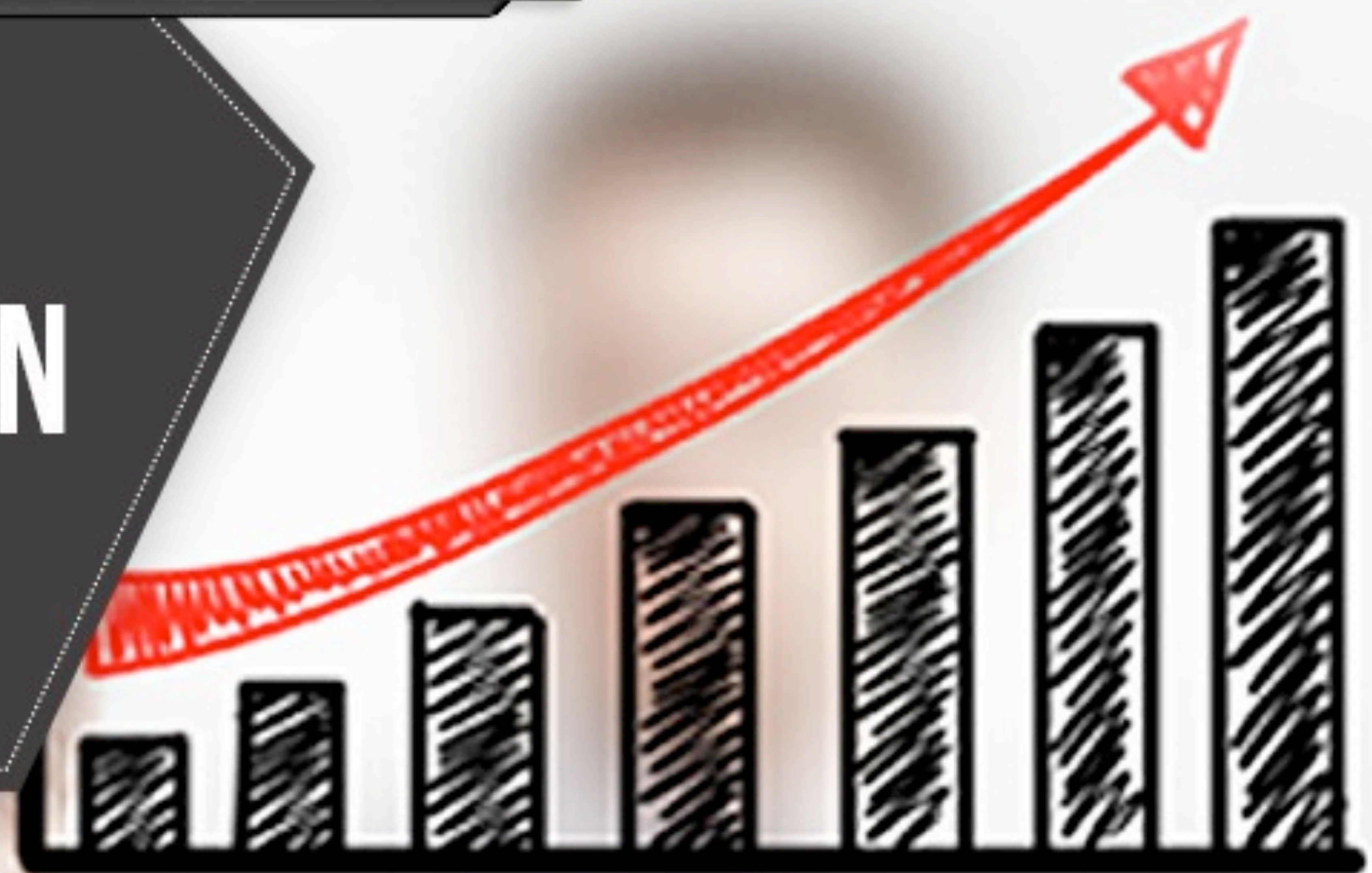
SPORT GOVERNANCE WEBINAR SERIES
LA GOUVERNANCE DU SPORT SÉRIE DE WEBINAIRES

REVENUE GENERATION IN SPORT



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SEP 24th, 2013

SIRC SEMINAR SERIES

Revenue Generation in Sport

Norm O'Reilly

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TODAY'S WEBINAR

Goal #1: Explore Revenue Generation Alternatives

What is revenue generation?

I Need revenue. What are alternatives?

Goal #2: Share Current Sponsorship Reality in Canada

Results of the 7th Annual Sponsorship Landscape Study

Highlights from Current Academic Literature in Sport Sponsorship

Goal #3: Inform the Olympic Sport Community on Action

How does this apply to my sport?

What can I use from this presentation? What should I tell my Board?

Is sponsorship for you? Are you sure?

What can you do to make sponsorship work?

How should your sponsorship resources (if you have any!) be organized?

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TODAY

1 Revenue Generation 101
Introduction, Alternatives

2 7th Annual CSLS Results
History, Method, Findings, Trends, Estimations &

3 Sponsorship in 2013
Academic Lit Summary

4 So What?

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1 Revenue Generation

POLL QUESTIONS

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REVGEN 101

- Two Forms: (i) generate more, (ii) reduce costs
- Two Ways: (i) direct, (ii) indirect (via intangibles)
- Two Time-Frames: (i) short-term, (ii) long-term
- Two Scopes: (i) marketing through sport, (ii) marketing of sport
- Two Dimensions: (i) at event, (ii) off-the-field
    - At Event: sanction fees, entry fees, ticket prices, concessions, parking, etc.
    - Off-the-field: sponsorship, partnerships, rights fees, advertising, etc.

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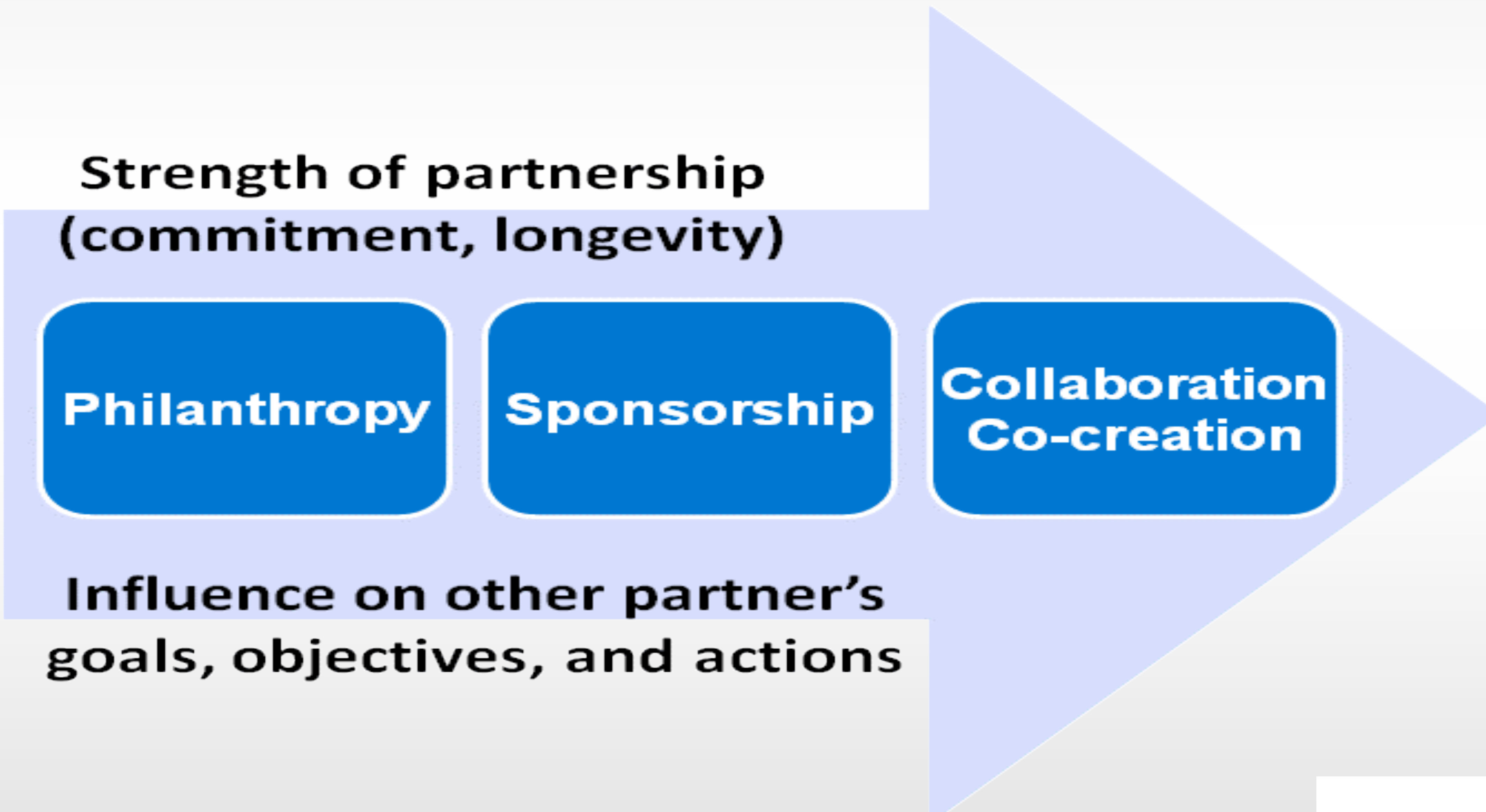
MARKETING-BASED REVENUE

Literature Review Findings: The Partnership Continuum



O'Reilly & Brunette, 2013

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MARKETING-BASED REVENUE

Conceptual Development: Partnership Resource Flow

Not-for-Profit Partner

- Tax Deduction/ Offset
- Physical Facility
- Association to a Cause/Legitimacy
- Brand Equity

Private Sector Partner

- Expertise
- Cash
- Reach

The Partnership
(often a brand activation event, a series of events, an activity, or a website)

The "Focus"
(the specific associated health benefit)

O'Reilly & Brunette, 2013

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2 7th Annual CSLS

History, Method, Findings, Trends, Estimations & What is to Come

7th ANNUAL

CSLS

Canadian Sponsorship Landscape Study

Dr. Norm O'Reilly | University of Ottawa

Elisa Beselt | TrojanOne

Research Partners

uOttawa Faculté des sciences de la santé Faculty of Health Sciences

TrojanOne

IMI INTERNATIONAL

Co-Presenting Partners

SMCC Sponsorship Marketing Council of Canada Conseil canadien sur la commandite

CANADIAN SPONSORSHIP FORUM

METHOD

Design

Triangulation, Industry, Canada

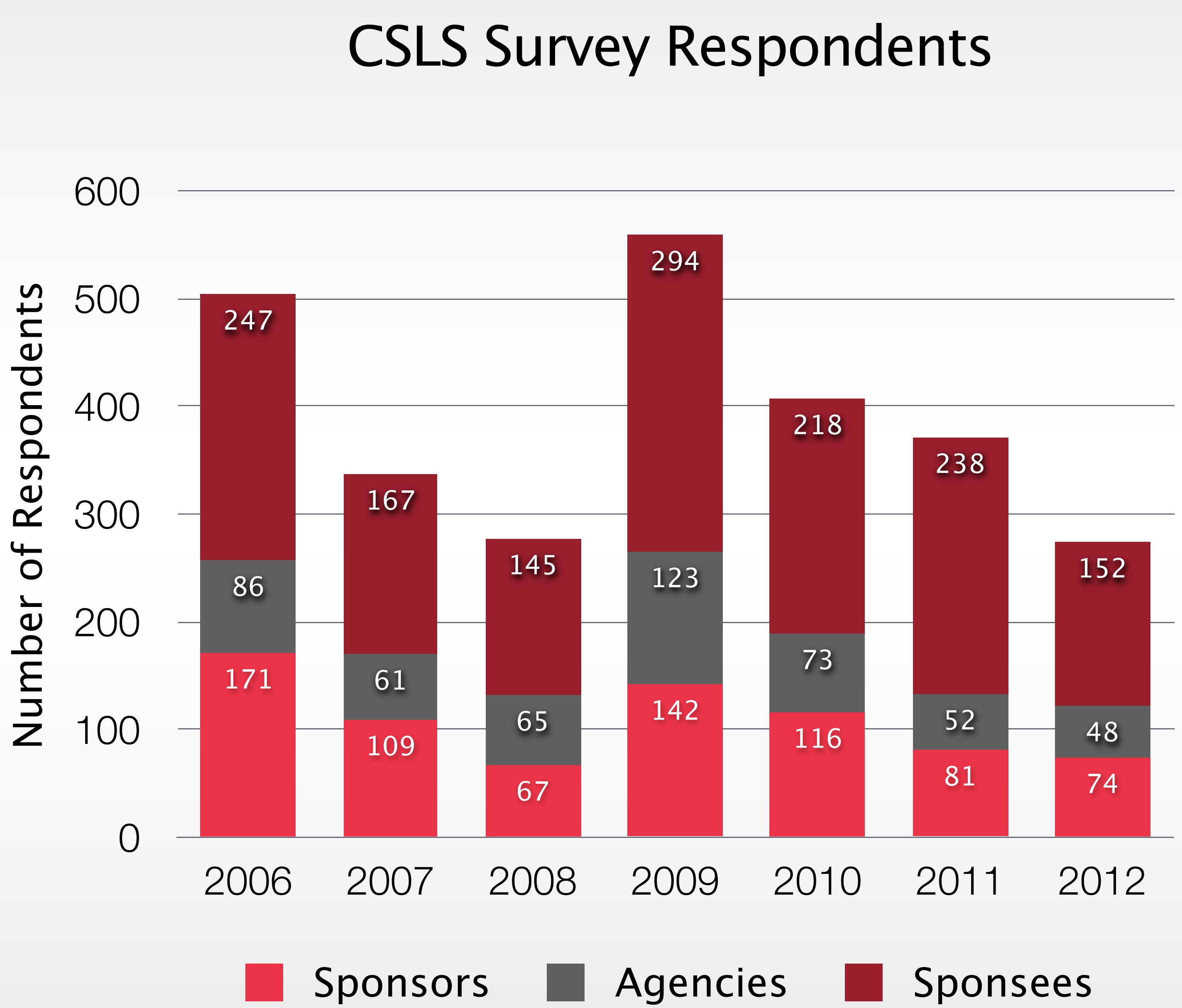
Process

Snowball, Online, Database, Social Media

Analysis

Best-Worst Scaling, Trend, Comparative, Estimation

RESPONDENTS



274 Responses

74 Sponsors

152 Sponsees

48 Agencies

About

49.6% For–Profit

50.4% Not–For–Profit

74.3% English

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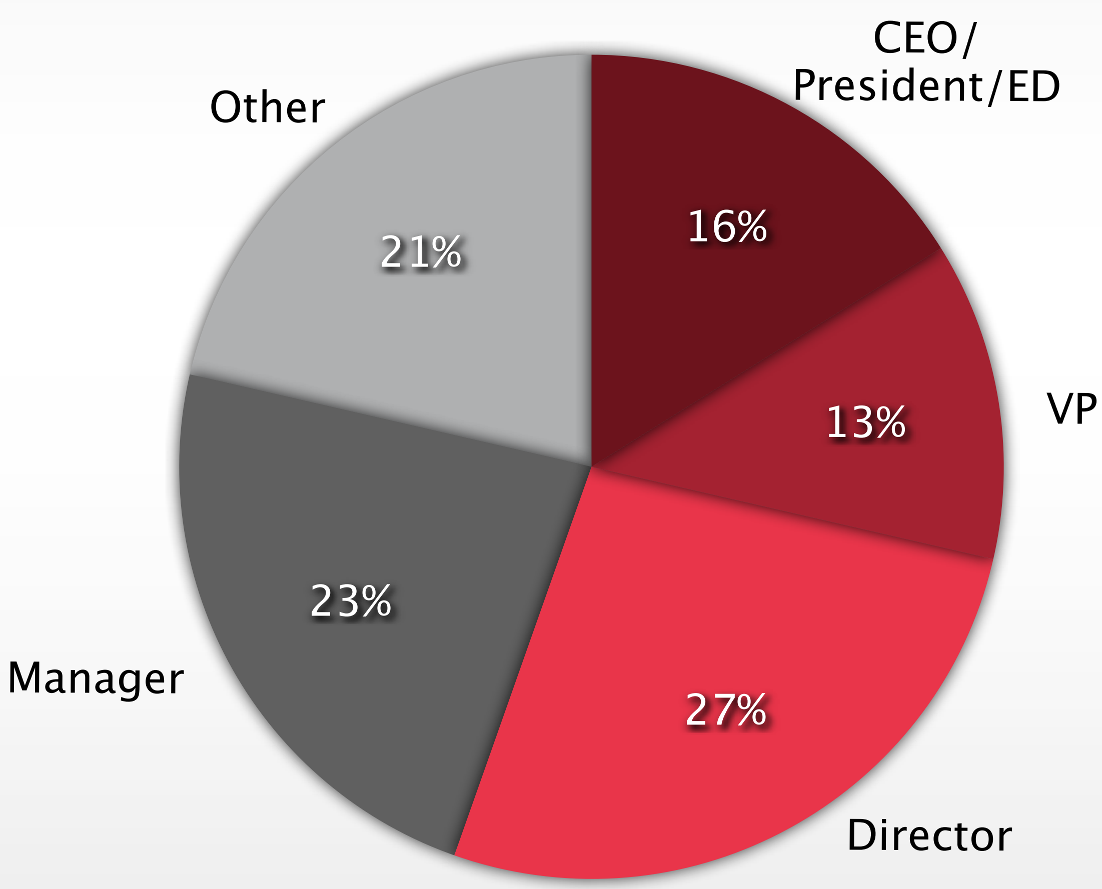
Canadian Sponsorship Landscape Study

RESPONDENTS

Position in Organization



Details

65.2% Respondent Time on Sponsorship

5.6 Staff in Organization on Sponsorship

37.7% Are Women

Primary Decision Maker

18.5% CEO

35.5% VP

41.0% Director/Manager

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Sponsors

n=74

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Canadian Sponsorship Landscape Study

ABOUT THE SPONSORS

Range in size from 33 staff to 35,000 employees.

Average # of Sponsorship: 41.8 (range 1 to 390)

50% of sponsorship decisions are made in September and October

Investment mix:

69.2% Cash
15.5% In-kind Product
15.3% In-kind Service

49.5% For-Profit

16.9% of sponsorship marketing budgets invested through an agency

2013 Sponsor Respondents (n = 74)

15.0% of sponsorship marketing budgets invested in a mega-event

Annual budgets range from $12MM to <$1B

72.4% have a community level focus

4.8% have women as the

17.2% of sponsorship investments targeted women

Positive outlook:
0% decrease
31% increase

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Sponsees

n=152

ABOUT THE SPONSEES

Range in size from 0 staff to 750 employees.

14.1% average activation (investment of sponsorship revenue as activaton)

Annual budgets range from $10K to $350M

Average # of Sponsorship Categories: 15.7 (range 1 to 100)

53.5% of sponsorship staff are women

66.3% of sponsorship volunteers are

6.3% of sponsors were primarily targeting women

2013 Sponsee Respondents (n = 152)

3.2% Of revenues were used to pay for agencies

Sponsee Reach:

10.4% International
39.6% Canada
2.1% Multi-Province
22.9% Provincial
10.4% Regional

4.1% of sponsors are located "fully outside of Canada" and 13.0% have HQ outside of Canada

$2,481,786 average sponsorship revenue

Sponsorship revenue range from

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Agencies

n=48

Canadian Sponsorship Landscape Study

ABOUT THE AGENCIES

Range in size from 1 staff to 2,000 employees.

68.8% of total agency billings from sponsorship

Number of Sponsorship Clients: 9.7 (range 1 to 25)

Average % of Canadian sponsor billings spent on:

Canadian properties 86.6%

Global properties 13.2%

2013 Agency Respondents (n = 48)

$100,250 average billing per sponsorship client

Range in billings from

Agency Reach:

33.3% International
33.3% Canada
10.7% Multi-Province
15.9% Provincial
6.7% Regional

21.73 average # of sponsorships worked on in 2012

Agency Types:

59.1% Sponsorship
21.6% Various Other
10.2% Research Agencies
5.8% Event Management
3.2% Advertising

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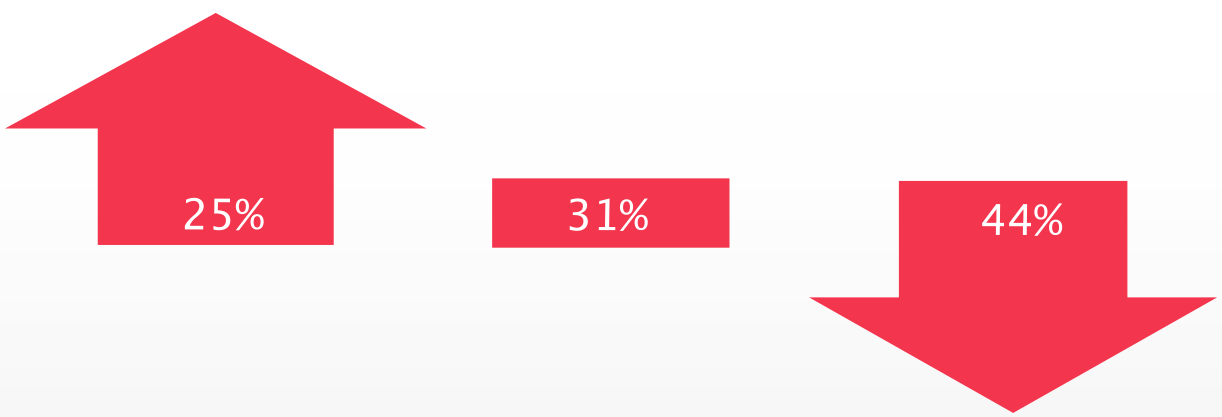
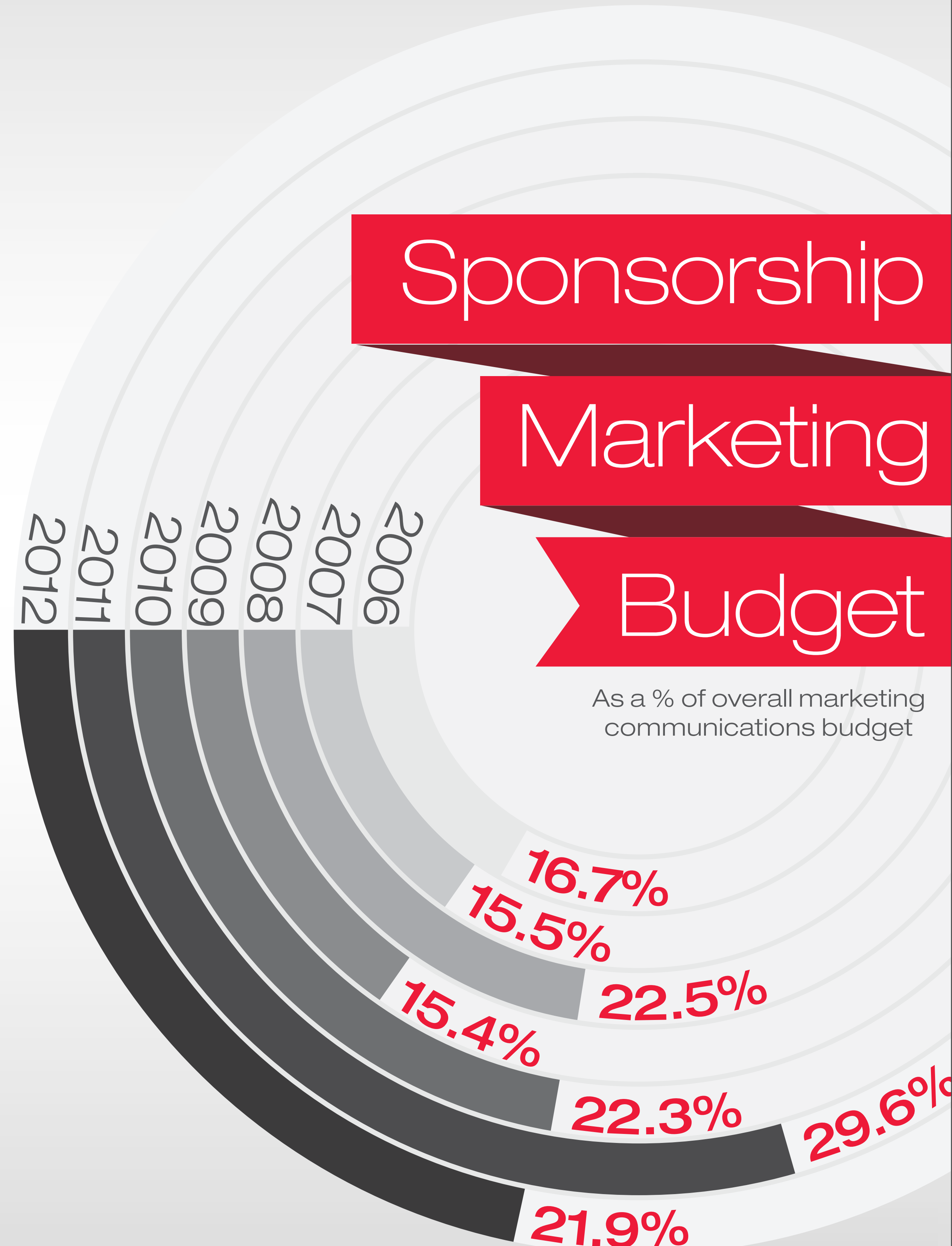
Investment Results

MARKETING BUDGET: SPONSORS

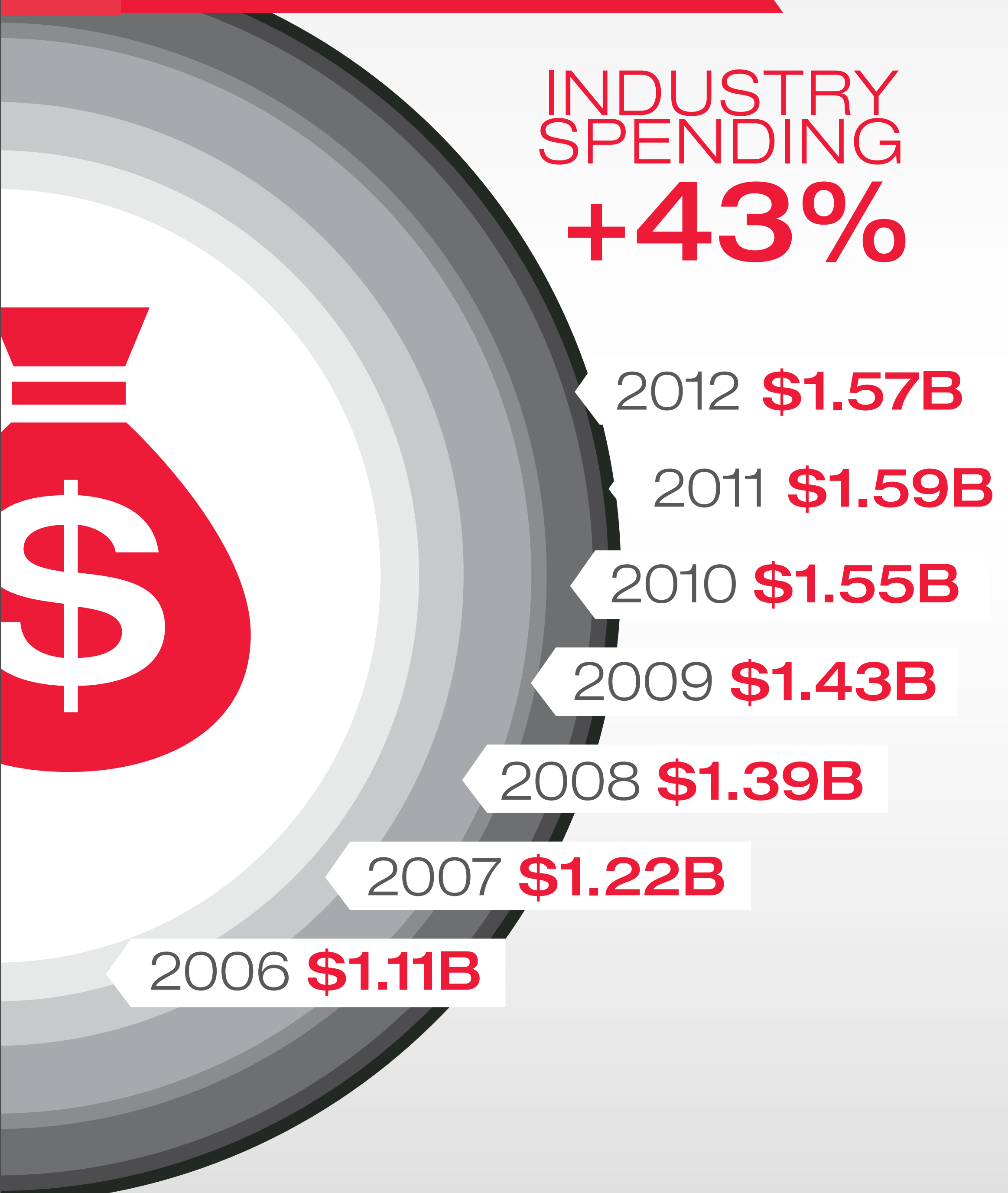
Expected Change for 2013





INDUSTRY SIZE

Industry Size



Modest Outlook

21.4% Increase (by 7.7%)

35.7% Decrease (by 27.0%)

42.9% Stay the Same

2013 IEG Projections

$19.9B North American Sponsorship Spending (↑ 5.5%)

$53.3B Global Sponsorship Spending (↑4.2%)

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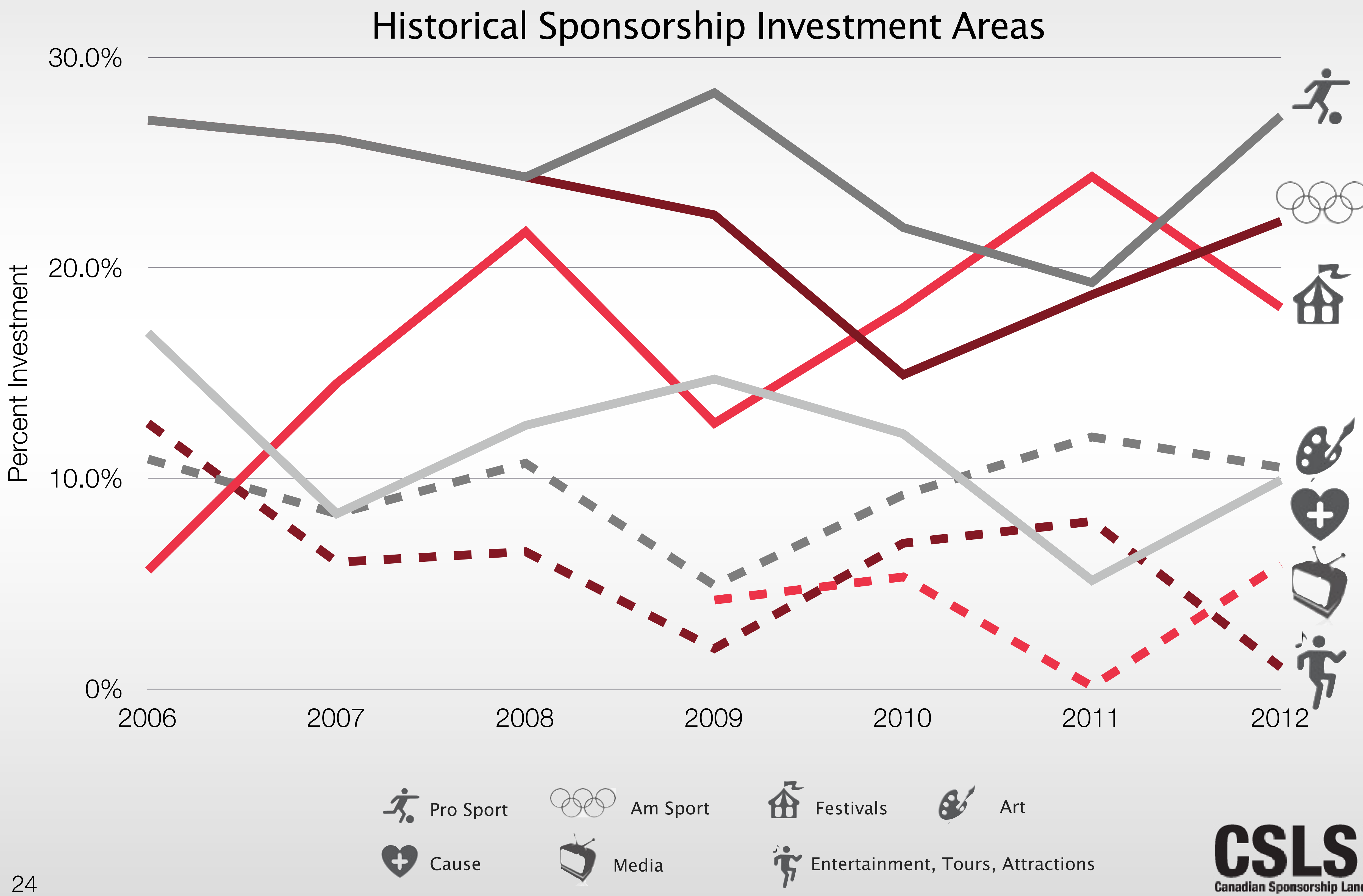
SPONSORSHIP MIX



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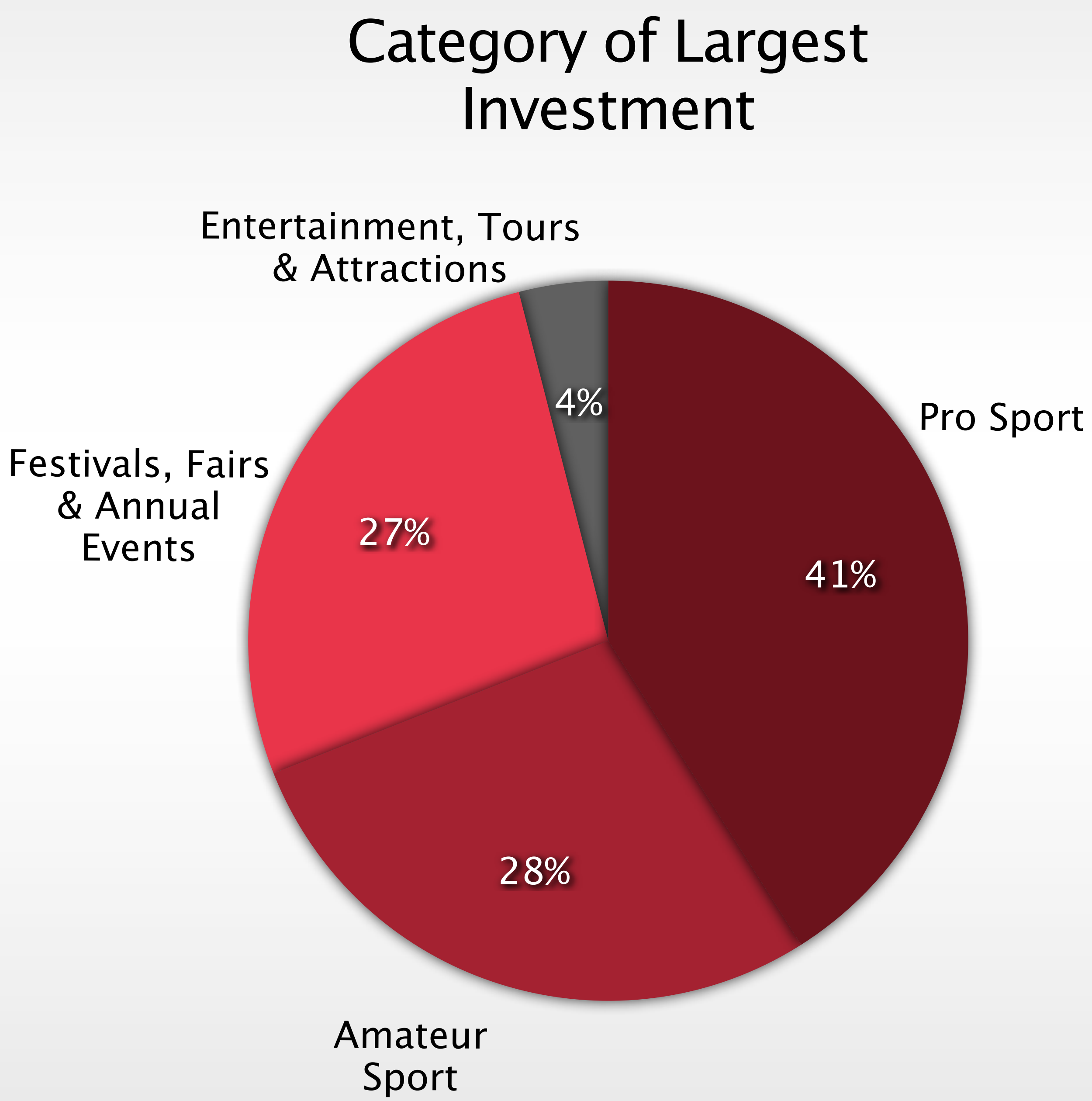
LARGEST INVESTMENT



In Depth

$1,055,000 Average Size

$15K to $4.5M Range

0 Identified as arts, naming rights, education

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POLL QUESTION

COMMUNITY

KEY

International 1.0%

National 37.5%

Multi-Provincial 5.5%

Provincial 11.7%

Regional 15.6%

Local 28.7%

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SPONSEE KEY CATEGORY

- 18% Telecom
- 14% Financial Services
- 8% Oil & Gas
- 6% Beer
- 6% Athletic Apparel
- 4% Automobile
- 4% Lottery
- 4% Energy
- 4% Pharma
- 4% CPG
- 4% Food
- 2% Developers
- 2% Agriculture
- 2% Retail

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Canadian Sponsorship Landscape Study

AGENCY BILLINGS

By Sponsorship Category

37.0% Sport

17.1% Festivals

14.0% Cause

11.9% Arts

13.4% Others

6.5% Entertainment

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AGENCY BILLINGS

Areas of Sponsorship Billing

Area	2011	2012	Change
Activation Programs	17.9%	20.7%	2.8%
Sponsorship Sales	20.5%	20.3%	-0.2%
Sponsorship Evaluation	7.6%	21.1%	13.5%
Sponsorship Research	3.8%	14.8%	11.0%
Contracts/Negotiation	8.7%	9.1%	0.4%
Other	13.1%	6.4%	-6.7%
Media	7.6%	5.2%	-2.4%
Event Management	10.6%	1.6%	-9.0%
Hospitality	10.2%	0.5%	-9.7%

Others: Development of strategic community investment plans, mentoring, strategy, social media, consulting, and training/education

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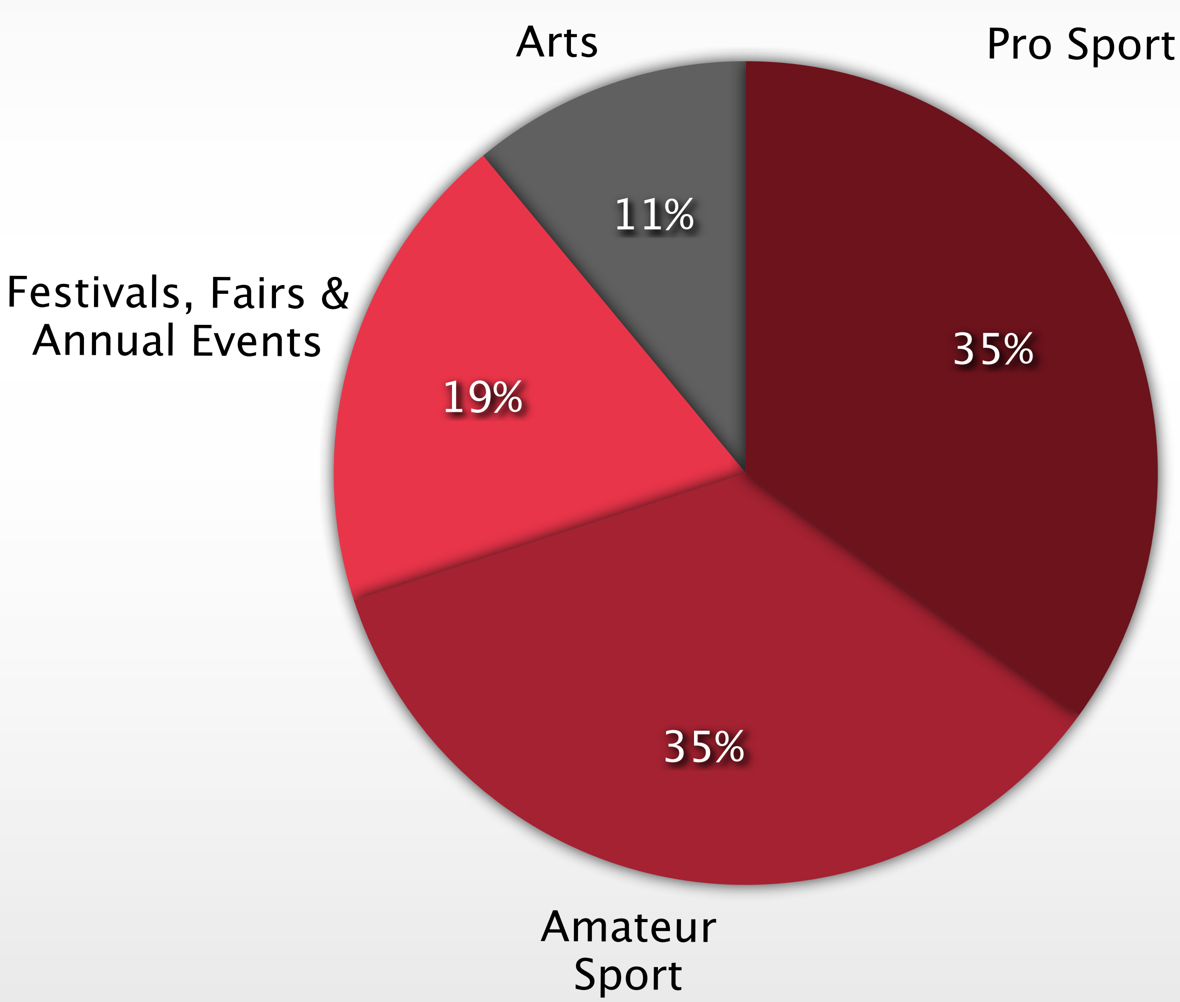
ROI Results

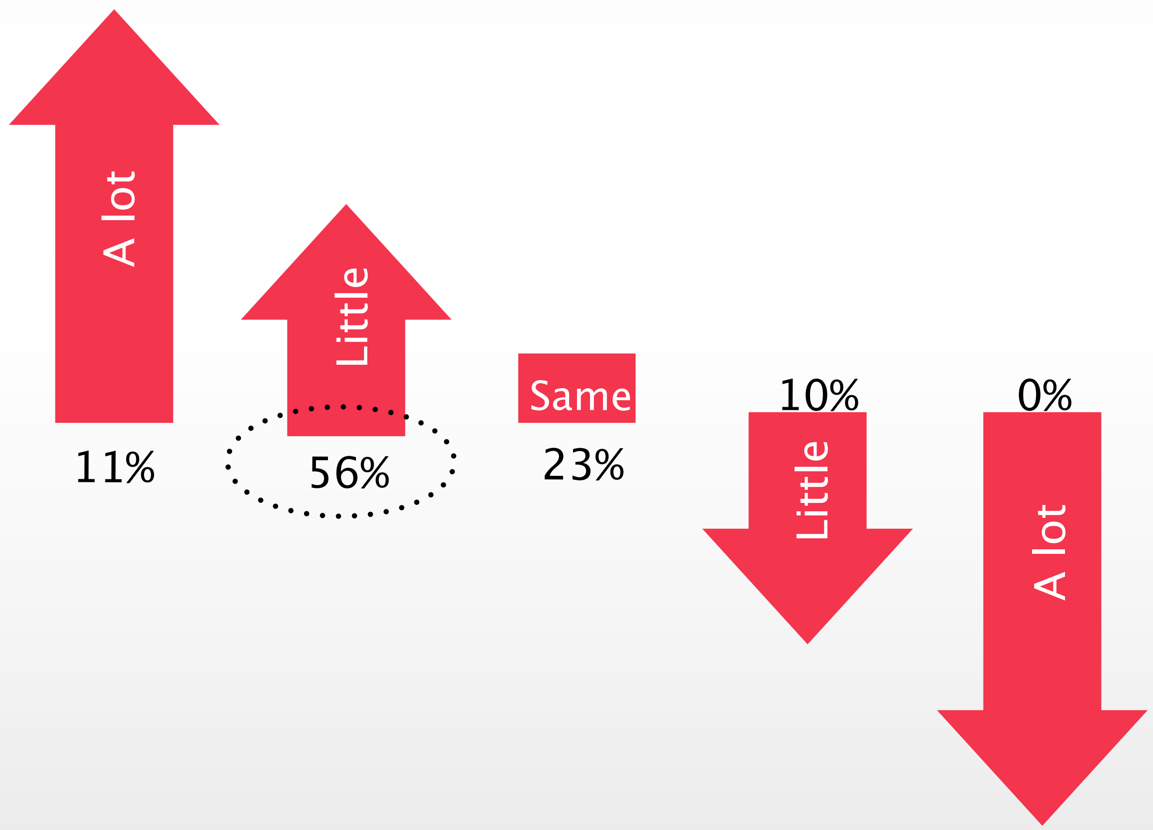
Canadian Sponsorship Landscape Study

SPONSOR ROI

Greatest ROI by Category



ROI From Sponsorship Change in Past 2 Years



Overall Satisfaction with ROI: 3.44

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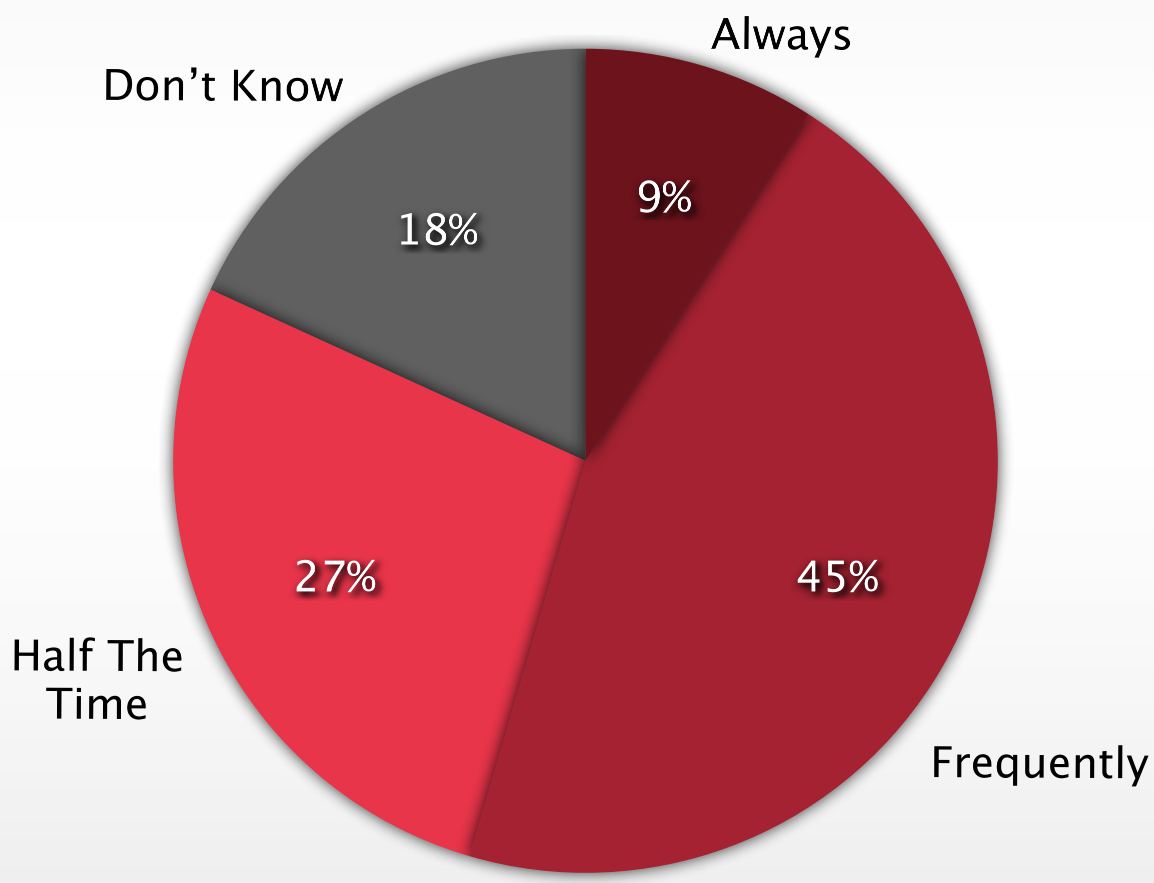
RENEWAL

Frequency of Renewal



Factors Driving Renewal

Factors	Score
Exclusivity protection	4.67
Impact on sales	4.00
Extent of media coverage	3.90
Impact on brand/retail traffic	3.90
Internal team's opinion	3.89
Sponsor-sponsee relationship	3.89
Data collected online	3.80

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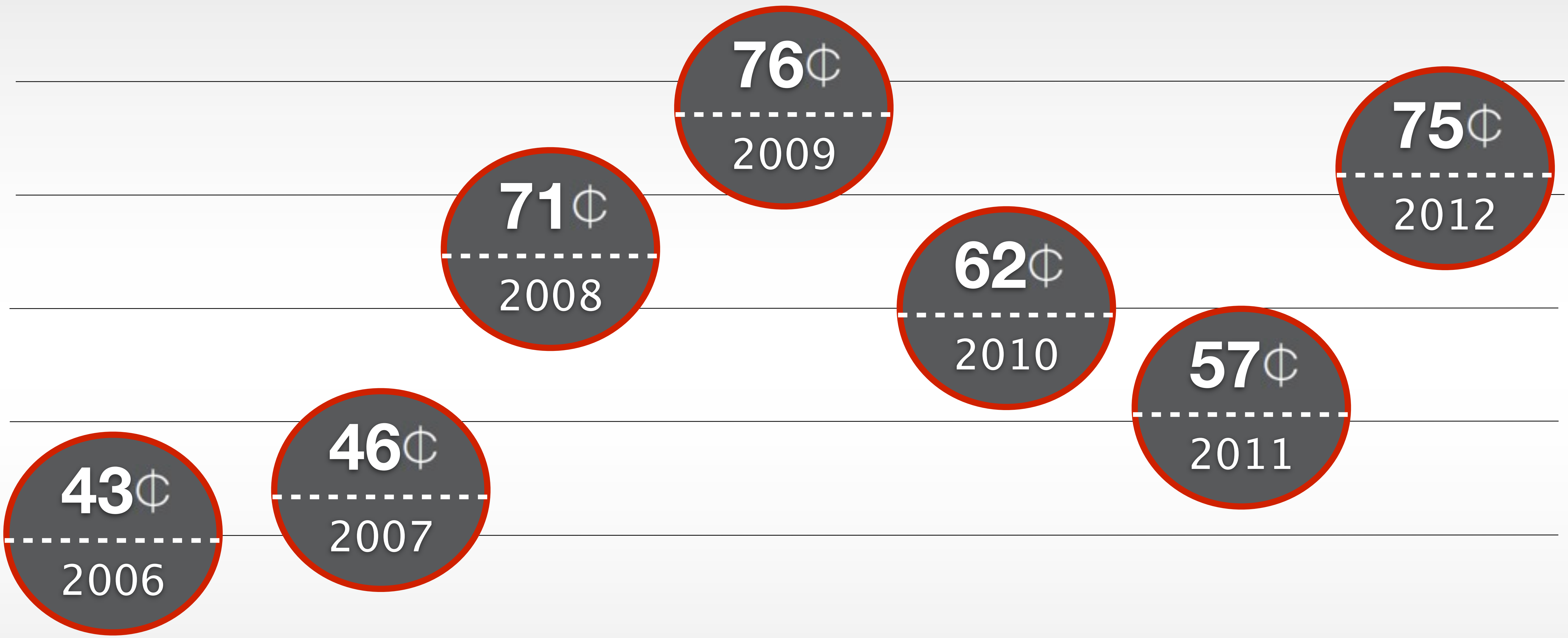
Activation
Results

Canadian Sponsorship Landscape Study

ACTIVATION RATIO



United States (IEG): $1.50 $1.40 $1.40 $1.60 $1.70

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Canadian Sponsorship Landscape Study

ACTIVATION BY SPONSOR

Where Are These Dollars Spent?

Tactic	2011	2012	Change
Social media	10.1%	16.1%	6.0%
Hosting/hospitality	13.8%	14.6%	0.8%
Public relations	10.6%	14.5%	3.9%
Advertising	13.2%	11.5%	-1.7%
Creating branded content/events	11.6%	11.4%	-0.2%
Product sampling	4.2%	7.1%	2.9%
Internal Marketing	2.1%	6.3%	4.2%

Note: Social media has increased from 3.9% in 2009.

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ACTIVATION BY SPONSEE

Where Are These Dollars Spent?

Tactic	2011	2012	Change
Hosting/Hospitality	20.8%	23.1%	2.3%
Advertising	26.1%	13.5%	-12.6%
Ancillary Events	2.3%	11.6%	9.3%
Publicity	19.0%	10.0%	-9.0%
Others	7.0%	9.1%	2.1%
Public Relations	9.6%	9.0%	-0.6%
Athlete	0.8%	7.1%	6.3%

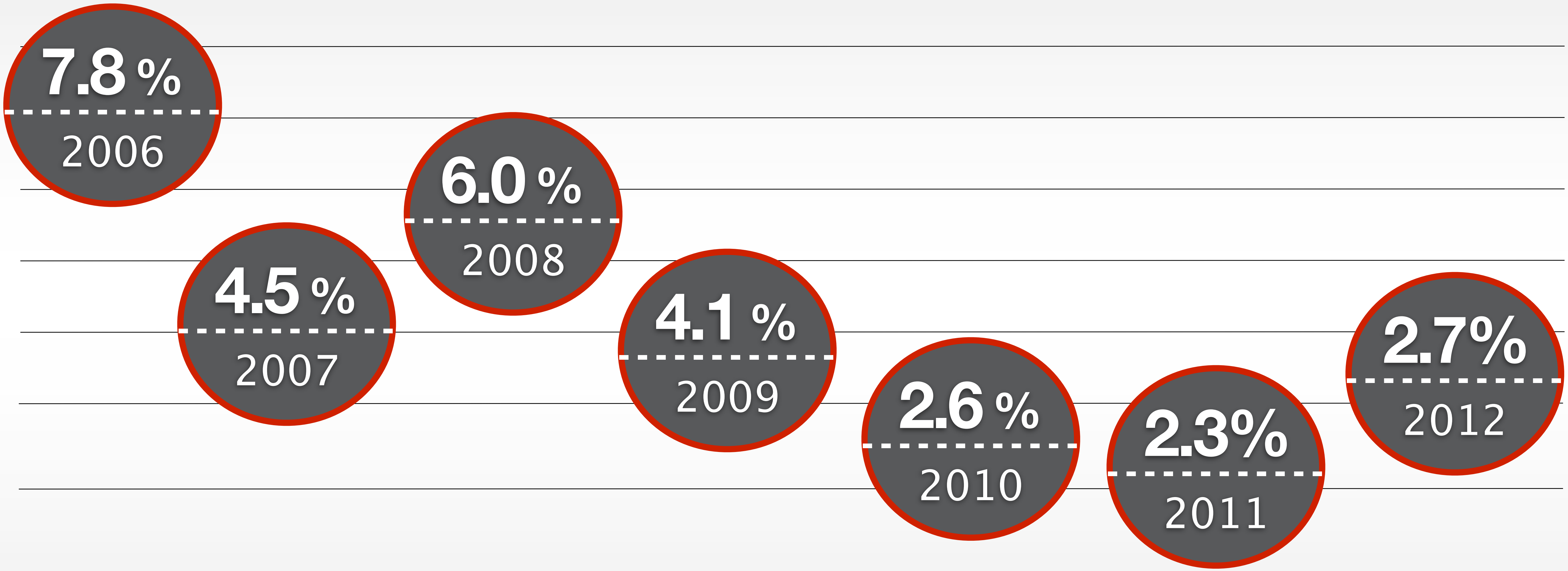
Others: Speaking fees, signage, accommodations, agency fees, tickets, official product, servicing, staffing, travel, social media

POLL QUESTION

Evaluation Results

Canadian Sponsorship Landscape Study

EVALUATION



Pre-Sponsorship Evaluation: 14.90% in 2012

Agencies Involved: 50.1 % of sponsorships evaluated

EVALUATION

- Brand tracking studies
- Media awareness
- Employee engagement
- "Attributable" sales
- Combination of media impressions and sales promotions
- Mixed methods
- What is the most effective method?
- ROO
- Sales
- Onsite surveys
- Earned media
- Survey data
- Written reports

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POLL QUESTION

Service Results

POLL QUESTION

Canadian Sponsorship Landscape Study

VALUE OF SERVICES

Importance and Provision of Services to Sponsors

Variable	2012 Importance	2012 Provided	Difference
Resources for activation program	4.33	2.59	1.74
Sponsor recall stats	3.63	2.52	1.11
Concluding report/ audit	3.61	3.03	0.58
Audience loyalty stats	3.59	2.74	0.85
Information on purchase behaviour of target group	3.48	2.27	1.21

Note: All differences significant at the $p < .05$

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Qualitative Results

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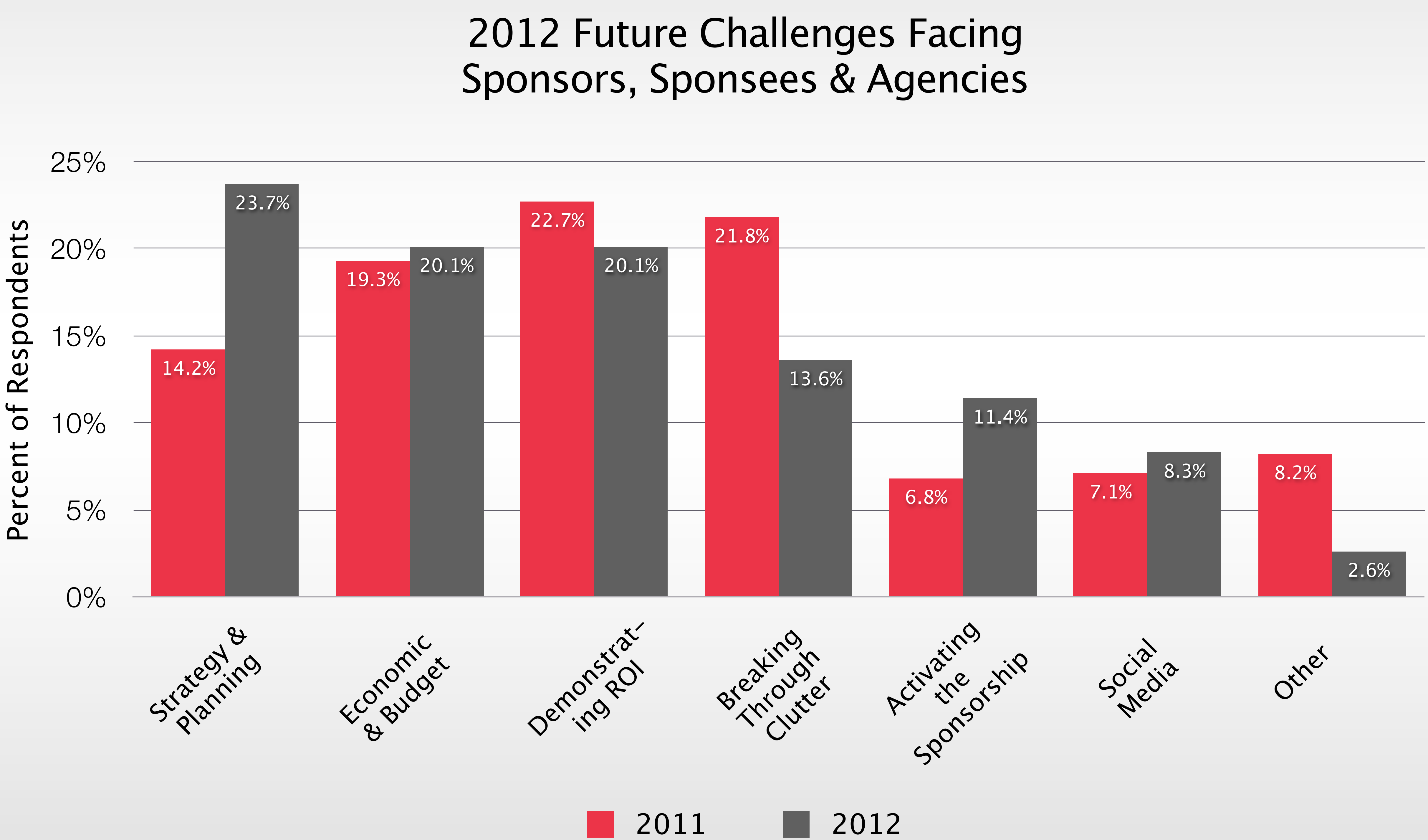
FUTURE CHALLENGES



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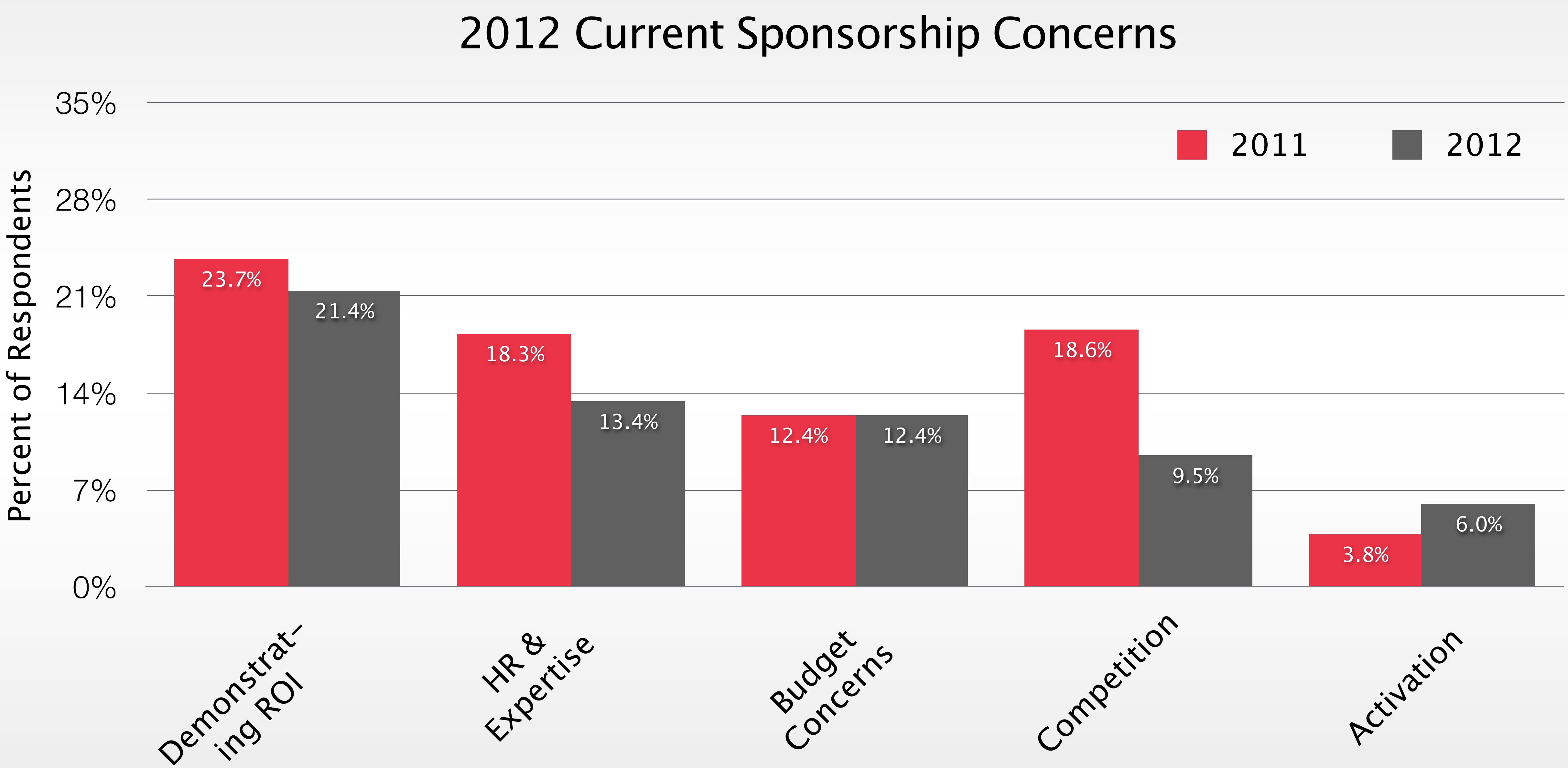
FUTURE CHALLENGES

"Striving towards meaningful partnerships that align with multiple business units on both the sponsor and sponsee side."

"Customer service (or a lack thereof) by sponsees and a historical view of "what's in it for me?" not a servicing view of "what can I do for them?"

"Growing competition for sponsorship dollars as increase in sponsorship fluency permeates non-profit sector."

SLEEPLESS NIGHTS



New for 2012: Securing Sponsorships 28.0%
Servicing Sponsorships 13.2%

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SLEEPLESS NIGHTS

"Figuring out our value proposition and its worth to sponsors and which sponsors would value it the most highly."

"Lots of properties continue to not understand the importance of understanding the needs of brands/sponsors."

"Finding the right mix of properties and activation spend to maximize ROO."

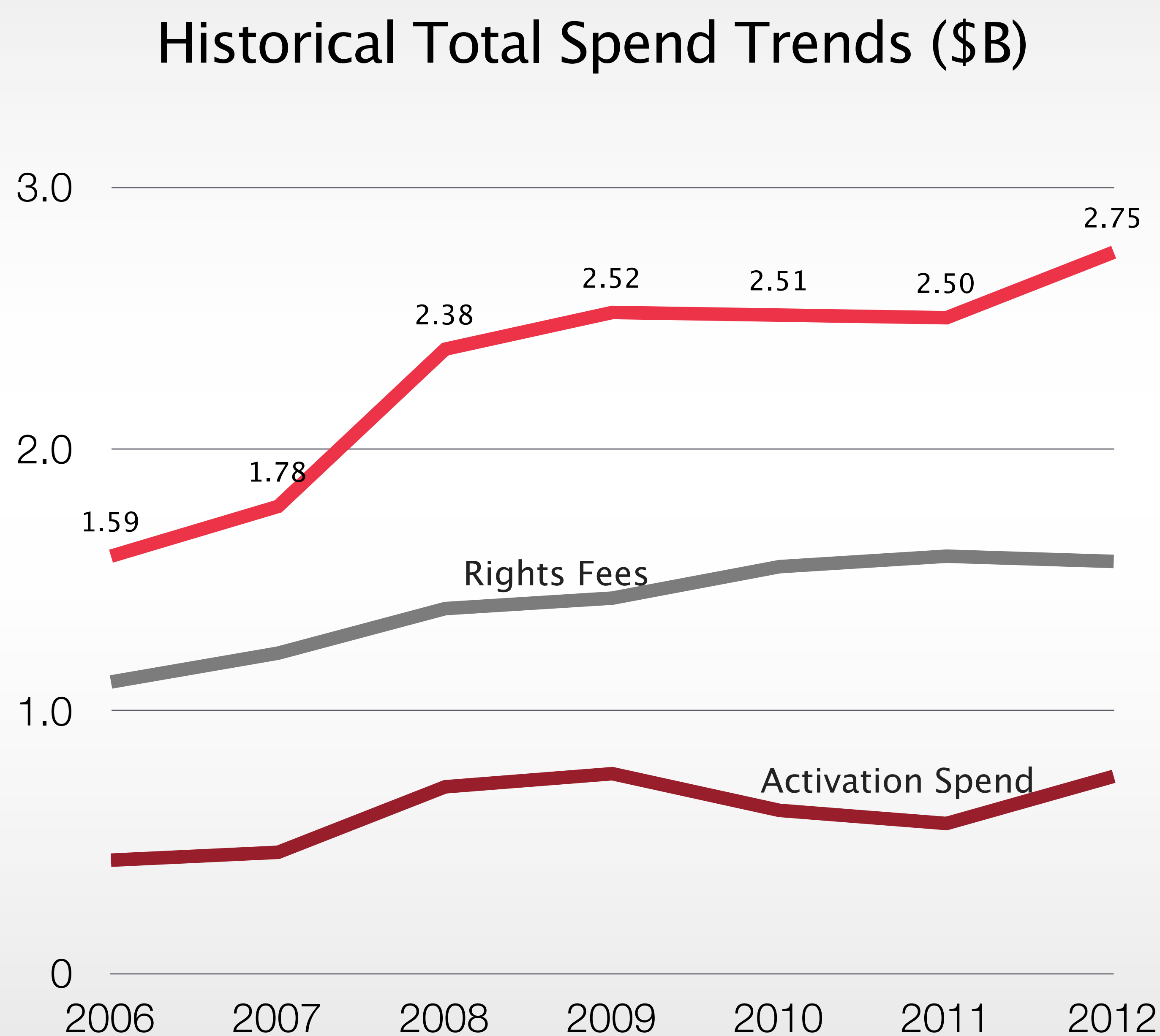
"Finding long term sponsorships partners to help support the organization."

"Ensuring we have a big pipeline of prospects and no stone is left unturned."

3 Sponsorship in 2013

ACTIVATION REBOUND

KEY



Findings

↓ Rights Fees

↑ Activation Ratio

↑ Total Spend

2013 Activation

$1.57B Rights Fees

0.75 Activation Ratio

$2.75B Total

Agency by Client

$756,750 Activation Investment in 2012*

*Excludes outliers >$20 M

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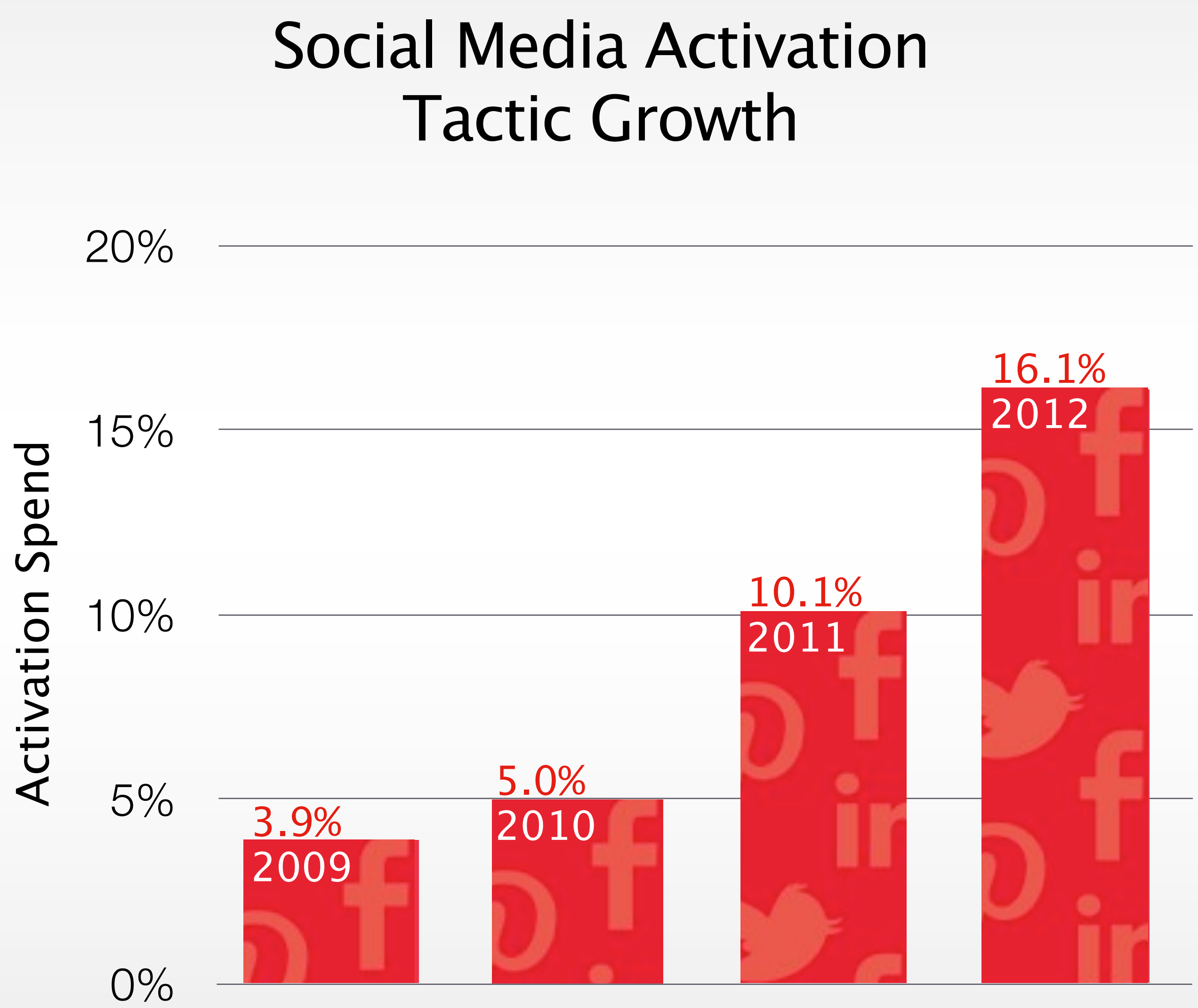
SOCIAL MEDIA FRENZY

KEY



Important Digital Activities

Blogging
Evaluation
Public Relations
Strategy
Email Updates
E-Newsletters
Website
Communications
Design

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SOCIAL MEDIA AND...?

KEY

Theme 1: Integrating Traditional & Social Media

"In figuring out how to balance traditional and digital, it is very important to track what's trending and advise how to capitalize on opportunities."

Theme 2: Social Media Asset Value

"We need to learn the valuation of digital and social media assets."

Theme 3: Creativity in Digital Partnerships

"Le développement d'idéation sur mesure avec les partenaires numériques est clé."

WOMEN & SPONSORSHIP

KEY

Decision Maker Disconnect

Sponsors

4.8% Of Sponsorships Have Women As Primary Target Market

17.2% Of Sponsorship Investments Target Women

31.0% Expect Sponsorships Targeting Women to

Sponsees

6.3% Of Sponsorships Have Women As Primary Target Market

66.3% Of Volunteers Are Women

4.7% Were Received from a Sponsor Whose Primary

Agencies

35.0% Of Sponsorships Have Women As Primary Target Market

13.1% Of Full Time Staff Are Women

46.0% Of Full Time Sponsorship Staff Are Women

Overall

29.8% Of Primary Sponsorship Decision Makers Are Women

37.7% Of Sponsorship Staff Are Women

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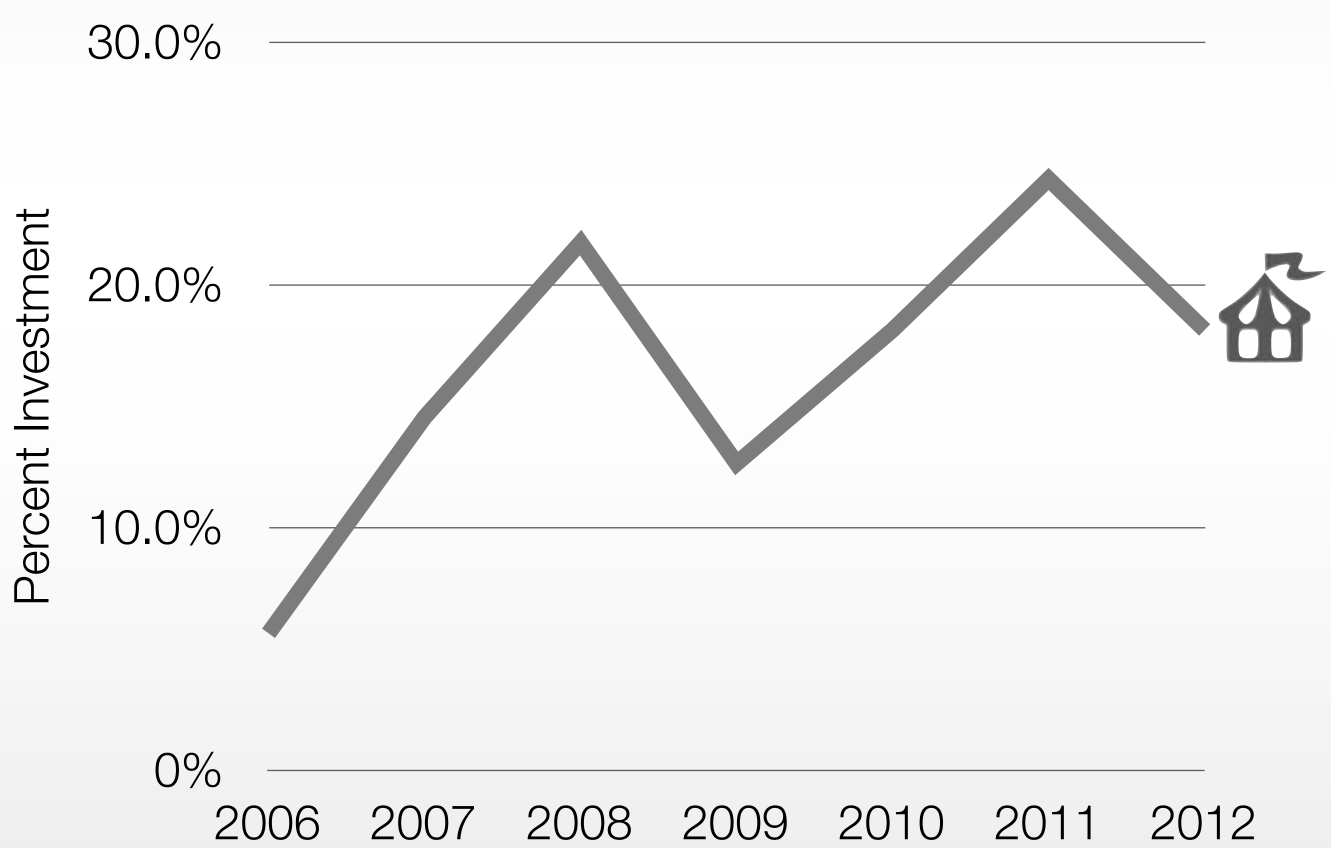
FESTIVALIZATION MATURES

KEY

Festival Sponsorship Investment

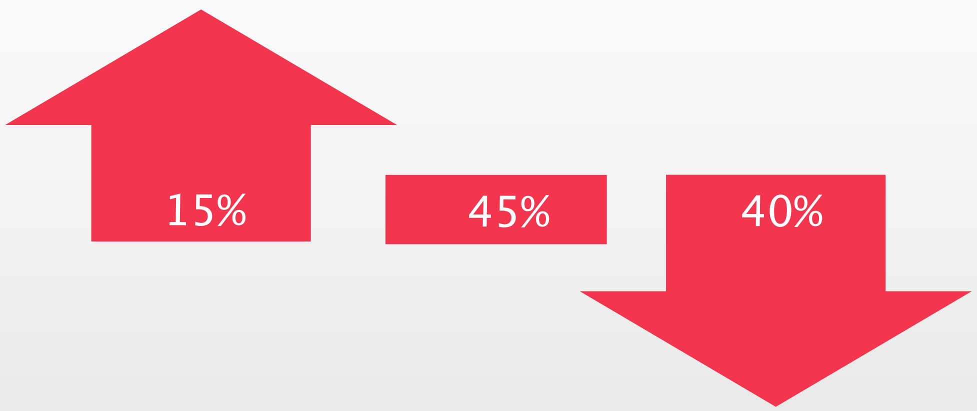


2012 Findings (Agencies)

30.8% Completed Work for a Festival Sponsor

46.2% Completed Work for a Festival Property

Expectations for Next Year



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FESTIVALIZATION SECRETS

KEY

Sponsors Invest in Festivals for a Variety of Reasons

"Présence Régionale."

"Captive Audience."

"100% traditional tie to sports and direct relationship with our brand."

"Allows us to diversify our sponsorship portfolio and connect with customers who are not sports fans."

"Fit our focus areas of youth and health."

"Support of local grassroots cultural events and to build goodwill with local communities."

COMMUNITY MATTERS

KEY

Link Activation to Community Benefits and Needs

"Améliorer qualité de vie des gens dans la communauté par des programmes reliés aux commandites."

Provide Value to Participants

"By providing incentives that encourage participation, and adding PR value through sponsee's social media, PSAs, or by brining high profile personalities to events."

Maximize Experiential Opportunities

" Focus on donations, in kind sponsorship, education and health programs, employee engagements events, youth wellness, and festivals to engage at the grassroots levels."

"Sponsorship allows the private sector to become players in and stakeholders in the shared vision, volunteerism, and collaborative programs of a community..."

4 So What?

CSLS SUMMARY

2013

Tells a Good Story!

Smarter

Spending ↓, Activation ↑, Total Spending ↑

Progress

Evaluation, Social Media, Activation, Servicing

Festivalization

Here to Stay

Women

Representation & Targets

TODAY'S GOALS

Goal #1: Explore Revenue Generation Alternatives

Revenue Generation is complex with a variety of considerations

Goal #2: Share Current Sponsorship Reality in Canada

Sponsorship is growing in Canada, with a number of particular opportunities

In 2012, we saw improved practice and increased sophistication

Goal #3: Inform the Olympic Sport Community on Action

Application to your sport: (i) understand your reality, (ii) use time wisely, (iii) info for Board reports/communications, (iv) info for sponsor decks, (v) development of sponsorship policies and practices (activation, evaluation, servicing)

Application to you: focus on what you do best

Sponsorship may or may not be for you. Be sure before you invest.

Sponsorship secrets: activate, evaluate, service

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ACADEMIC LIT SUMMARY

Sophisticated!

Key Themes Today

Sponsorship-Linked Marketing

Sponsorship Evaluation

Public-Private Partnerships

Relationships: Trust

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FINALE

So what?

Is sponsorship for you?

Are you sure?

Need revenue. What are alternatives?

What can you do to make sponsorship and/or partnerships work?

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ABOUT THE SPEAKER

Dr. Norm O'Reilly, Lead Researcher

Contact

- norman.oreilly@ottawau.ca

Norm O'Reilly is an accomplished scholar and active business professional. He is full-time, tenured professor at the University of Ottawa's Faculty of Health Sciences, specializing in sport business. Norm is also a minority owner and Senior Advisor with TrojanOne. He is an active researcher, consultant and expert witness in sport and business throughout North America.

Prior to joining to the University of Ottawa, he previously taught at the David Falk Center for Sport Management at Syracuse University, the Graduate School of Business at Stanford University, the School of Sports Administration at Laurentian University where he also served as a former School Director and Director of the Institute for Sport Marketing, and the Ted Rogers School of Management at Ryerson University. Dr. O'Reilly is an active researcher and he has published 5 books, over 50 articles in refereed management journals and more than 100 conference proceedings and case studies in the areas of sport management, tourism marketing, marketing, risk management, sport finance, and social marketing. He is the former North American Editor of the Journal of Sponsorship and sits on the editorial boards of the International Journal of Sport Finance, the International Journal of Sport Communications, and is a Regional Editor for the Sport, Business, and Management Journal.

Norm has considerable experience as a volunteer Board Member and Executive Board Member of multiple organizations (including the Canadian Olympic Committee, Diving Canada and Triathlon Canada), employee, and consultant. Prior to joining academia, Norm had involvement as an administrator, including Senior Policy Officer at Sport Canada, Team Manager & Office Manager at Triathlon Canada, and Event Manager for the 2008 Toronto Olympic Bid. He has been a member of the 2004, 2008 and 2010 Mission Staff for the Canadian Olympic Committee at the Olympic Games.

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THANK YOU

October 22
Succession planning

November 19:
Conflict Management

December 17:
Building a communication plan

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