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BUILDING A PROFITABLE SPONSORSHIP PROGRAMME

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How to Build a Profitable Sponsorship Program

Building a Sponsorship Program

- **History of sports sponsorship**
 - ❑ 1984 Olympic Games in Los Angeles
 - ❑ Peter Uberoth devised a way to fund the Games largely from private
- **How did he get companies to pay?**
 - ❑ Offered them the right to market an association with the Games
 - ❑ Exclusive product categories – competitive advantage
 - ❑ Offered them special benefits that their competitors could not duplicate
- **His efforts gave birth to a new industry**
 - ❑ Event, team, and individual sponsorships
 - ❑ Stadium naming rights





What is a sponsorship?

➤ For the Property:

- ❑ A method of revenue generation
- ❑ A method of promotion
- ❑ Cash or VIK is received in exchange for a grant of the right to associate with the goodwill of the sponsored event or organization

➤ For the Sponsor:

- ❑ A unique way to “connect” with its target consumers
 - ❑ Creating attractive associations and memories
 - ❑ Incentive programs for customers and employees
- A sponsorship is not a “partnership” in the legal



Building a profitable sponsorship program

- Devise Overall strategy for the organization
- Assess all needs
 - ❑ Cash
 - ❑ Supply
 - ❑ Services
 - ❑ “Free” promotion
- Inventory of Assets
 - ❑ Trademark(s)
 - ❑ Activities/events – Off-site and On-site
 - ❑ Media assets
 - ❑ Examples: Concessions; Volunteers; Vehicles; Large Screens
- Build a “value chain”: the sponsor’s package of rights and benefits
 - ❑ Exclusivity within category
 - ❑ Trademark usage/designations
 - ❑ Recognition
 - ❑ Benefits (Off-site and On-site)
 - ❑ Tiered approach? Must clearly define each level of program
- Identify brand attributes and customer profile
- Identify viable product categories (avoid overlap)
- Identify viable target companies
- Match brand attributes and customer profile with potential

Different Models of Sponsorship

- Ways to create value can differ greatly
- Different levels of exclusivity (NASCAR vs. Olympics)
- Once you pick your model, you need to stick to it, or else you risk breaching contracts and/or devaluing your program
- Every sponsorship model requires sacrifice.
 - ❑ Non-exclusive (lower value; clutter; lots of promotion)
 - ❑ Exclusive Categories (higher value; potential for conflict)
 - ❑ Highly Exclusive “partner” model (highest value; fewer partners)



Creating Your Marketing Plan

- Vision and objectives
- Creation of the Brand: a description of the process and timeline for developing the Event brand
- Revenue targets
- Description of the domestic programme
- General description of each tier (usually two or three)
- Proposed number of sponsors at each tier
- Proposed minimum fee at each tier
- Proposed Rights Package for each tier
- Proposed categories for each tier and target companies
- Ticketing: a general description of ticketing strategy and projections
- Licensing: description of goals for the licensing programme
- Marketing Department Structure: a general plan for the structure of the marketing department, including a plan for account support and servicing
- Brand Protection and Anti-Ambush Campaign
- SEE EXAMPLE VALUE CHAIN



Common Tier 1 Categories

- Non-Alcoholic Beverages
- Consumer Electronics (can be divided in several ways)
- Payment Systems (credit cards)
- Banking
- Automobiles
- Oil and Gas
- Telecommunication services (potentially divided into wireline and wireless service providers)
- Power utility services
- Insurance
- Sportswear
- Airport Authority
- Air Passenger Services



Common Categories at Lower Levels

- Advertising
- Chemicals and paints
- Concrete
- Construction
- Dairy (Plain milk and packaged ice cream)
- Household consumable products (such as cleaning fluids)
- Hotels
- Metals and mining
- Packaged foods (not quick serve or ready-to-eat)
- Packaging
- Private Equity
- Reprographics
- Software (off-the-shelf products only)
- Steel
- Tour operators
- Waste management
- Water utility services



Common Categories at Lower Levels

- Audit
- Building supplies
- Bus / coach operators
- Cereals (dry, packaged)
- Cleaning services
- Directories
- Electricity transmission services
- Forestry
- General engineering
- Hospitality services
- Property Development
- Legal services
- Office supplies
- Security services
- Travel Agents



Ways to protect the value of a sponsorship program

- Protect the goodwill and distinctiveness of our Trademarks
- Cultivate your brand attributes
- Make “heroes” out of your sponsors
- Protect against ambushes
- Limit access to on-site benefits by competitors
- “NO MARKETING RIGHTS” CLAUSES IN VENDOR CONTRACTS

In other words, the entire package of rights must be exclusive enough and unique enough that it is worth the price.





➤ What is an ambush?

- An unauthorized attempt to associate with an event or
- Devalues your sponsorship program
- Results in a loss of credibility, especially at renewal time

➤ How can you combat ambushes?

- Ambushes are not always illegal
- When the ambusher uses your Trademark, it's easy
- When the ambusher doesn't use your Trademark, it's hard
- Must start with a distinctive Trademark
- Must have a strong recognition plan to “teach” consumers who your sponsors are
- Must create a value chain that is not easily duplicated
- Sponsors have responsibility, too (if they don't activate properly, or if they don't activate properly, ambushers have an edge)



Trademark usage: the focus of the sponsorship package

- Letting someone use your Trademark is a big deal
- A company can easily lose control of their Trademark and its meaning (e.g., Kleenex, Xerox, Band-Aid)
- Rules and approvals are critical



Activation Guidelines are critical

- Technical requirements for use of Trademarks (color, dimensions, clarity, etc.)
- Designation: by far the most important part of the activation



➤ What is a designation?

- ❑ A simple, standard statement that explains why your mark appears on the sponsor's materials or products:
 - “Official Sponsor of the SPORT EVENT”
 - “Official HDTV of the SPORT EVENT”
- ❑ It must accurately reflect their status (“Sponsor”) and/or their product category
- ❑ It must not be misleading (“Provider” and “Supplier” designations can be misleading if the products are not actually provided)
- ❑ Mostly functional (it is a legal tool more than a marketing tool)
- ❑ It is not another advertising opportunity – it should not be replaced with a tag line



➤ Why is the designation so important?

- ❑ It is essential to the protection of your Trademark
 - Allows you to stay within your registered classes
- ❑ It is essential to the protection of your value chain
 - By telling consumers why your mark appears on the sponsor's materials, you can maintain separation between high level sponsors and low level sponsors.
 - You can also maintain separation between sponsors and licensees



➤ No designation?

- ❑ Jeopardizes the value of your program because no one can distinguish relationships
- ❑ Creates confusion about your property's involvement with the product or service
 - **Legal exposure for your property:**
 - ❑ Do you stand behind the product or service?
 - ❑ Did you manufacture it? Test it? Approve it?
 - ❑ Your Trademark probably is not registered for the sponsor's products or services
- ❑ If a sponsor doesn't want to use an approved Designation, they have a fundamental misunderstanding of sponsorship.
 - They have bought the right to build loyalty among their consumers by telling their consumers that the sponsor is partly responsible for funding your event.
 - Tax exempt organizations: beware of "advertising" for your sponsors!



➤ Overview of Activation Guidelines

- ❑ Whenever a sponsor uses our your Event Trademark, you must confirm:
 - Are they allowed to use that particular Trademark?
 - Have they used an approved Designation?
 - Integrated logo? Use caution!
 - Reasonable visual impact, size, etc.
 - If a category-based sponsorship, must be in connection with only the products or services in their category
 - Must be within the authorized territory
 - On promotional materials and tags, not on merchandise (usually)
 - Premium items allowed: but again, use a Designation!
 - No comparative advertising
 - No endorsement (not “tested,” “selected,” “approved” or “warranted” by your property)
 - NO USAGE OF THIRD PARTY MARKS,



- **How should you address the usage of third party marks?**
 - ❑ **GENERAL RULE: NO USAGE OF THIRD PARTY MARKS**
 - Dilutes the value of our program because status of the third party is unclear
 - You will not realize full value of the marketing rights sold to the sponsor
 - Third party gets a free ride
 - May conflict with rights of another sponsor
 - ❑ But, you can use your discretion by considering certain factors:
 - Is a direct relationship implied?
 - Does the third party trademark represent products or services in another category or potential category?
 - Does the third party trademark represent a product or brand with which you do not want to be associated?
 - If all the above tests are passed...
 - Ensure a proper degree of visual separation
 - Must explain why the third party trademark is there: “available at,” “enter to win at,” or “prizes provided by”
 - ❑ Difference between “pass-through” and “third party association”



- Key questions to ask when conducting approvals:
- What rights does the sponsor have?
 - What Sponsor brand is being used?
 - What is the authorized product category?
 - What are the authorized designations?
 - Composite vs. Stand-alone?
 - Territory?
 - Are still/video images used? If so, do they have permission?
 - Any chance of confusion as to status or product category?
 - Do third party marks appear? If so, do they meet the test?
 - Are all relationships presented clearly and accurately?

Examples for Discussion

BRIDGESTONE

Official Tire of the PGA TOUR



ENTER FOR A CHANCE TO WIN
A GOLF GETAWAY FOR 2
VISIT
PLAY-WITH-AN-EDGE.COM
FOR CONTEST DETAILS

(10) SECOND PRIZE
WINNERS RECEIVE A
CALLAWAY
DIABLO EDGE DRIVER





POWERADE
ZERO
100% CALORIE FREE SPORTS DRINK
MIXED BERRY

CUSTOM HOUSE
A WESTERN UNION COMPANY


WESTERN UNION

Foreign Exchange and Risk Management for Canadian Agribusiness



ENTER HERE FOR A
CHANCE TO WIN A FLAT
SCREEN PLASMA TV!

customhouse.ca
solutions@customhouse.com



Transitions
Official Eyewear of the PGA TOUR



ART @ ACTUAL SIZE
1.75"W - OUTER SHELL

ART BELOW NOT @ ACTUAL SIZE - FOR INSERTS
PRINTED IN CMTX, NO COLOR MATCH GUARANTEED



"Vision is a vital part of
my success on the golf course.
This is why I wear
Transitions® lenses."
- Tiger Woods



Transitions
Official Eyewear of the PGA TOUR





When can you allow exceptions to the rules?

- Remember: the risk of individual “small” exceptions is usually low. But the risk of numerous “small” exceptions can be higher
- Don’t put yourself in breach of another sponsor’s agreement!
- Exceptions should have a purpose that justifies the risk
- Exceptions should not be driven by low-level sponsor representatives or agents who are lazy or uninformed
- Often, there is a solution to a true sponsor need



➤ So, what is the difference between a sponsorship and retail license?

- ❑ A “license” is when you allow another to use your trademark on your behalf – usually for a “per product” royalty.
- ❑ Confusion with the general term “license”
- ❑ Three general approaches to licensing value:
 - No marketing rights: Only your trademark, no manufacturer’s branding. Also called “Private Label.”
 - Limited marketing rights: your trademark plus standard manufacturer’s branding (more valuable to licensee)
 - Full marketing rights: co-branding (most valuable to licensee)
 - Proceed with caution here. This is a very valuable right.
 - Makes sense with apparel.
- ❑ Must take care not to conflict with sponsorship program
 - Often it is most wise to require a designation: “Official Licensee” or “Official Licensed Product”



Why have a licensing program?

- Revenue
- Protection of trademarks in various classes
- Touches consumers in a different way
- Can build the brand



➤ What's the deal with “Premiums?”

- ❑ Don't want sponsor premiums to compete with licensing program
- ❑ Sponsors can give away Event branded merchandise
- ❑ Sponsors can give away merchandise with their proper activation (Event mark plus Designation)
 - This is not a “licensed product”
 - But can be good for driving business to licensees
- ❑ Strategic questions: Should sponsor rights and licensee rights be separated? Should you charge sponsors a fee for creating premiums with your brand on them?

Conclusion