WFA Sponsorship Taskforce

WFA Sponsorship Committee:
"Lessons Learned from Lessons Shared"

SPONSORSHIP
TASKFORCE

WFA

I.   FACTS, INFORMATION, TRENDS

Sponsorship is a complex and relatively new communications arena for a lot of companies, and consequently, there is a lack of clarity about its strength as a marketing communications tool. Sponsorship is not a straightforward selling instrument; it works quite indirectly. Many companies claim they don't know how to implement them.

But marketers clearly believe in the value of Sponsorship as evidenced by the explosion in Sponsorship investment over the last two decades: from $2 bn in 1984 to over $33 bn in '03. This escalation is driven largely by 'sports', which account for nearly two-thirds of total Sponsorship spend in most countries.

Sports leads in terms of properties sponsored, according to IEG ("What Sponsors Want: 2004 Annual Business to Business Research):
- Sports   76%
- Causes   37%
- Arts   33%
- Community   26%
- Entertainment   8%
- Business/Online   3%

While still small relative to total ad spend (on average less than 1/5 of total marketing budget), Sponsorship expenditures are significant enough to demand the same degree of accountability as advertising. Some marketers claim there isn't sufficient funding left to activate properly after paying the rights. On average activation costs are at least equal to or slightly greater than the cost of the rights.

The issues plaguing many marketers are not just about costs but also Sponsorships role in the brand strategy:
- Proving Sponsorship's ROI
- The integration of Sponsorship/Events in the holistic mix
- The added-value of procurement professionals in the Sponsorship arena.

...And the Future of Sponsorship

Despite these issues, the future of Sponsorship looks bright. It's predicted that:

The industry will become more sophisticated and creative, resulting in more unique properties and brand experiences.

A rationalization of properties is expected with smaller properties disappearing as demand for large audiences and greater ROI increases.

The industry is also expected to become more professional, with Sponsorship 'buyers' becoming more savvy and 'rights holders' more accommodating and understanding of brand objectives.

Rather than offering standard packages, Sponsorships will be tailored to specific brand needs.

New and improved tools will be developed to help marketers better gauge ROI.

II.   ROLE OF SPONSORSHIP

The boundaries between different channels of communications are breaking down – advertising, public relations, sales promotion, relationship marketing are all now being seen as delivering "brand experiences" driven by consumer passion. In this way, Sponsorship, too, has the ability to build a long-term relationship with consumers by tapping into their passions on their terms. For Sponsorship to create a genuine brand experience that engages consumers, a brand must be prepared not only to identify itself completely with the passions of its consumers, but also be prepared to demonstrate its own passion.

> *"Sponsorship is a communications tool that allows you to work outside the traditional media box by focusing on consumer concerns and interests, which in turn fuel product sales." (Nestle)*

In addition to "indirect" product sales, Sponsorship also gains goodwill for the company, because the company is seen as supporting something the public wants, and the pleasure of the event rubs off a little on the sponsor.

Sponsorship is a positive way to build affinity with a local population as well as with the Trade. But if the only reason for engaging in Sponsorship is for 'entertainment' purposes, it's a very costly route, and there are other opportunities more effective and cost-efficient.

Importantly, Sponsorship is another way to differentiate from competitors.

The Value of Digital Sponsorship In Particular

Digital Sponsorships profit from the benefits of digital media:
- Allows you to be more targeted than 'mass media'
- Increases relevancy of an integrated message, because of its targetability
- Delivers a personalized one-on-one brand experience – a "dialogue" with your consumer vs "monologue"
- Extends off-line activation to on-line
- Offers a new proprietary media opportunity.

Objectives for Sponsorship

Many companies say they do not set Sponsorship objectives in advance, even if they acknowledge the value of its strategic approach, i.e., as a brand-building marketing tool to support the marketing strategy. And this failure is a main reason why it's difficult to evaluate the success of Sponsorship (see "Research & Evaluation").

When objectives are 'pre-determined', they tend to be "brand focused", e.g.:
- Enhance brand image
- Improve brand credibility
- Shift brand perceptions
- Increase brand loyalty
- Increase brand awareness and visibility

Other objectives range from:
- Showcasing a company's social responsibility agenda
- Experimenting with a new branding platform
- Encouraging retail/dealer traffic

The Value of Property-provided Services

In addition to the indirect effects a brand enjoys from Sponsorship activity, the sponsor also receives a variety of tangible values usually negotiated upfront, e.g.:
- Post event reports or fulfillment audits
- Research on audience loyalty to the Sponsorship
- Research on Sponsorship recall
- The opportunity to 'leverage' ideas
- Research on audience buying habits
- Sponsorship workshops
- 3rd party evaluation statements.

III. SPONSORSHIP PLANNING & PROCESS

The Process

There are many elements that contribute to the success of a Sponsorship, but a majority of advertisers claim that the most critical are:
1. good (advanced) planning
2. development of a Sponsorship strategy', i.e., linkage to the brand's positioning
3. securing the rights.

IMPORTANT: Sponsorships shouldn't 'stand alone'. They must be part of the right marketing mix, i.e., aligned with a brand's marketing strategy and integrated with a brand's communications plan. Sometimes a Sponsorship helps create opportunities in other media not originally foreseen.

In terms of the actual process, proper Sponsorship planning should begin with identification of objectives (even if many advertisers say they overlook this important step!). The phases of Sponsorship planning are typically as follows:
1. Identifying the need for Sponsorship + its objectives
2. Scouting for appropriate, targeted and 'on brand' properties
3. Negotiating the rights and terms
4. Finalizing/signing the contract
5. Activating the Sponsorship
6. Tracking results, measuring Sponsorship's effect, evaluating success

Property Selection

When choosing a Sponsorship, it's suggested to use 'tried and true' properties with enough history to guarantee results as well as larger ones, which are easier to manage and control. Also, it's critical to match the Sponsorship to the brand's target.

The IEG Research indicates that advertisers employ a range of criteria for selecting properties, with target fit the most important (in descending order):
- Demographics
- Attendance
- Fan passion/affinity
- Psychographics
- Growth trends in the property category
- What competition sponsors
- TV ratings
- Interest in the property among trade/retailers

Competences

In many companies, the Sponsorship team is a member of the brand group, as they share the same brand objectives and budget. This results in a real integrated approach to brand planning. Importantly, Sponsorship is a business tool that should be developed and controlled only by those responsible for ROI and a brand's P&L.

To engage in Sponsorships effectively, it's useful to employ a workforce with diverse range of skills. For success, Sponsorship needs to be integrated across many parts of an organization, as there are different competences required for different levels engaged in the planning:
- Operational level: development, management, monitoring of operations, contract negotiations…
- Consulting level: strength of proposal, analysis of results, ability to integrate the idea into the marketing mix…

A more integrated approach to Sponsorship requires better or greater communication and information sharing among all Sponsorship stakeholders – the brand team, the agencies (media, creative, public relations), research, the rights holder, etc. – to enable Sponsorship activity to be fully leveraged across all communications channels.

Activation

Sponsorships don't work unless consumers are told about them. They're like brands themselves – they need to be advertised so the nature of the Sponsorship is known and understood. They need awareness to generate awareness for the brand! It's important to create content related to the Sponsorship, use it as a showcase for the event and as a way to deliver the rights across all modes of communication, i.e., 'consumer touch points': merchandising, point of sale, advertising, etc.

"Global and/or Local"

In terms of geography, Sponsorships range from local events to global programs. In the end, however, they require 'local activation': media, on site presence, product trial, hosting, etc. It's critical to have an expert team in market for this application.

Notwithstanding, local Sponsorships for a global brand should be aligned to the framework and objectives of the Center and/or global program. It's important for the Center to approve local activation for legal reasons and to insure the overall integrity of the Sponsorship.

Some companies have found it useful to have a 'toolkit' for executing a global Sponsorship locally, e.g., the Center provides "core" creative (TV spots, ads, merchandising, point of sale, etc.) that can be adapted for local needs/media. While others formalize a Sponsorship "best practice" process to be shared with local partners, including:
- A global toolkit
- Standardized contracts
- Expert team in-market for local activation
- Annual review of activation
- Local adaptation approved at global level
- Use of global resources
- Maximizing return on global rights
- Best practice sharing
- Global awards

About Negotiations and Contracts

Price Negotiations

Pricing of a property depends on its capability to generate value and achieve a brand's objectives. Criteria assessed include:
1. *Clutter* – the number of advertisers participating in the Sponsorship, the number of advertisers at a live event, thenumber sponsoring media coverage, overall clutter in media, entry level of effective activation…
2. *Image* – attributes associated with the discipline, fit with the brand, ability to contribute to the brand's positioning/personality…
3. *Media Coverage* – hours of the broadcast, number of print titles/pages, type of broadcast (live, delayed, repeat…), type of media, reach, cume audience, profile of the audience, affinity to the target, on-site signage, identification in property media buy…
4. *Live Attendance* – type and geographical reach of the event, number and frequency, size of the live attendance, profile of attendees, opportunities for trade and consumer hospitality…
5. *Relevance of the discipline* – e.g., in terms of sports, number of professional athletes, numbers of clubs/teams, number of people playing/watching/listening…

Contract Terms

Contracts can be quite complicated and detailed, but it's important to include all possible elements upfront:
1. *Parties involved*
2. *Object (grant of license)*, e.g., details of branding, change in regulations during the event, use of trademarks in advertising/merchandising, etc.

3. *Territory* (local, international, global) – legal constraints geographically, change in local regulations/federations, local fraud issues, etc.
4. *Duration* – spot contracts for single events (tactical); annual (more strategic), duration to achieve effectiveness, termination
5. *Financial terms* – how to benchmark a specific property, single or separate contracts, fixed/total/partial fees linked to results, bonuses…
6. *Media commitment* – negotiated media opportunities, media support requested by rights' holders
7. *Exclusivity* – defining extent – event and/or media – competitive…
8. *Public relations*
9. *Risk management* – performance (injury, cancellation…), image (scandal)
10. *Results tracking* – who monitors? Tracking for bonuses…
11. *Choice of Law* – jurisdiction issues and tax implications

IV. MEASURING SPONSORSHIP EFFECTIVENESS

Continuity is important for Sponsorship. Recognition as a sponsor grows over time; the effects of Sponsorship take time to build. Some believe it's necessary to participate in a given Sponsorship more than once to optimize effectiveness and efficiency, to gain experience, to earn certain privileges with the sponsoring organization, etc. It's advisable to have periodic assessments of the property to insure it's delivering against expectations. If not, it should be evolved/retooled to insure the program is converting to actual sales. Surprisingly, only 1/3 of properties meet expectations in terms of delivering ROI measurements or research objectives.

Most advertisers want a demonstrable and measurable link to tangible sales. They tend to determine success by measuring brand preference, increased purchase intent, volume gains or product usage.

But presently there exists very few recognized industry methodologies for measuring Sponsorship effectiveness and its ROI. It's unclear if this is due to inability or lack of 'critical mass desire'.

(One relatively new methodology is Millward Brown's SPORTZ, which measures the personality of an event against the personality of the brand to determine the fit and Sponsorship's effect on sales, separate from the media effect.)

Primary forms of evaluation are 'output' measurements, e.g., media audits and exposure analyses, but these are unable to assess shifts in brand perception or propensity to buy. It's logical to use this type of data as inputs, but the critical measures should be based around specific objectives of the Sponsorship. (Hence the importance for identifying objectives in advance, which should be measurable, understandable and achievable.)

In lieu of an industry-wide evaluative tool, most advertisers have developed their own measurement system that works best for the organization and/or brand. These systems attempt to put value on a Sponsorship and its ROI with modelling that incorporates a variety of data.

Some companies have formed "expert committees" to evaluate, give feedback and judge whether a property should be renewed, e.g., brand group, agency representatives (creative, media),

event organizers, research & planning, etc. The criteria for determining property renewal often include:

- Internal feedback
- Sales/promotion bounceback
- TV exposure analysis
- Print media analysis
- Dealer/trade response
- Primary and syndicated consumer research

But research is only valuable if one measures accurately and independently what matters:

- Effect on the brand
- What the Sponsorship contributes to meeting the brand objectives
- Diagnostic data to show how to improve/sustain the Sponsorship cost-effectively.

For more information, please contact: Caroline Ceska, Media Manager, WFA:
c.ceska@wfanet.org
Jeanne Murphy, Advertising Director, Ferrero:
jeanne.murphy@ferrero.com