

# MAXIMISING SPONSORSHIP INCOME

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# The Sports Business Landscape

## **Sporting Organisations**

- survive and thrive on partnerships
- provide opportunities to be associated with unique experiences
- need to remain cutting edge and customer focused

## **Companies**

- are driven by market share, profitability and growth
- continually seek a competitive edge and opportunities to build relationships
- must act with integrity and provide value to their stakeholders

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## Now and then....

**1950`s** - The Founder and Chairman of IMG, Mark McCormack saw the potential for sports stars to earn significant income from endorsements and personal sponsorships to supplement their existing salary.

**1960 – 1990** - he signed names like Arnold Palmer, Pete Sampras, Michael Schumacher and Tiger Woods and built IMG into the worlds leading sports management and marketing company.

**1990`s onwards** – Sponsors favoured media exposure ... then image and awareness became the driver. Now sponsors use ROI as the key measurement of success.

**2006** – Global sponsorship spending has peaked at \$33.8 billion (a 10.8% increase on 2005).

## By ....

Rights Holders (sporting organisations) and Investors (companies) discovering they have similar motivations, objectives and profile needs.

Companies quickly embracing sports, events and talent as a legitimate marketing tool.

Sport providing instant access and connection to a variety of target markets.

## Examples of major Australian Sponsorships ...

- \* Australian Tennis Open - \$9m - Kia (2 weeks)
- \* Australian Formula One Grand Prix - \$8m – ING (4 days)
- \* Australian Football League - \$7m - Toyota (26 weeks)
- \* National Rugby League - \$6m – Telstra (29 weeks)
- \* Melbourne Cup - \$5m - Emirates (3 minutes)
- \* Inter Dominion Championship Final - \$1m – Watpac (1 night)

## Great moments in sports sponsorship history ....

- \* FIFA World Cups and Olympic Games are as much about the athletes as the anticipated contest between Adidas and Nike ... Sponsor vs. Ambush Marketer.
- \* 2006 FIFA World Cup match between Holland & Ivory Coast, Dutch supporters were requested to remove their bright orange shorts as they carried the name of a rival brewer Bavaria, which is not a FIFA sponsor. Many supporters forced to watch the 2-1 victory in their underpants.
- \* 2003 Cricket World Cup, South African Arthur Williamson was evicted for consuming a can of Coca-Cola he brought into the Stadium.

## Why is \$33.8 billion spent annually on sponsorship ?...

- \* Rights holders and the corporate world link growth potential with image, awareness and profile. By investing in sports and events, companies can acquire much needed profile plus the emotional connection to the “fan”.

**Result** - A whole new customer base can be formed relatively quickly.

- \* Business relationships are increasingly fostered outside the workplace

**Result** - Huge growth in the events industry worldwide, providing instant access to a mass market and ancillary benefits such as television coverage, product sampling, trade expos and hospitality.

- \* Sponsorship is the catalyst to the development of other potential levels of investment

**Result** – A greater choice for businesses across team, event or broadcast sponsorships, venue naming rights, supplier or commercial relationships, trade expos or hospitality involvement.

**You don` t need to be a sponsor to create a strong association.**

## What is Sponsorship ...

- \* Sponsorship is an exchange of benefits (either cash or value in-kind) between a rights holder and potential investor. It usually involves a financial investment by a company in exchange for significant profile opportunities and the chance to turn fans into customers.

### 7 ways to maximise the investment \*

(\* = Employ passionate people, recognise and reward their efforts)

#### 1. SELL THE FEATURES BEFORE YOU SELL THE BENEFITS

Common mistake is to present the sponsor with a number of benefits without regard for the features of the association. Sponsors want to know **how** the relationship will generate a clear return on investment and create the branding opportunities you indicate are possible.

#### 2. RETAIN, GROW AND MAXIMISE YOUR EXISTING SPONSOR GROUP

It is easier to gradually build the investment levels of your current sponsor group than seeking and signing new ones. Look to your hospitality clients, suppliers, contractors and networks to build up the portfolio first before embarking on a new sponsorship drive.

## 7 ways to maximise the investment ...

### 3. KNOW YOUR PRODUCT AND CLEARLY DEFINE THE PROPERTY

In order to maximise the opportunity, there is a tendency to oversell the property. Know your product FIRST then articulate HOW it relates to the sponsor ... THEN present the opportunity (i.e. feature races, qualifying heats, young drivers, carnivals, club assets – tailor the opportunity to the client).

### 4. RESEARCH THE POTENTIAL THEN PITCH AT RIGHT LEVEL

Too often, proposals are pitched at the wrong level or not to key decision makers. As the relationship is forming ensure Club Chairman, CEO`s and senior management are briefed on the progress. A phone call made at the right time can significantly accelerate the decision making process and improve your chances of success.

### 5. LOOK FOR OFF-SETS NOT NECESSARILY CASH

A in-kind sponsorship can be equally as valuable as cash as they both improve the bottom line. Often companies are cash poor but can provide products or services that you are currently paying for.  
(\* Ensure the internal accounting is completed properly).



## 7 ways to maximise the investment ...

### 6. SET REALISTIC TARGETS AND BALANCE THE OPPORTUNITY.

The value of a sponsorship is not determined by a gap in the budget. It must be properly costed and provide value to both parties. Long term sponsorships with a “discounted” first year can entice a sponsor to build an association. Be wary of sponsors motivated by blocking a competitor and always balance the long term with the “here and now”.

### 7. CONTINUALLY INTENSIFY YOUR EFFORTS TO DELIVER.

The contract is what binds the two companies but the agreement drives the relationship. Insist your team devotes the right amount of time and resources to the relationship and ensure your entire organisation understands and “lives” the association.

*The sign of a great relationship is when your human resource people are not exactly sure if company sponsorship manager works for you or not.*

*Becoming a Sponsor allows you to appreciate being the other side of the table ... If appropriate it is worth considering.*

## **FINAL CHECKLIST ....**

- 1. Can we truly deliver the opportunities we believe are possible?**
- 2. Is there a clear connection between the property and the potential sponsor?**
- 3. Can we assist in a leveraging programme to ensure the ROI is achieved?**
- 4. Can we balance the time, commitment and resources required to develop and deliver on each partnership?**
- 5. Have we considered the rights and position of other sponsors?**
- 6. Can we assist in turning fans into customers?**

**IF YOU`RE TEAM CAN ANSWER YES TO ALL SIX QUESTIONS, IT`S TIME TO HIT THE ROAD AND SELL !!!**