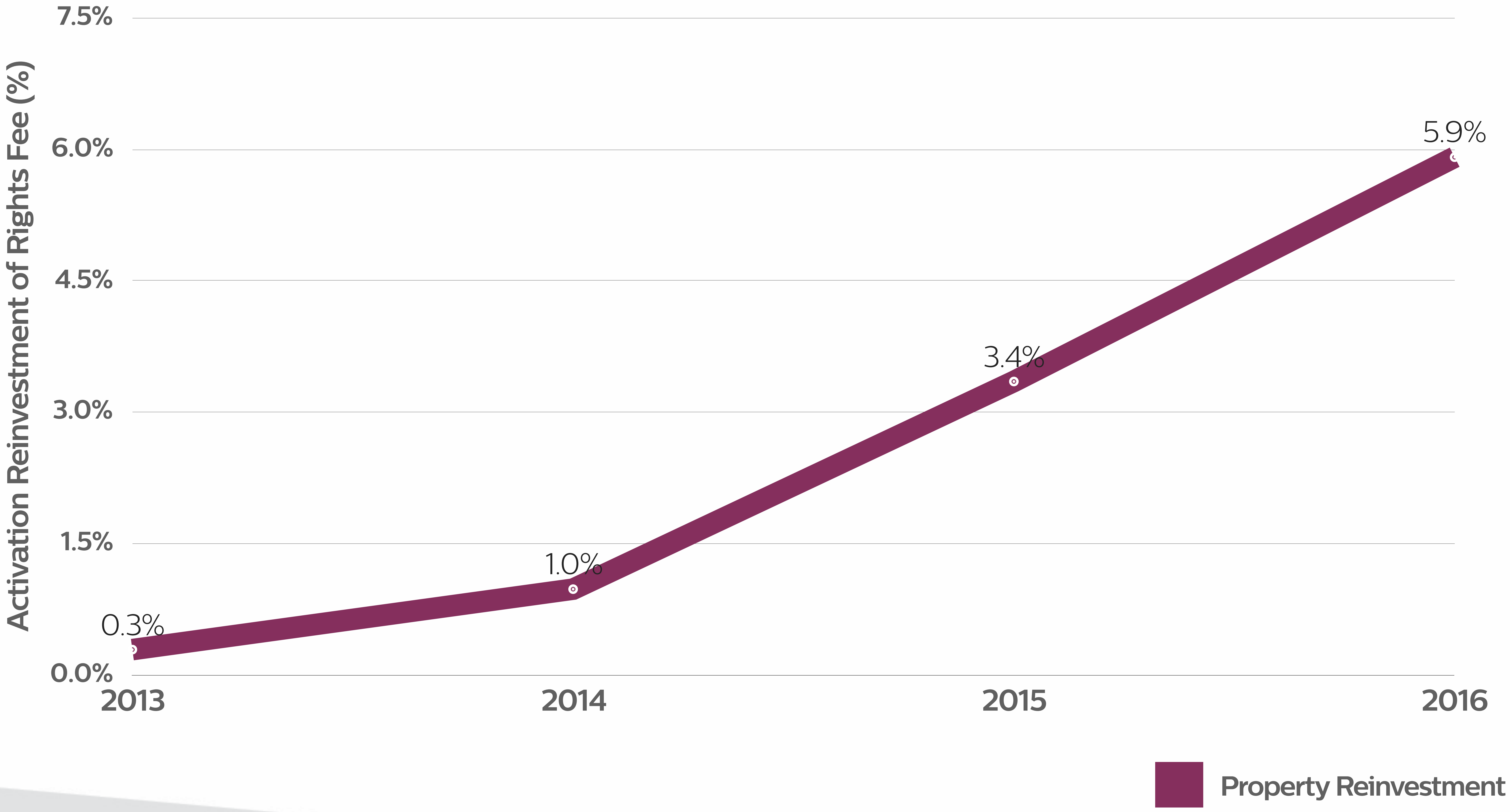
Observation: Trend of increasing activation is a positive one for sponsorship in Canada

SPONSOR ACTIVATION BY TACTIC



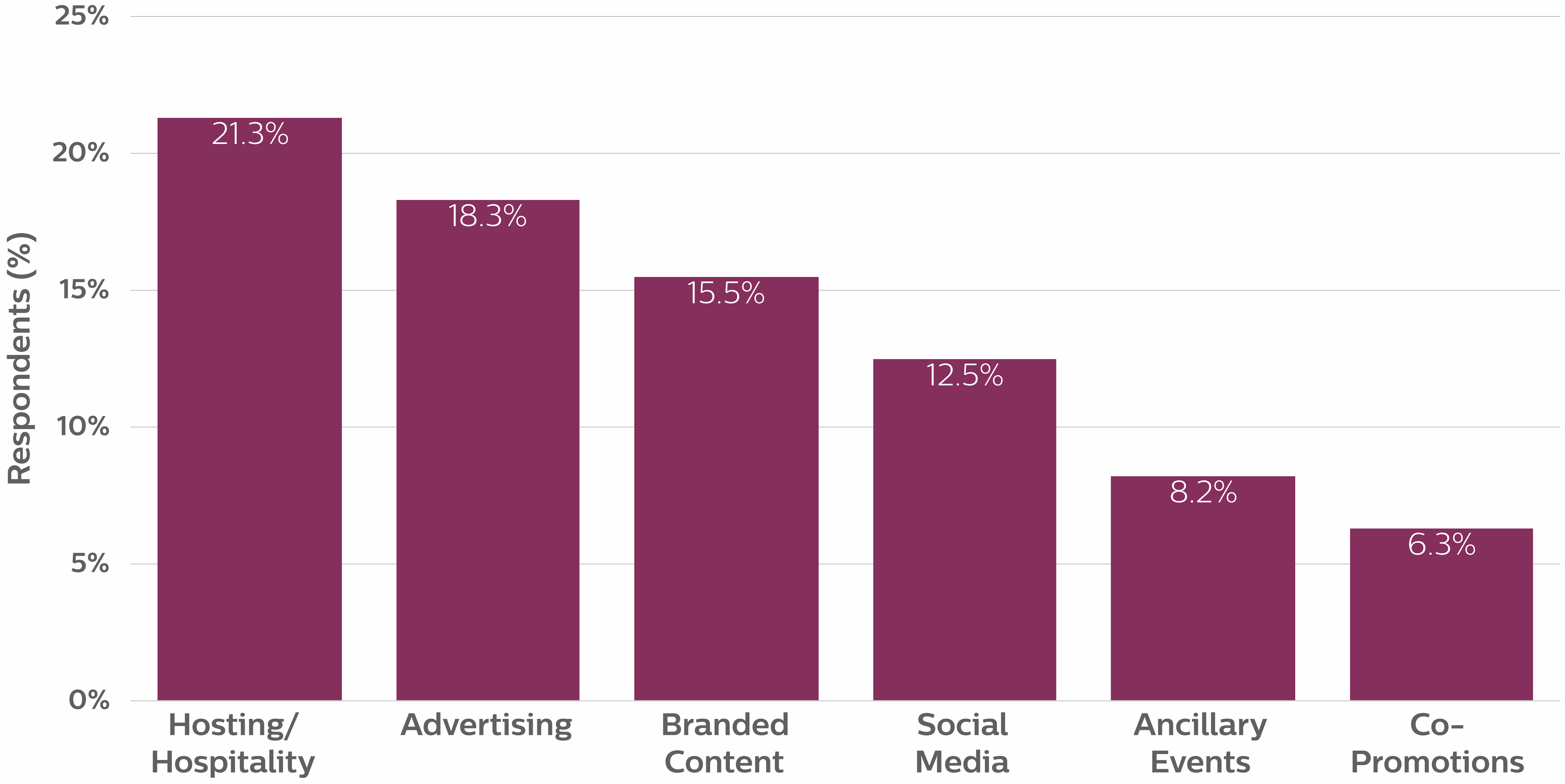
Observation: Branded Content strong again
Observation: Advertising rebound?

PROPERTY ACTIVATION REINVESTMENT SPEND



Observation: major industry trend with properties re-investing in activation.

PROPERTY ACTIVATION REINVESTMENT BY TACTIC



Observation: properties are strategically reinvesting sponsorship revenue in ways aligned with sponsor priorities.

AGENCY CLIENTS' ACTIVATION BREAKDOWN

Agencies report that their sponsor clients' average activation investment is **$828,000**.

16.8%
Branded Content

14.7%
Product Sampling

13.1%
Advertising

9.9%
Hosting/Hospitality

8.9%
Public Relations

8.8%
Social Media

5.9%
Sales/Consumer Promotions

4.9%
Athletes

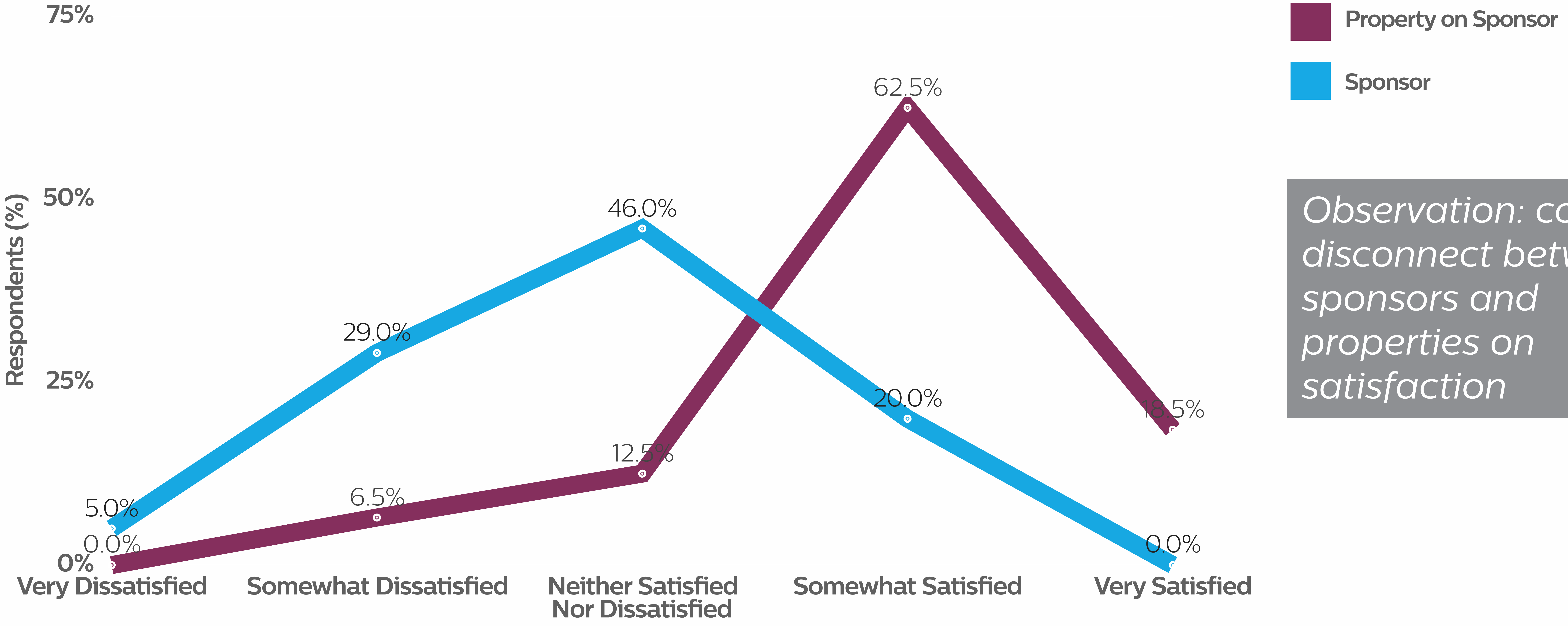
4.7%
Employee Engagement

Servicing

FINDINGS & TRENDS

ROI SATISFACTION

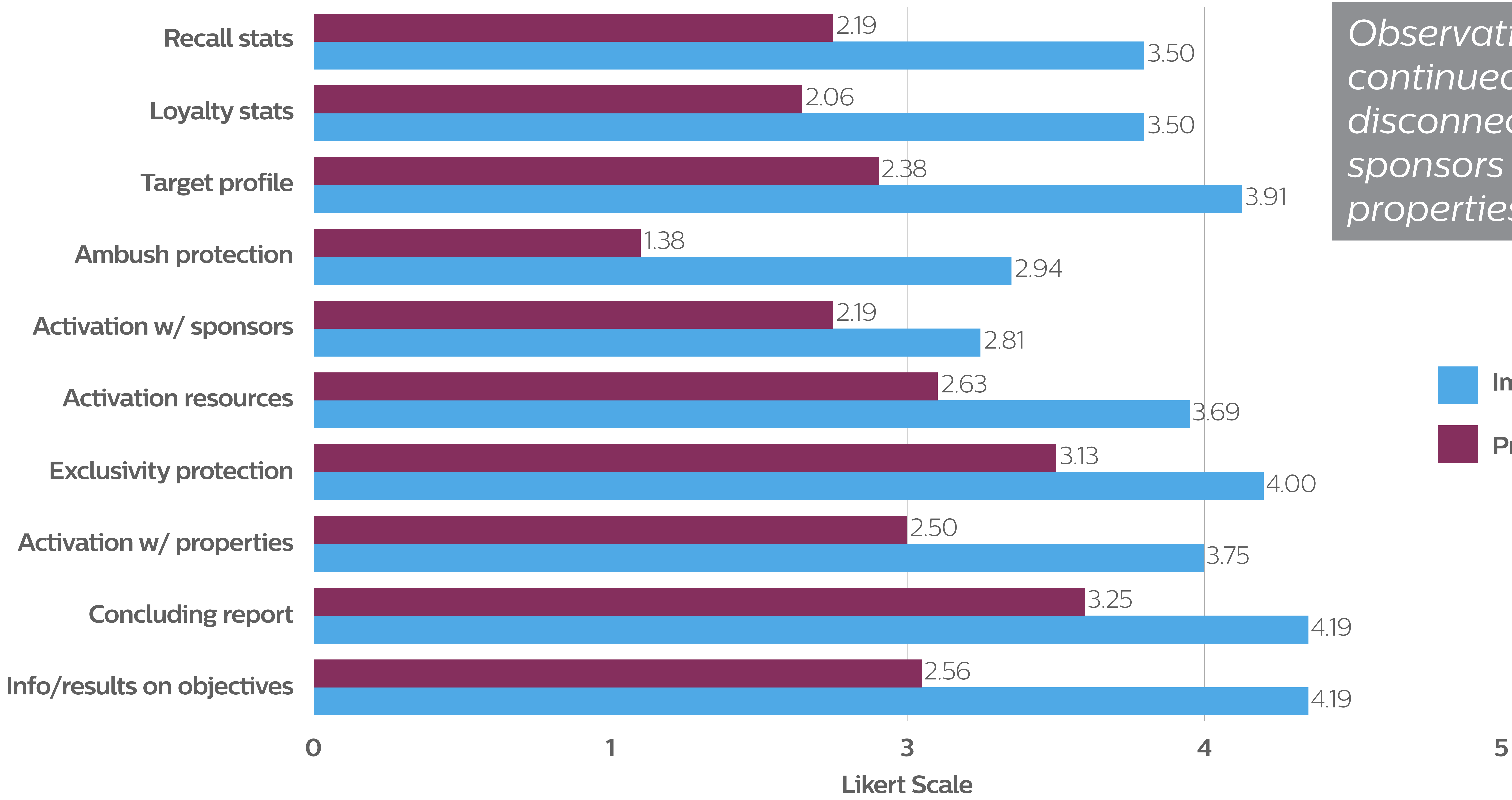
Satisfaction with ROI went up overall **3.8%** from 2015.



Observation: continued disconnect between sponsors and properties on satisfaction

SPONSORSHIP DISSERVICE

A servicing gap has been witnessed **every year** since the question was introduced.



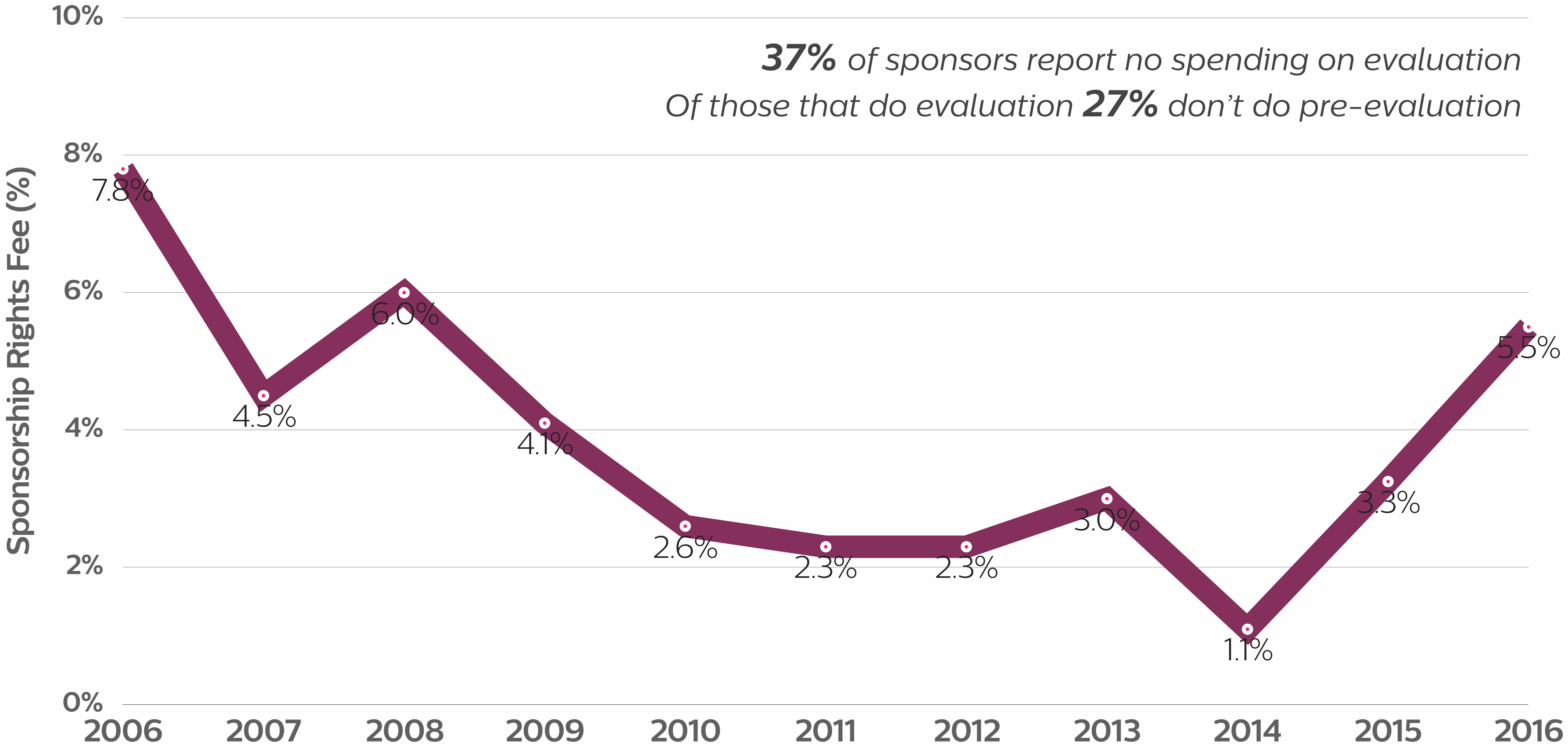
Observation: continued disconnect between sponsors and properties on service

Evaluation

FINDINGS & TRENDS

SPONSOR EVALUATION

Sponsors only spent **3.7%** of the evaluation amount on pre-sponsorship evaluation.



5.5%
Of rights fee spent on evaluation in 2016

Observation: positive trend in evaluation!

PROPERTY SERVICING + EVALUATION

SERVICING

19.7%
Average of rights fees (rev.) are allocated to servicing sponsors (median is **12%**)

EVALUATION

3.2%
of sponsorship revenue is allocated to evaluation

PROPERTY SERVICES

All 10
property-provided services underperform despite their importance and value

Insights

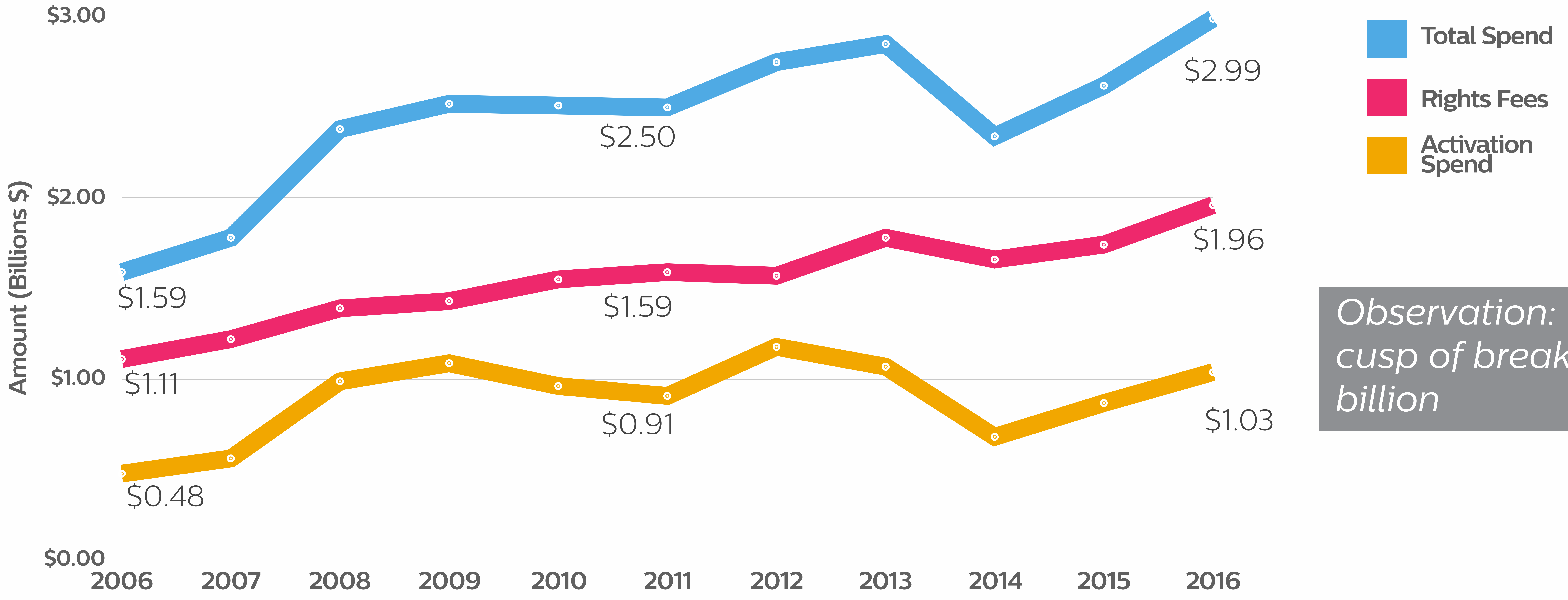
9 EXPECTATIONS & OBSERVATIONS

1. Let the good times roll!

Sponsor spending is up, activation (total spend, not ratio) is up, evaluation is up, and total spend is approaching $3 billion!

CANADIAN INDUSTRY SIZE

Total grew by **11.8%** in 2016, up to the highest recorded amount of **$2.99B**.
The cumulative annual growth rate for the total spend is **6.4%**



Observation: on the cusp of breaking $3 billion

2. Sponsors' objectives are textbook.

The main pain point and/or business objective that sponsorship tries to achieve are engagement (1st) and building the brand (2nd).

SPONSORSHIP OBJECTIVES

What is the main pain point and/or business objective that sponsorship helps achieve? Response based on all respondents.

36%
Engagement

29%
Brand Building

22%
Awareness

3. Yes. Branded content is king.

By a large margin, branded content is the activation choice of agencies and properties.

ACTIVATION TACTICS

What activation tactic best drives business results?

SPONSORS

42% Hosting/Hospitality

35% Public Relations

32% Advertising

PROPERTIES

37% Branded Content

16% Hosting/Hospitality

11% Co-Promotions + Athletes

AGENCIES

65% Branded Content

18% Social Media

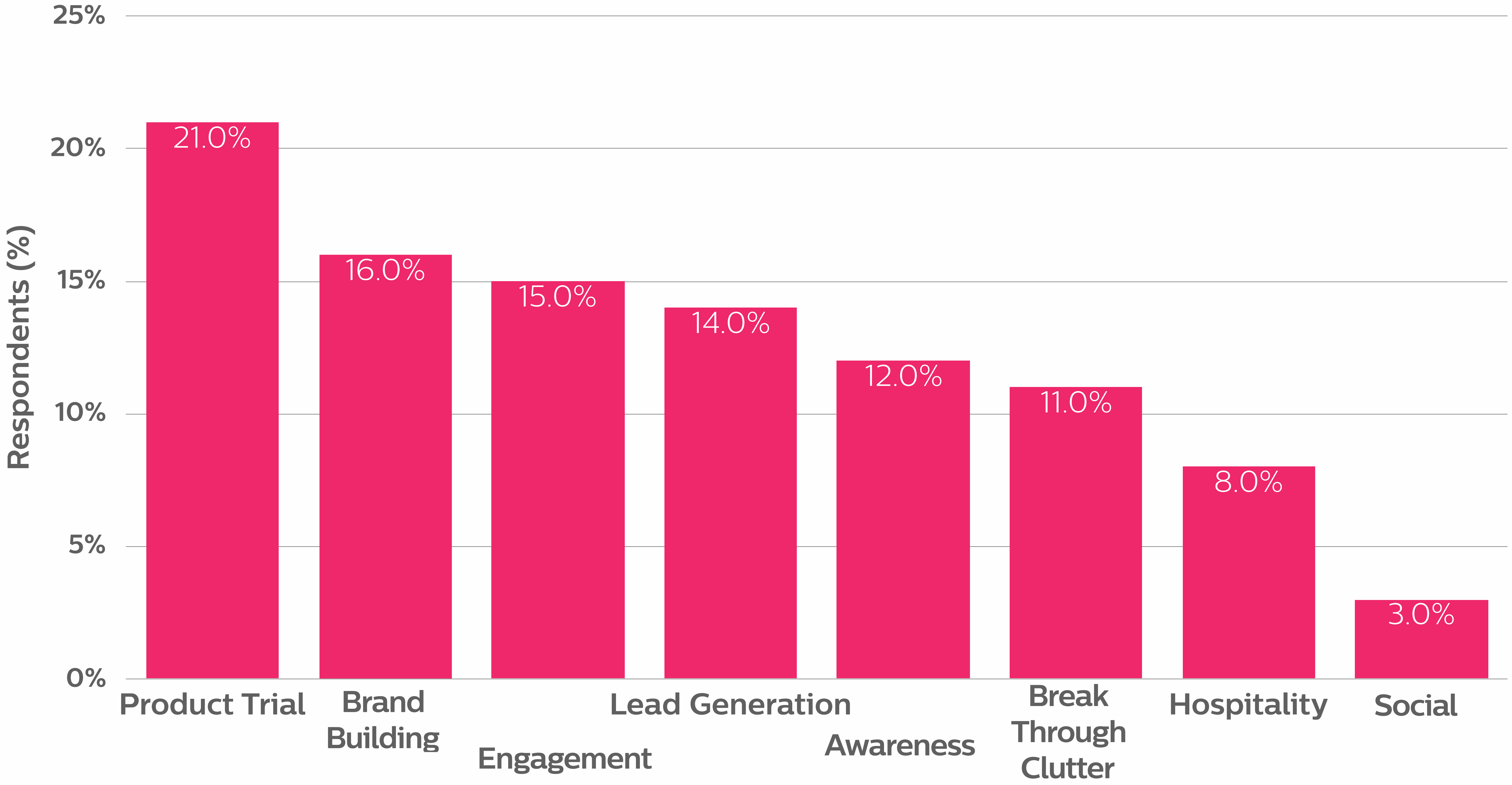
5% Product Sampling

4. Experiential rules sponsors' objectives.

The most common objectives sponsors seek are related to experiential.

ACTIVATION OBJECTIVES FOR SPONSORS

Agencies let us know that sponsors seek a variety of activation objectives.



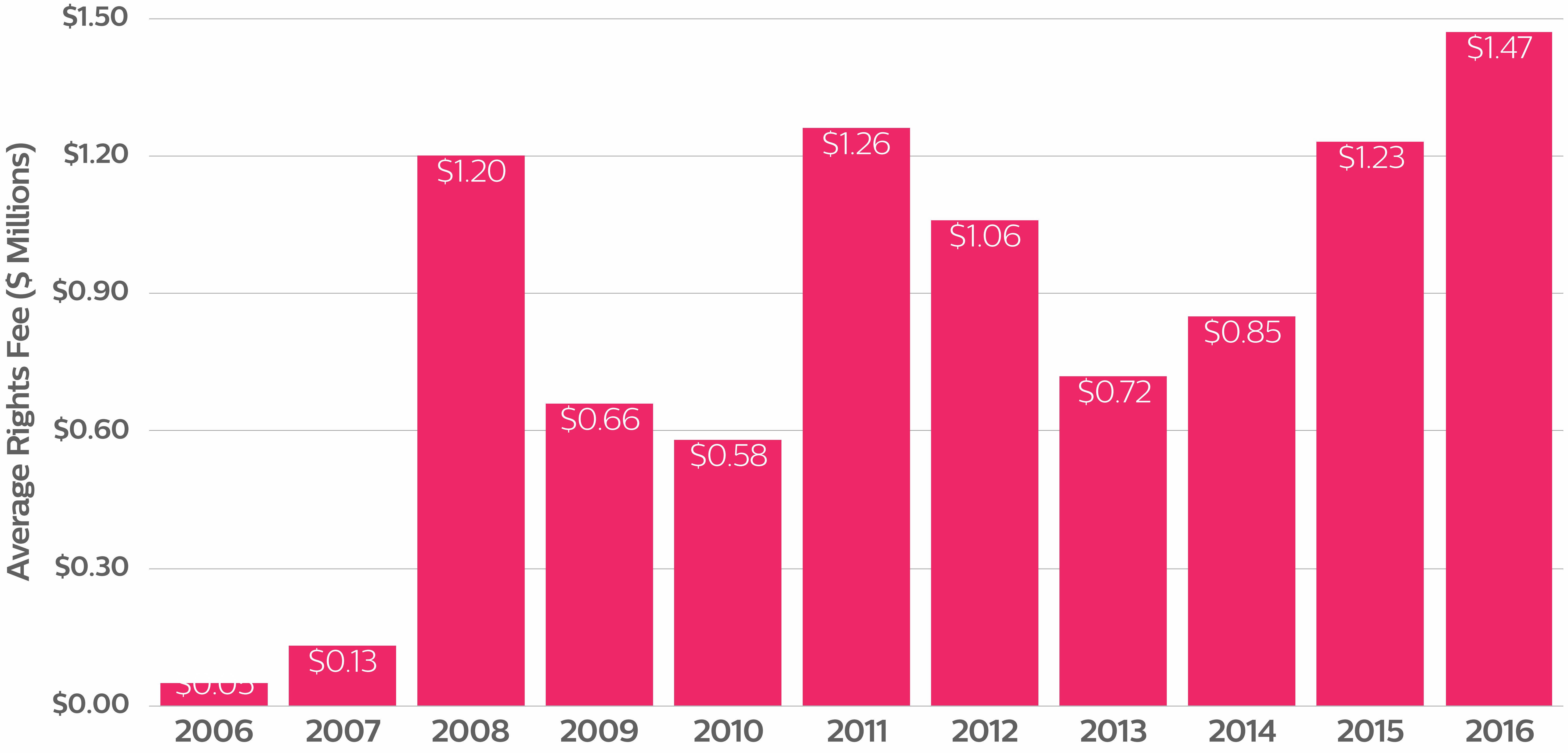
Observation: experiential dominates activation priorities

5. Title sponsorship is premium.

This year saw the highest reported largest sponsorship value in CSLS – by a lot! There was also an observed diversification in the category of the largest sponsor.

SPONSORS' LARGEST SINGLE RIGHTS FEE

Sponsors report their largest single rights fee ranges from **$25,000** to **$6.5M**. The 11-year average is **$837,000.**



PROPERTIES' LARGEST SINGLE RIGHTS FEE

Properties report their largest single rights fee ranges from **$5,000** to **$17.5M**.
2016 average is **$1,345,210.**

26.2%
Retail Trade

20.9%
Communications

13.9%
Public Administration

13.2%
Finance

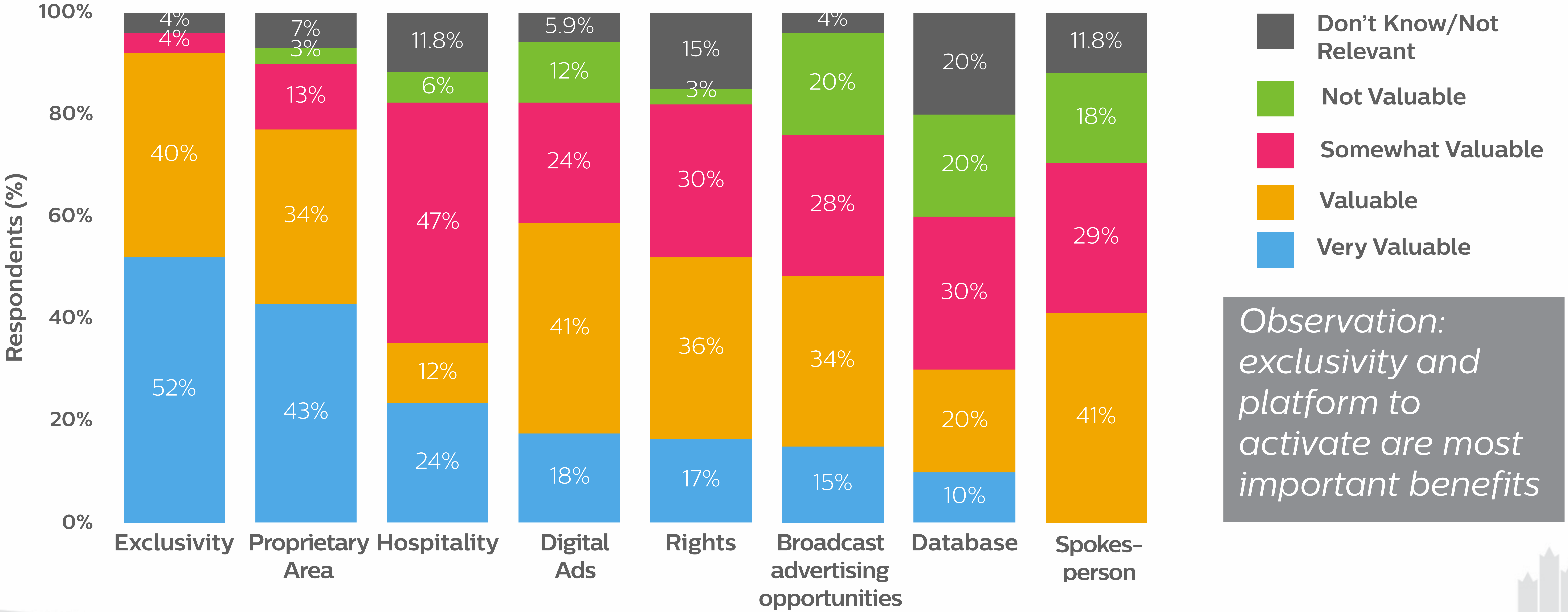
13.6%
Manufacturing

7.1%
Services

6. Don't underestimate exclusivity.

Exclusivity is the most valuable element for sponsors. In contrast, social media, as expected, is a channel and not a focus of investment.

VALUABLE BENEFITS TO SPONSORS



Observation: exclusivity and platform to activate are most important benefits

7. Sponsors and properties are still disconnected.

Not seeing eye-to-eye on forecasting for next year, reporting on ROI, service gaps are large and enduring.

FUTURE EXPECTATIONS

A positive outlook from sponsors, properties and agencies!

DECREASE	STAY THE SAME	INCREASE
10.7% Sponsor	**63.3%** Sponsor	**26.0%** Sponsor
32.1% Property	**10.8%** Property	**57.1%** Property
47.0% Agency	**3.0%** Agency	**50.0%** Agency

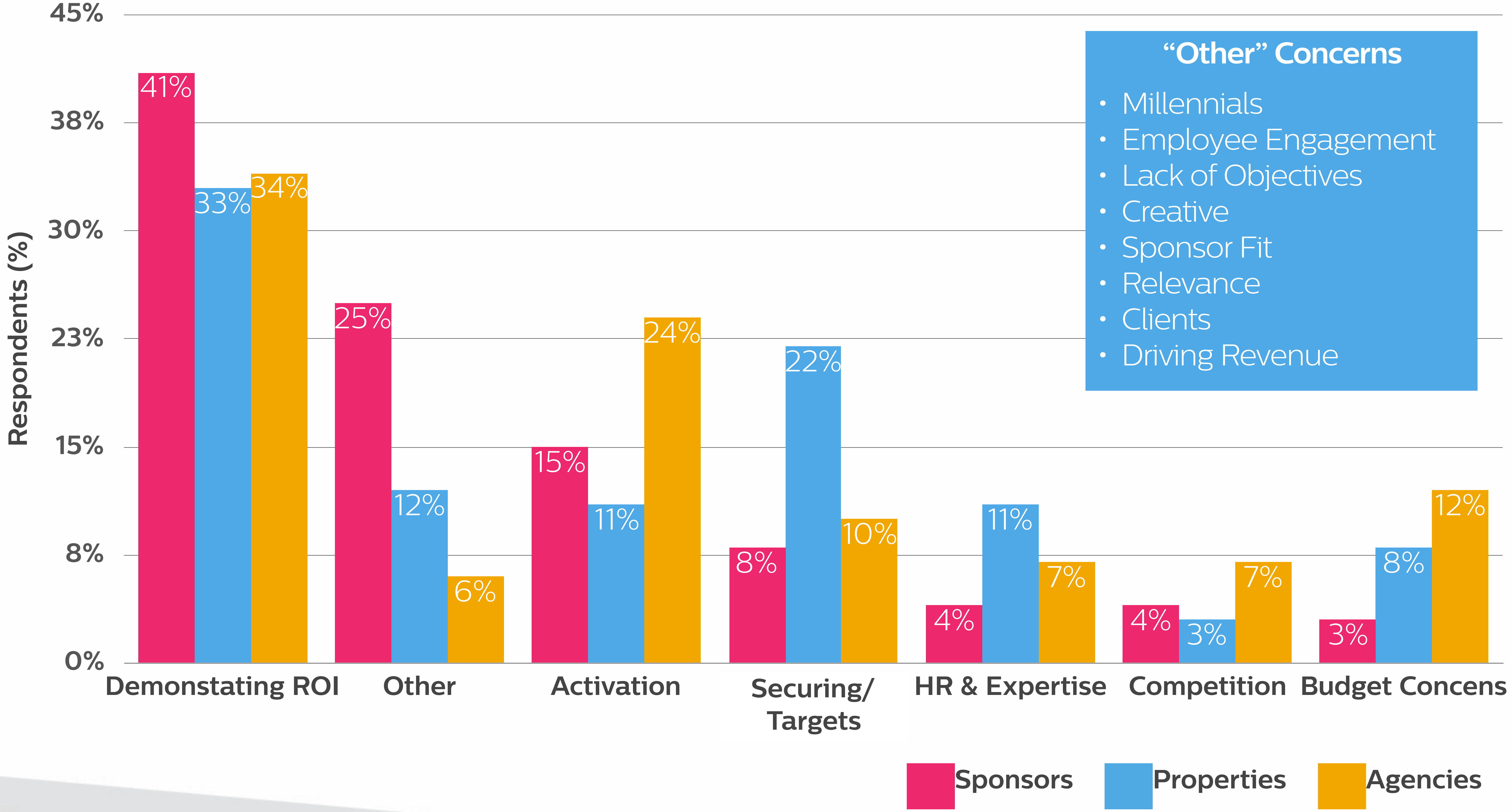
Observation: in line with previous years' results on this question, properties are the most optimistic, followed by agencies, then sponsors

8. Sleep is lost over ROI.

Demonstrating ROI is among the top concerns for sponsors and agencies. Properties are concerned about securing sponsorship and hitting targets.

OPPORTUNITIES & THREATS

What keeps you up at night about sponsorship?



"Other" Concerns

- Millennials
- Employee Engagement
- Lack of Objectives
- Creative
- Sponsor Fit
- Relevance
- Clients
- Driving Revenue

Observation: ROI is top choice for all, sponsors express most variability in answers, properties very different set of priorities than sponsors/agencies

OPPORTUNITIES & THREATS

What keeps you up at night about sponsorship?

"Staying fresh, relevant, unique with activations, campaigns."	*"Maximizing limited budget while still being nimble enough to respond to unexpected opportunities."*
"What is the ideal balance of sponsorship in the marketing mix?"	*"Providing true value to customers, not just tricking them into purchasing a product."*

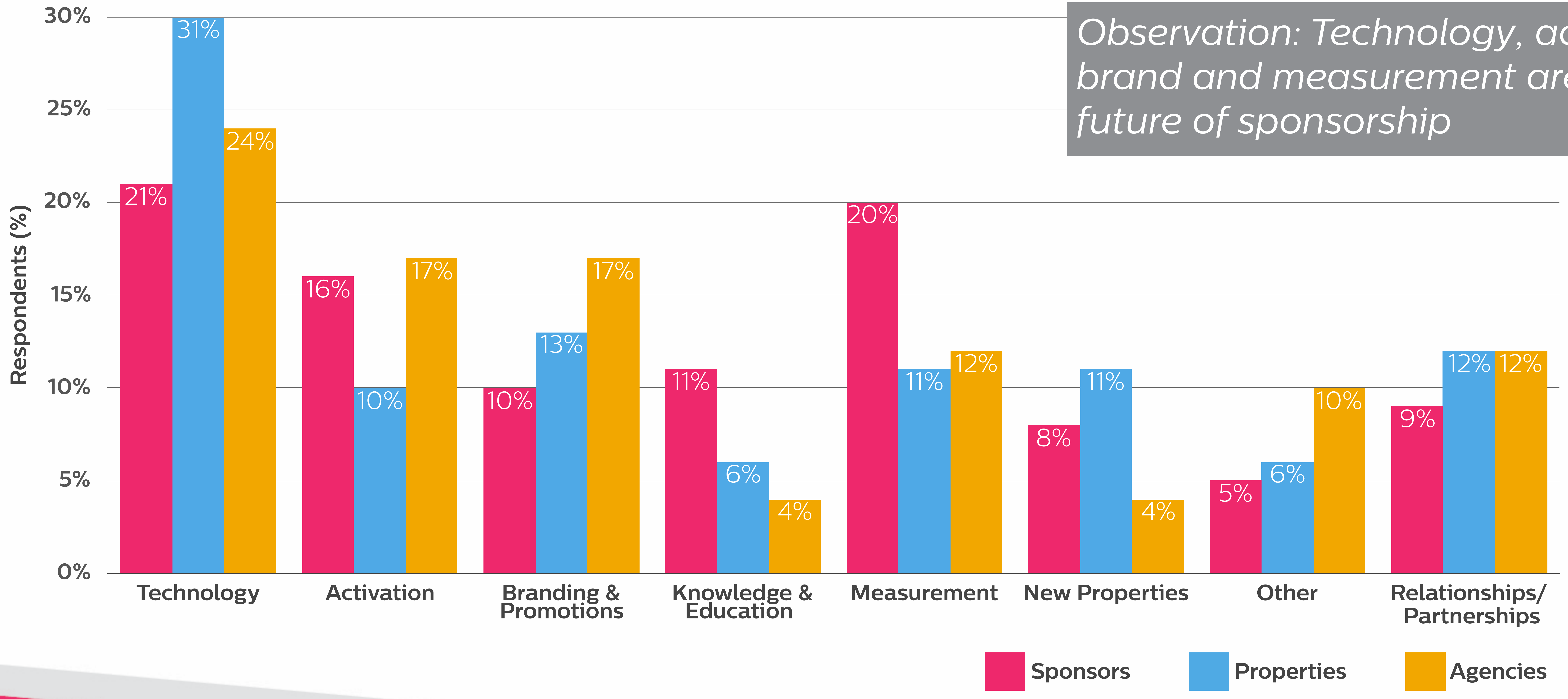
9. People see a lot of opportunity and untapped potential.

There are several untapped areas for sponsorship – music, education, eSports, etc.

OPPORTUNITIES & THREATS

What are biggest opportunities for sponsorship in the next three years?

Observation: Technology, activation, brand and measurement are key for future of sponsorship



UNTAPPED AREAS

What sponsorship category has the most untapped potential?

Cause. *"Brands are still learning how to authentically align with existing non-profits or create their own meaningful proprietary platforms based on causes/issues consumers are passionate about."*

Value In-Kind. *"Lack of understanding of what it can do for a sponsor."*

Environmental Initiatives. *"Sponsors will need to show they are making an impact within their own organizations as well rather just spending rights."*

Post-Secondary. *"Huge sponsorship opportunities from a truly marketing perspective for brands but the sector cannot see past donations."*

eSports. *"Huge audiences, captive, heavily digital and content focused."*

Music. *"Carries a lot of potential and fairly unowned in the eyes of the consumers right now."*

Female Sports. *"Brands are still not paying enough attention to both professional and amateur female sports."*

Online Businesses. *"They market through traditional media channels and haven't tapped the value of experiential partnerships."*

CONCLUSION

1 Let the good times roll!

2 Sponsors' objectives are textbook.

3 Yes. Branded content is king.

4 Experiential rules sponsors' objectives.

5 Title sponsorship is premium.

6 Don't underestimate exclusivity.

7 Sponsors and properties are still disconnected.

8 Sleep is lost over ROI.

9 People see a lot of opportunity and untapped potential.

CSLS

CANADIAN SPONSORSHIP LANDSCAPE STUDY

Visit www.sponsorshiplandscape.ca to enter responses!

Questions or Comments?
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