

SPORT GOVERNANCE WEBINAR SERIES
LA GOUVERNANCE DU SPORT SÉRIE DE WEBINAIRES

REVENUE GENERATION IN SPORT



HOSTED BY/ PRÉSENTÉ PAR

SIRC

Sport Research
Intelligence sportive

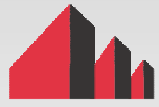
SEP 24th, 2013



SIRC SEMINAR SERIES

Revenue Generation in Sport

Norm O' Reilly



today's webinar

Goal #1: Explore Revenue Generation Alternatives

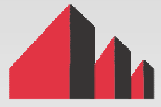
What is revenue generation?
I Need revenue. What are alternatives?

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?



Today

1

Revenue Generation 101
Introduction, Alternatives

2

7th Annual CSLS Results
History, Method, Findings, Trends, Estimations & What is to Come

3

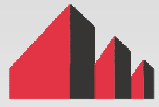
Sponsorship in 2013
Academic Lit Summary
Key Lessons from CSLS

4

So What?

1

Revenue Generation



Poll questions

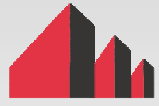
When we think of Revenue Generation in Sport, in what do you think of?

Should every sport organization pursue sponsorship?

Yes

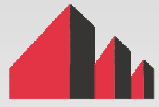
No

Not sure



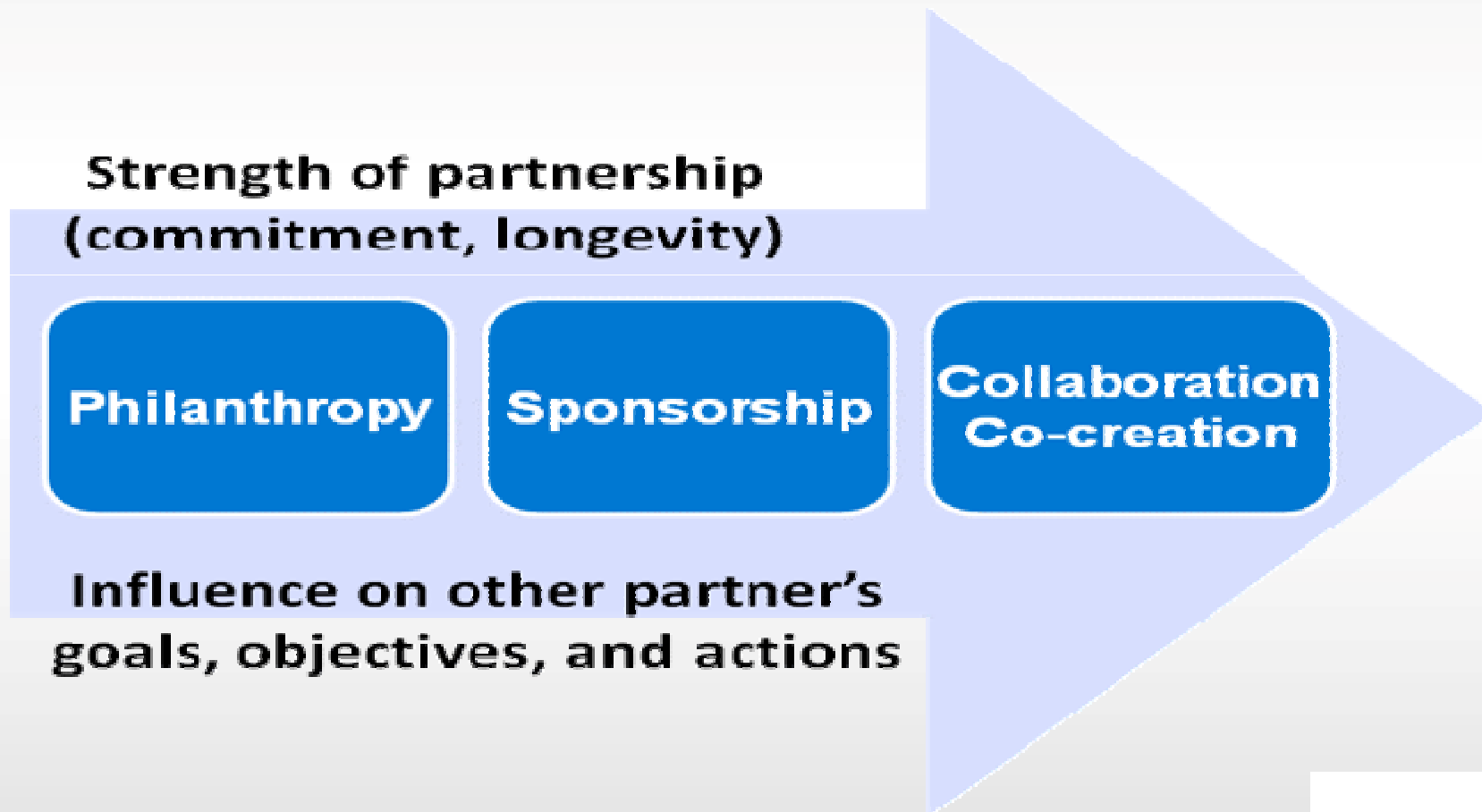
Revgen 101

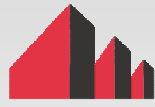
- Two Forms: (i) generate more, (ii) reduce costs
- Two Ways: (i) direct, (ii) indirect (via intangibles)
- Two Time-Frames: (i) short-term, (ii) long-term
- Two Scopes: (i) marketing through sport, (ii) marketing of sport
- Two Dimensions: (i) at event, (ii) off-the-field
 - At Event: sanction fees,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



Marketing-based revenue

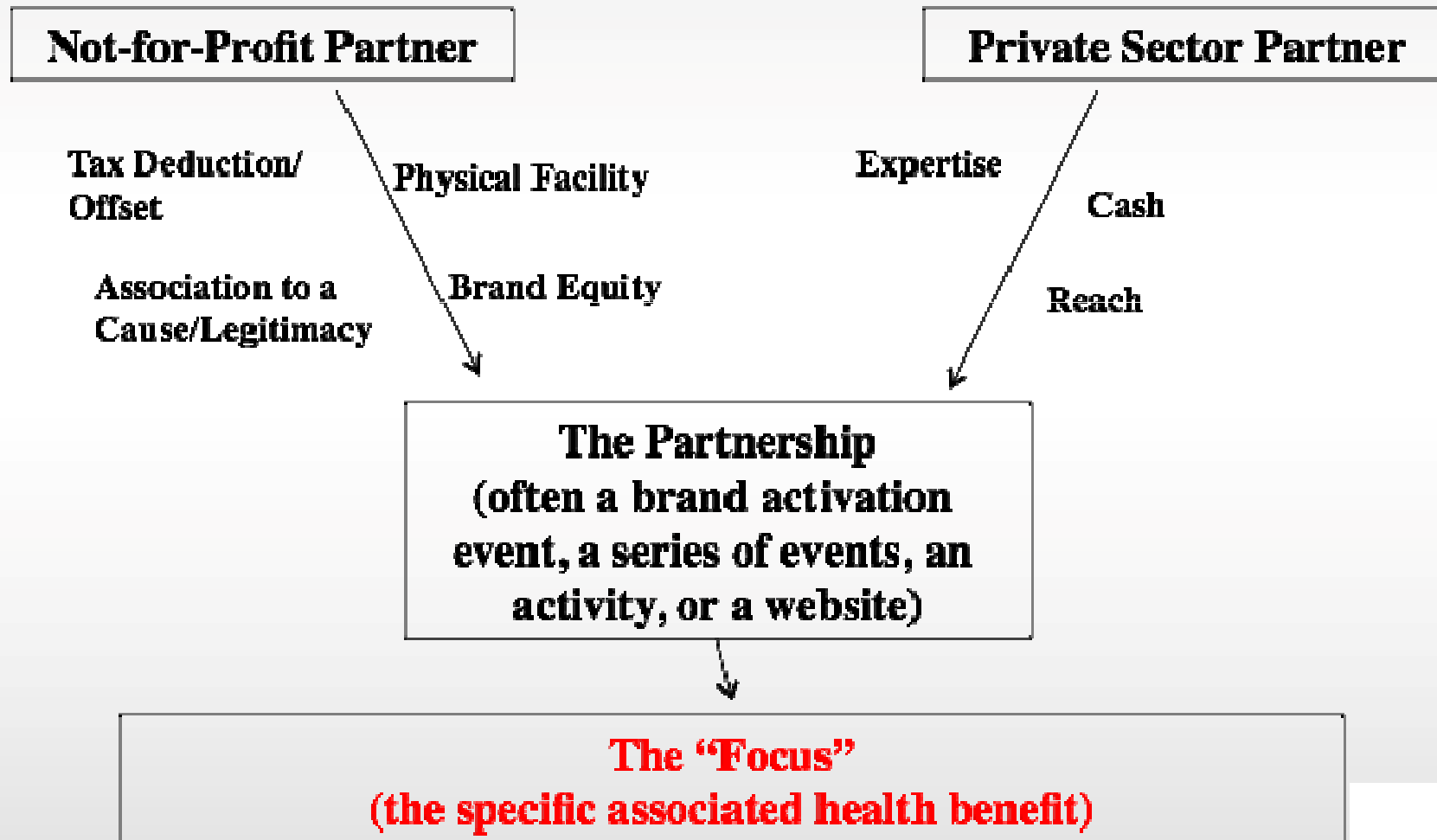
Literature Review Findings: The Partnership Continuum





Marketing-based revenue

Conceptual Development: Partnership Resource Flow



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

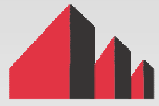
Elisa Beselt | TrojanOne

Research Partners



Co-Presenting Partners



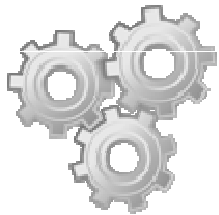


METHOD



Design

Triangulation, Industry, Canada



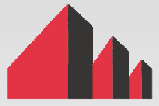
Process

Snowball, Online, Database, Social Media



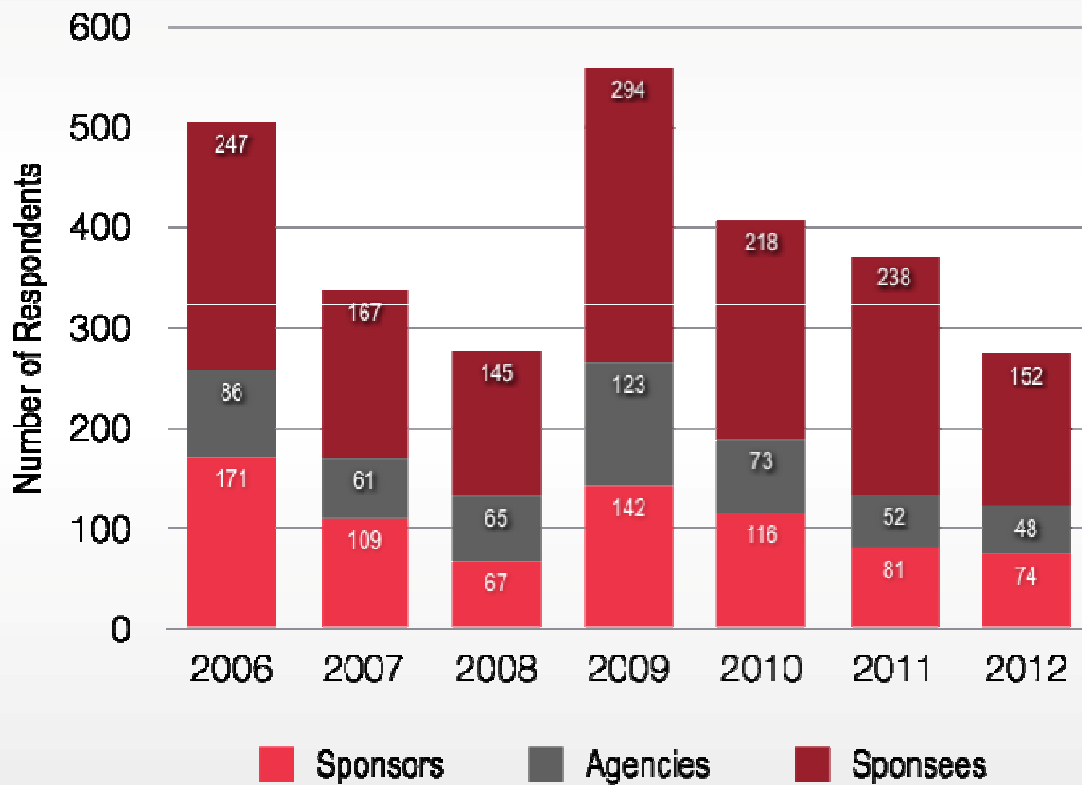
Analysis

Best-Worst Scaling, Trend, Comparative, Estimation



Respondents

CSLS Survey Respondents



274 Responses

74 Sponsors

152 Sponsees

48 Agencies

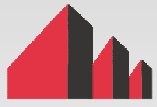
About

49.6% For-Profit

50.4% Not-For-Profit

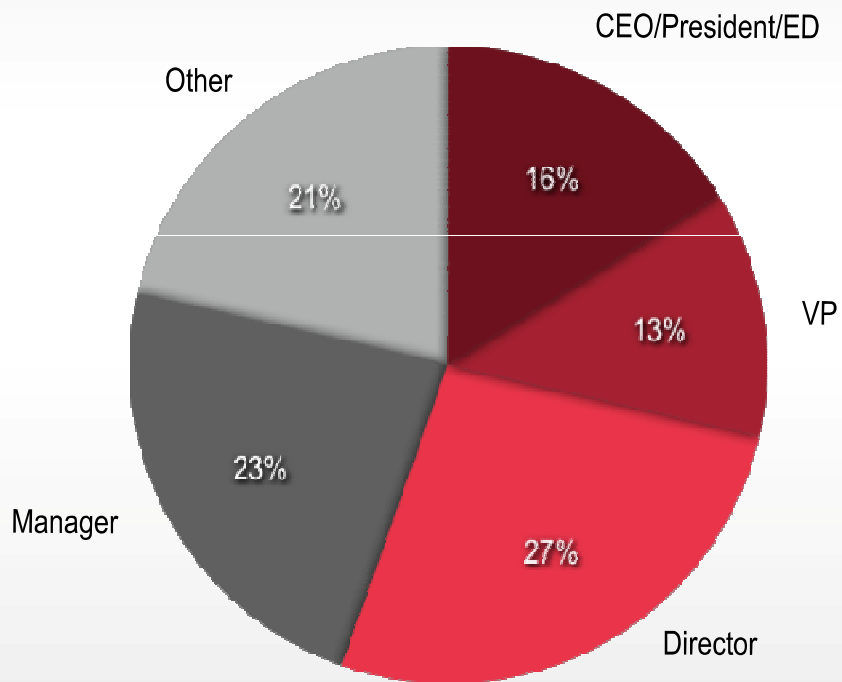
74.3% English

25.7% French



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

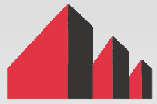
41.0% Director/Manager

4.0% Other

29.8% Are Women

Sponsors

n=74



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
50.5% Not-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
primary target market

17.2%
of sponsorship investments targeted
women

Positive outlook:
0% decrease
31% increase
69% same

Sponsees

n=152



About the SPONSEEs

Range in size from **0** staff
to **750** employees.

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

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 women

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

14.6% Local

4.1% of sponsors are located
“fully outside of Canada” and **13.0%** have HQ
outside of Canada

\$2,481,786

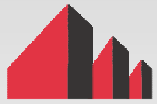
average sponsorship revenue

Sponsorship revenue
range from

\$5K to \$30M

Agencies

n=48



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
\$10K to \$400K

Agency Reach:

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

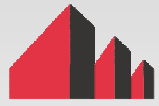
21.73
average # of sponsorships worked
on in 2012

Agency Types:

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

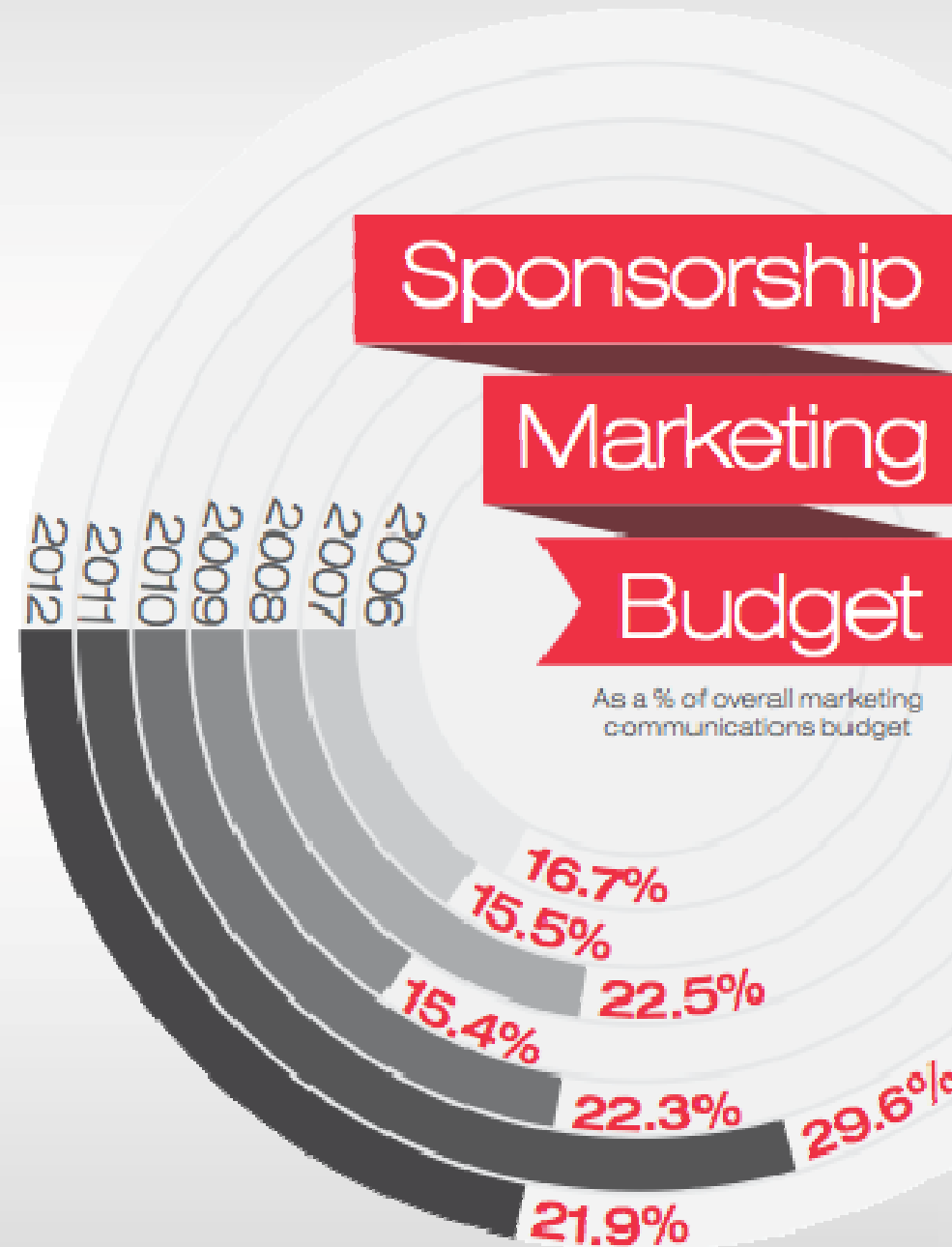
Investment

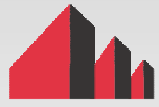
Results



Marketing Budget: SPonsors

Expected Change for 2013





Industry size

Industry Size

INDUSTRY SPENDING
+43%

2012 **\$1.57B**

2011 **\$1.59B**

2010 **\$1.55B**

2009 **\$1.43B**

2008 **\$1.39B**

2007 **\$1.22B**

2006 **\$1.11B**

Modest Outlook

21.4% Increase (by 7.7%)

35.7% Decrease (by 27.0%)

42.9% Stay the Same

2013 IEG Projections

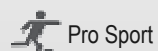
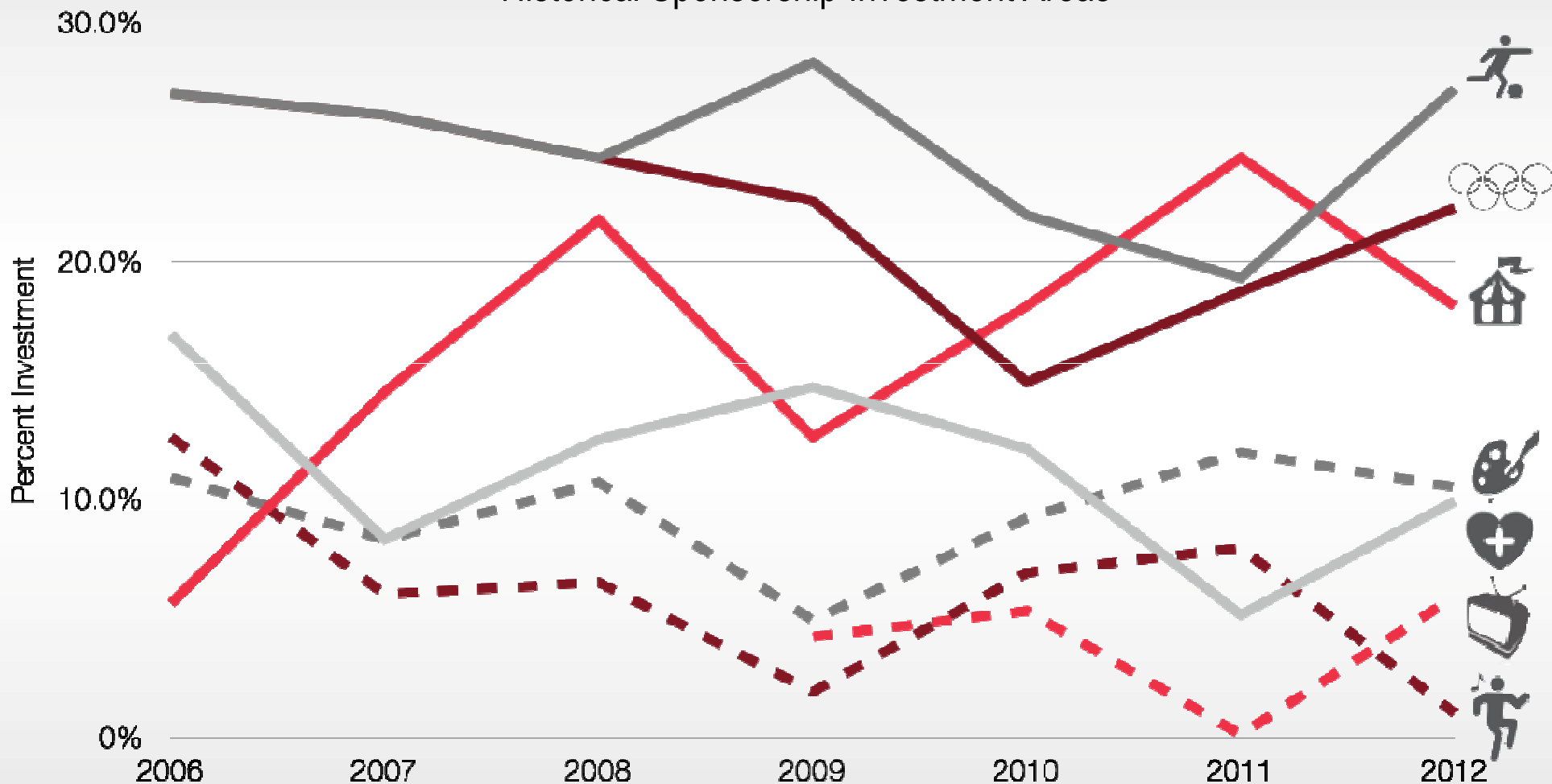
\$19.9B North American Sponsorship Spending (↑ 5.5%)

\$53.3B Global Sponsorship Spending (↑4.2%)



sponsorship mix

Historical Sponsorship Investment Areas



Pro Sport



Am Sport



Festivals



Art



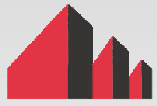
Cause



Media

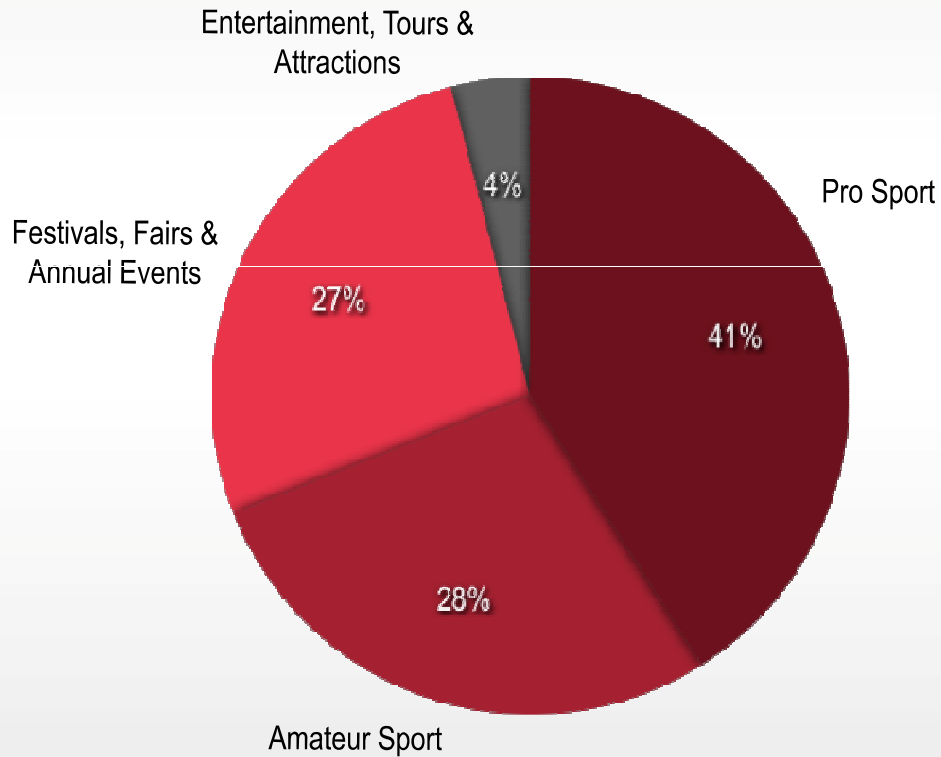


Entertainment, Tours, Attractions



LARGEST INVESTMENT

Category of Largest Investment

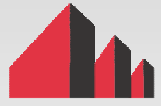


In Depth

\$1,055,000 Average Size

\$15K to \$4.5M Range

0 Identified as arts, naming rights, education or conferences



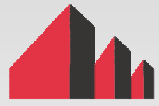
Poll question

In your view, has getting sponsors become more or less difficult since 2010?

Yes

No

Not sure



Community

KEY



International 1.0%



National 37.5%



Multi-Provincial 5.5%



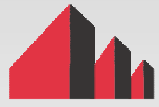
Provincial 11.7%



Regional 15.6%



Local 28.7%



Sponsee key category



18% Telecom



14% Financial Services



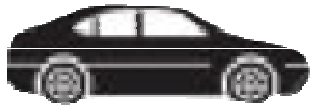
8% Oil & Gas



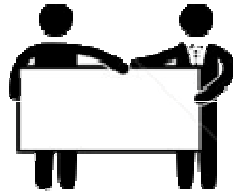
6% Beer



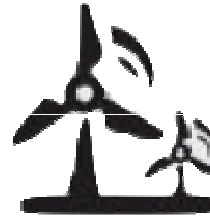
6% Athletic Apparel



4% Automobile



4% Lottery



4% Energy



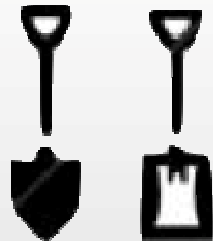
4% Pharma



4% CPG



4% Food



2% Developers



2% Agriculture



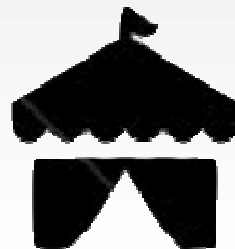
2% Retail

Agency billings

By Sponsorship Category



37.0% Sport



17.1% Festivals



14.0% Cause



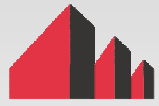
11.9% Arts



13.4% Others



6.5% Entertainment



Agency billing\$

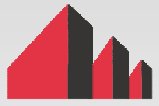
Areas of Sponsorship Billing

<u>Area</u>	<u>2011</u>	<u>2012</u>	<u>Change</u>
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](#)

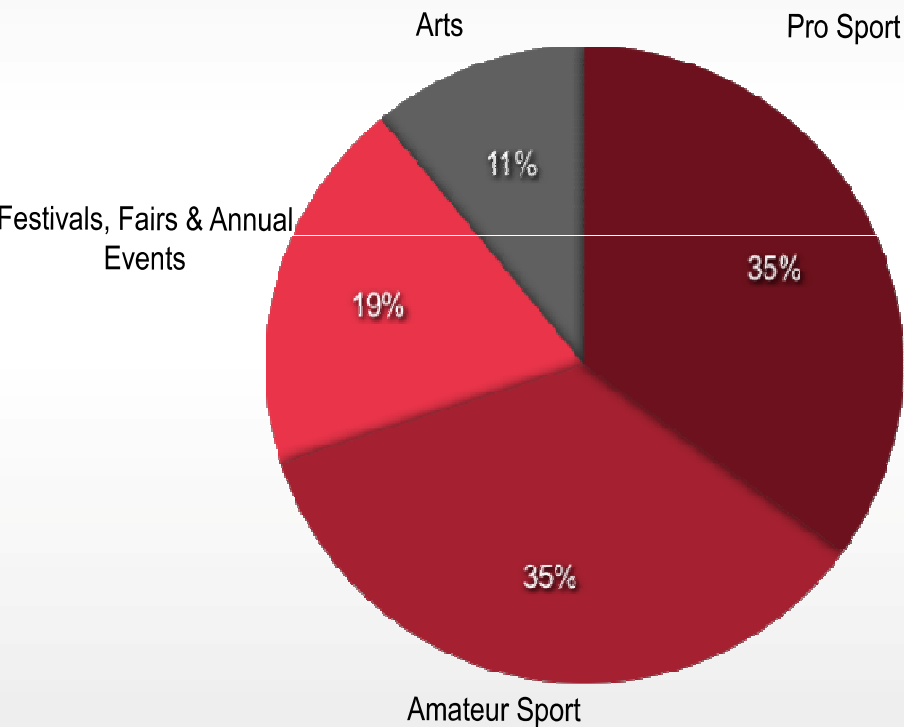
ROI

Results

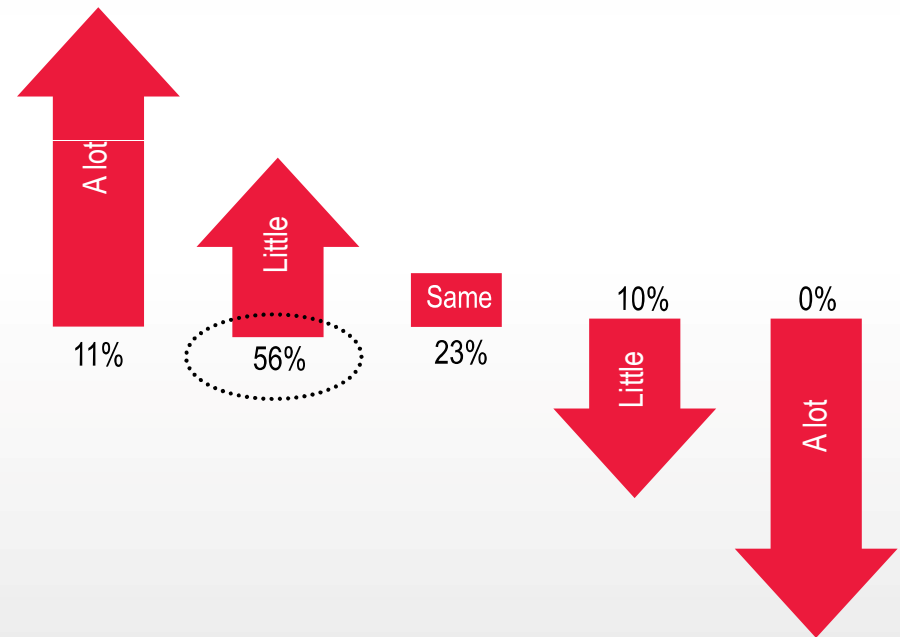


Sponsor ROI

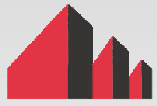
Greatest ROI by Category



ROI From Sponsorship Change in Past 2 Years

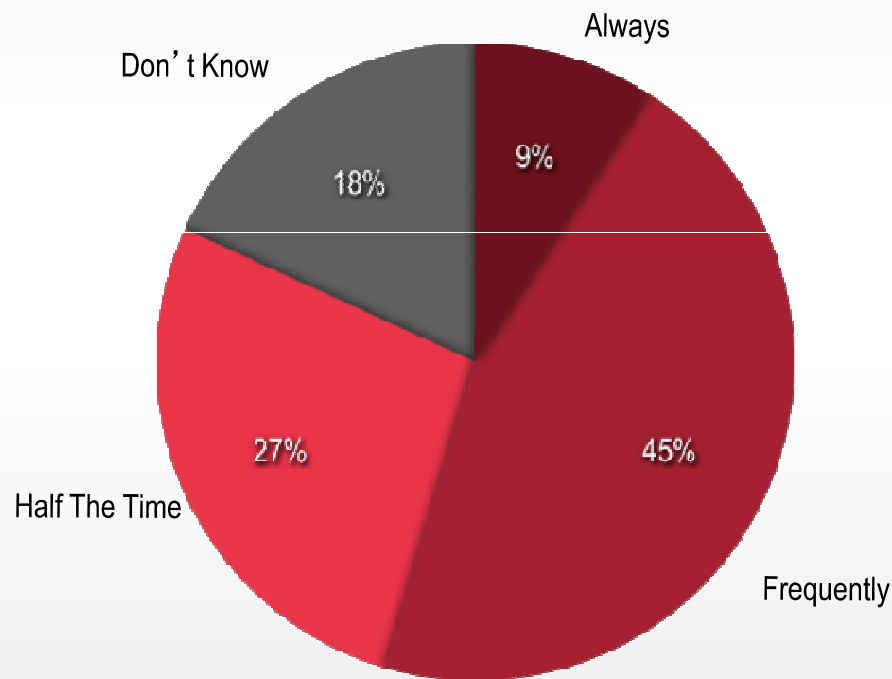


Overall Satisfaction with ROI: [3.44](#)



Renewal

Frequency of Renewal

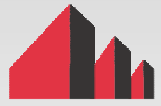


Factors Driving Renewal

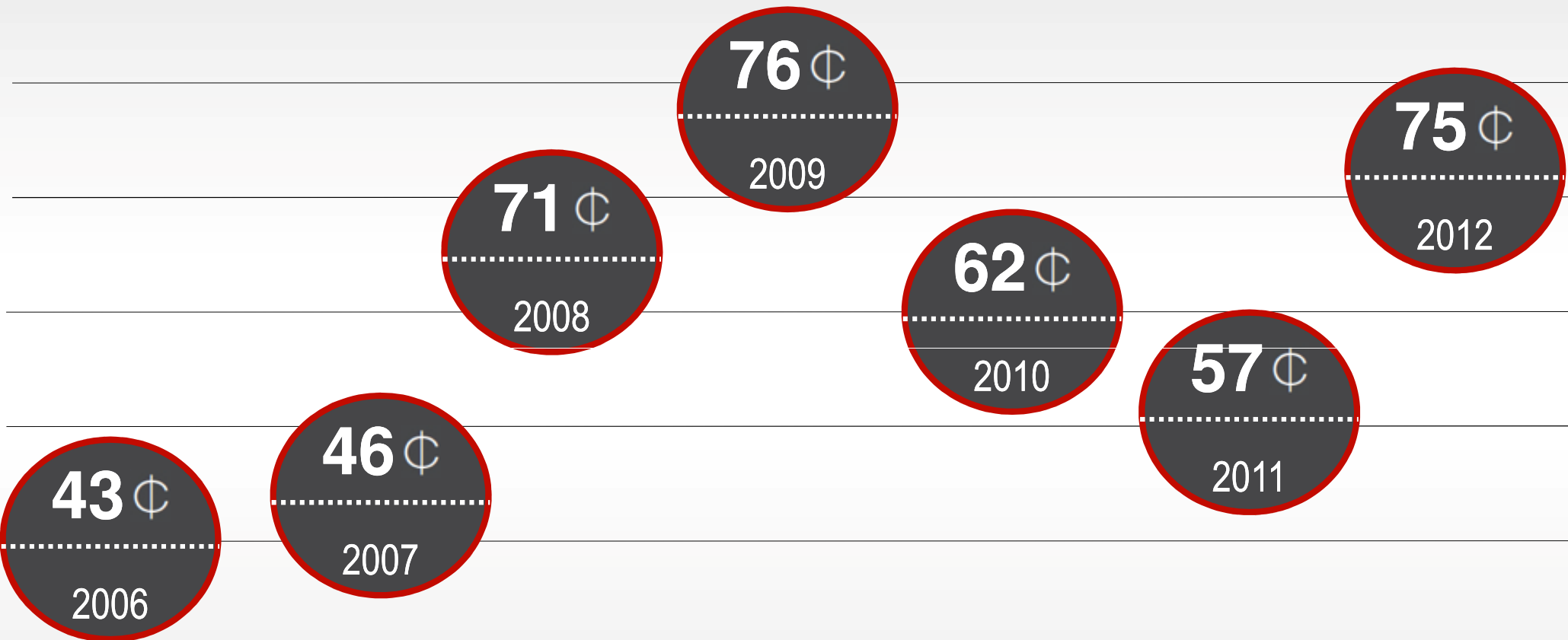
<u>Factors</u>	<u>Score</u>
Exclusivity protection	4.67
Impact on sales	4.00
Extent of media coverage	3.90
Impact on brand/retail traffic	3.90
Internal team's opinion	3.89
Sponsor-sponsee relationship	3.89
Data collected online	3.80

Activation

Results



Activation Ratio



United States (IEG):

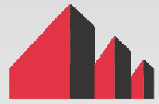
\$1.50

\$1.40

\$1.40

\$1.60

\$1.70

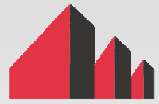


activation by SPONSOR

Where Are These Dollars Spent?

<u>Tactic</u>	<u>2011</u>	<u>2012</u>	<u>Change</u>
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.](#)

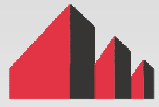


activation by sponsee

Where Are These Dollars Spent?

<u>Tactic</u>	<u>2011</u>	<u>2012</u>	<u>Change</u>
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](#)



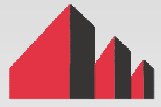
Poll question

Is the activation ratio, in general, for your organization and all the sponsorship you are involved with higher or lower than the .75:1 activation ratio?

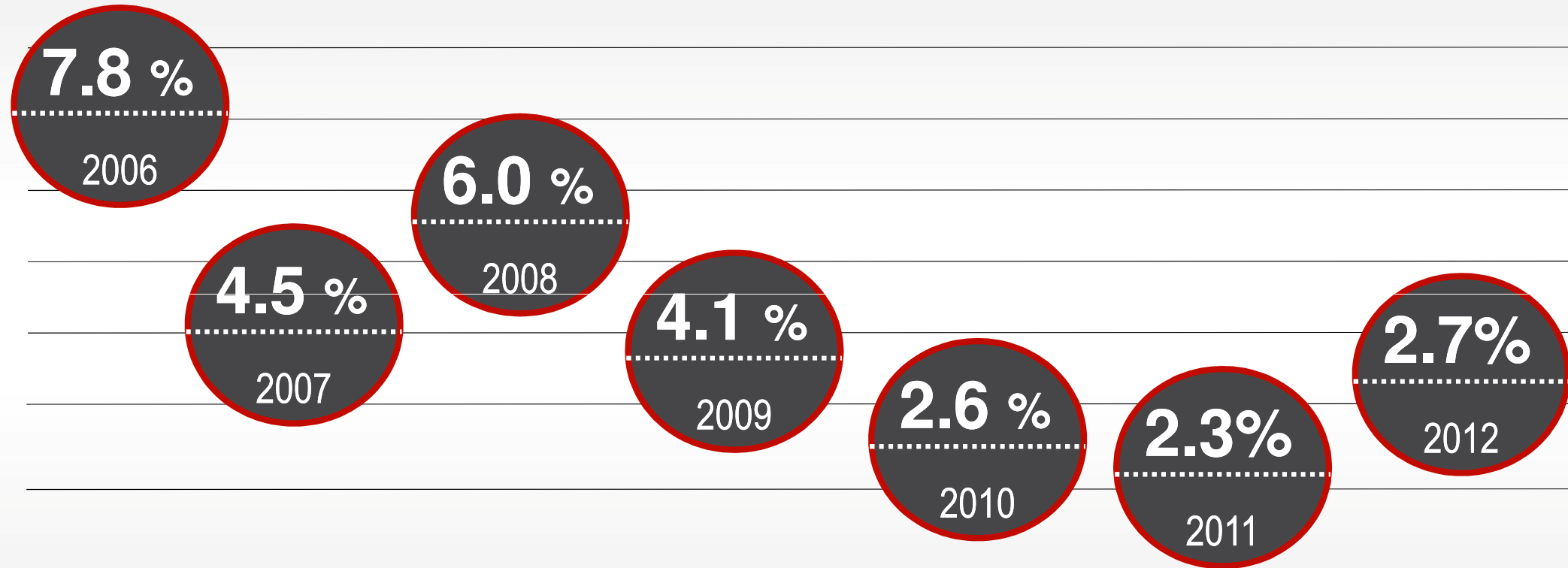
- Higher
- The same
- Lower
- Not sure

Evaluation

Results



Evaluation



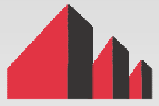
Pre-Sponsorship Evaluation:

14.90% in 2012

0.56% in 2011

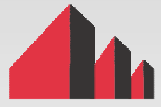
Agencies Involved:

50.1 % of sponsorships evaluated



Evaluation





Poll question

Does your organization evaluate its sponsorships?

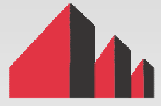
Yes

No

Not sure

Service

Results



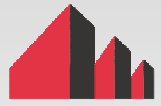
Poll question

Do you believe that your organization effectively services its sponsors?

Yes

No

Not sure



Value of ServiceEs

Importance and Provision of Services to Sponsors

<u>Variable</u>	<u>2012 Importance</u>	<u>2012 Provided</u>	<u>Difference</u>
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](#)

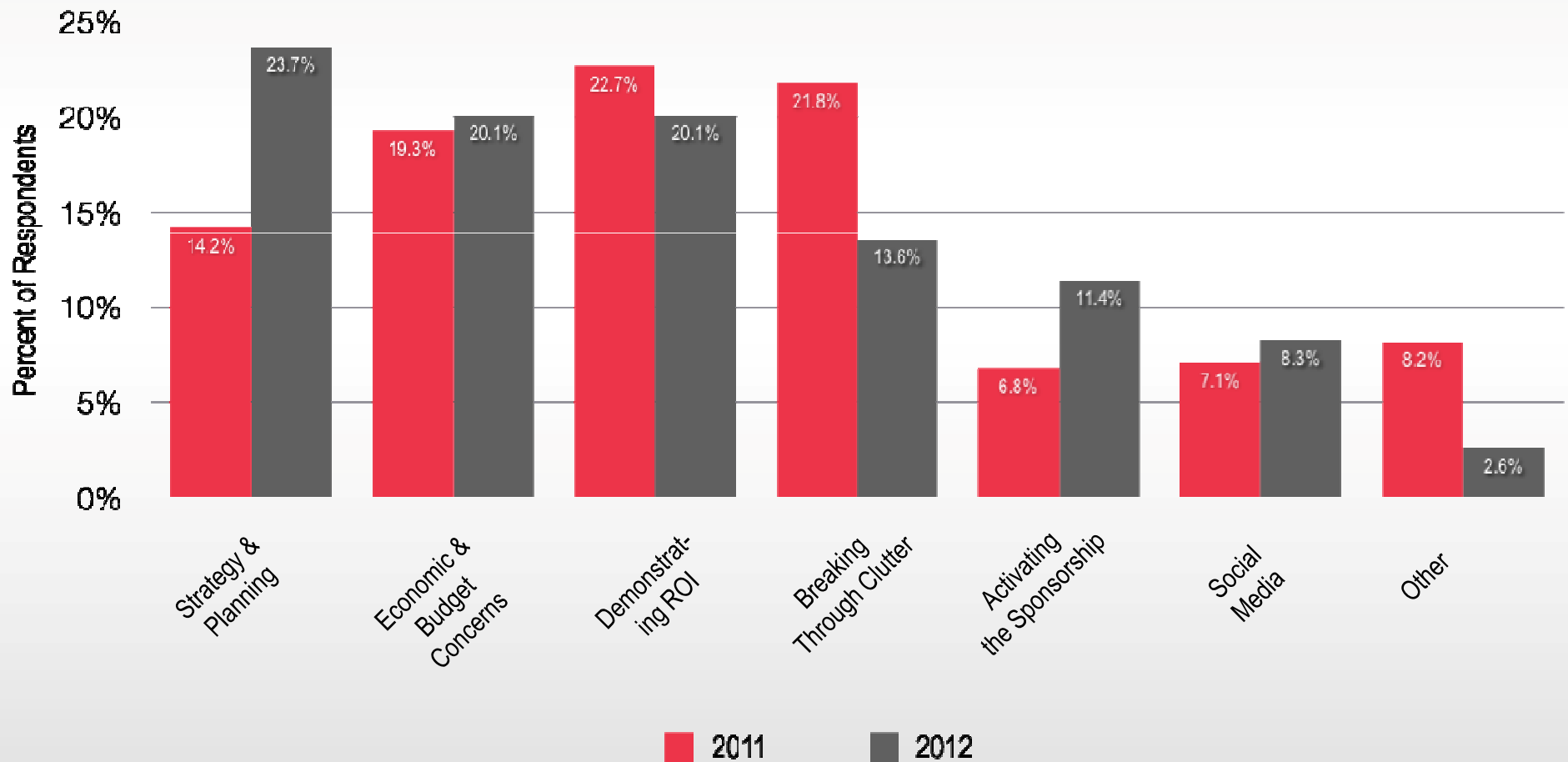
Qualitative

Results



FUTURE CHALLENGES

2012 Future Challenges Facing Sponsors, Sponsees & Agencies





FUTURE CHALLENGES

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

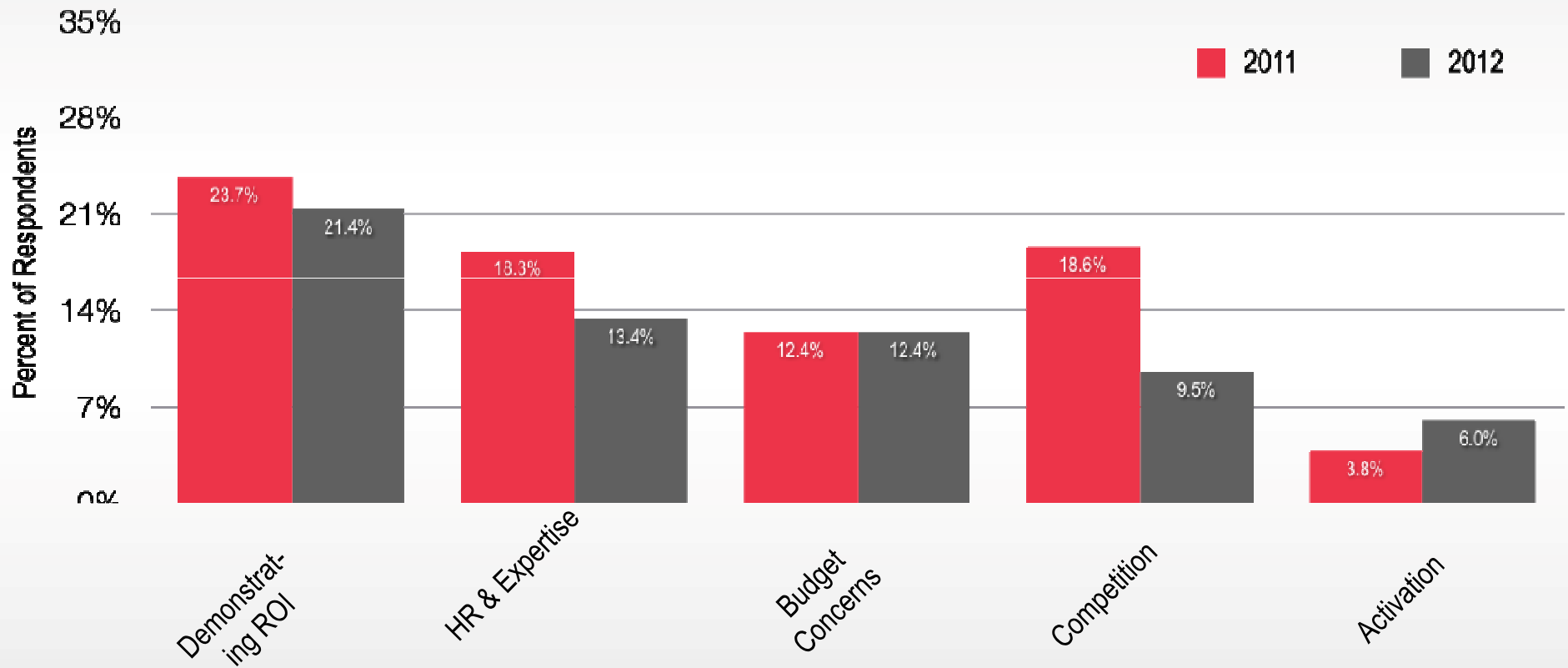
“Customer service (or a lack thereof) by sponsees and a historical view of “what’s in it for me?” not a servicing view of “what can I do for them?”

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



SLEEPLESS NIGHTS

2012 Current Sponsorship Concerns



New for 2012:

[Securing Sponsorships 28.0%](#)

[Servicing Sponsorships 13.2%](#)



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.”

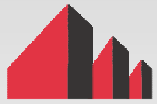
“Finding long term sponsorships partners to help support the organization.”

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

3

Sponsorship in 2013

Key Lessons from CSLS



Activation Rebound

KEY

Historical Total Spend Trends (\$B)



Findings

- ↓ Rights Fees
- ↑ Activation Ratio
- ↑ Total Spend

2013 Activation

\$1.57B Rights Fees

0.75 Activation Ratio

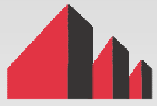
\$2.75B Total

Agency by Client

\$756,750 Activation Investment in 2012*

\$608,334 Activation Investment in 2011*

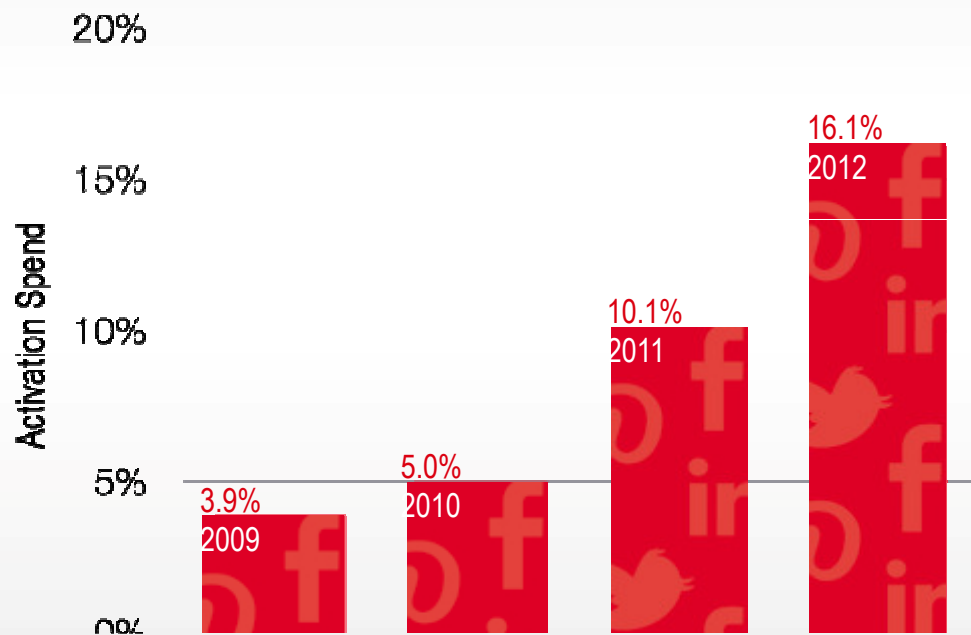
*Excludes outliers >\$20 M



Social media Frenzy

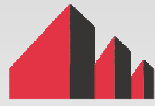
KEY

Social Media Activation Tactic Growth



Important Digital Activities

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



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

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 Increase

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

Sponsees

6.3% Of Sponsorships Have Women As Primary Target Market

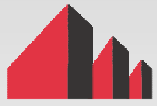
66.3% Of Volunteers Are Women

4.7% Were Received from a Sponsor Whose Primary Target Market Was Female Consumers

Overall

29.8% Of Primary Sponsorship Decision Makers Are Women

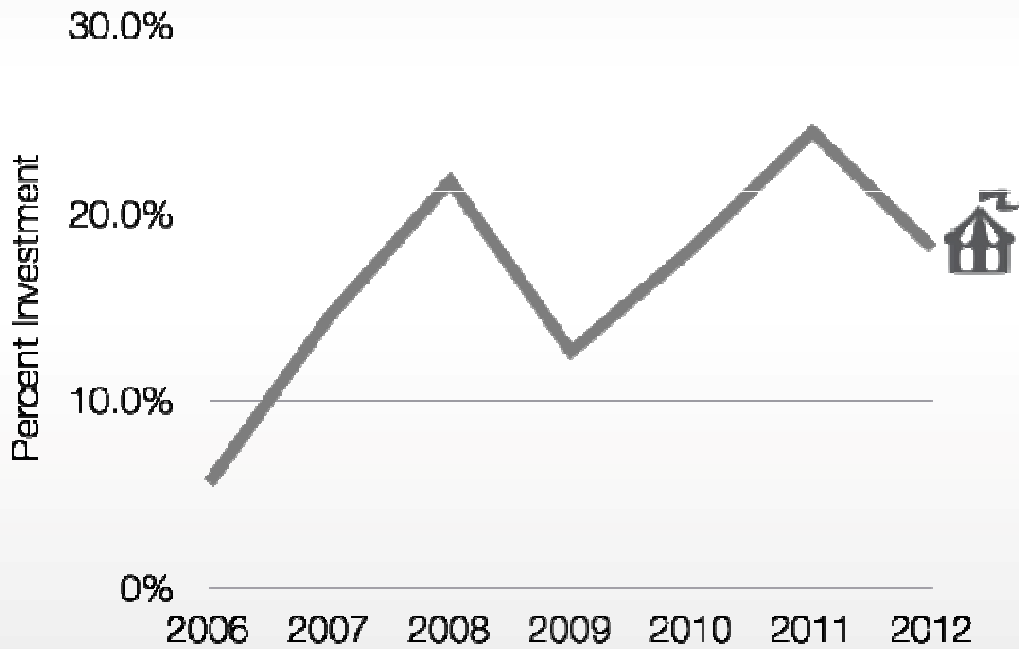
37.7% Of Sponsorship Staff Are Women



Festivalization Matures

KEY

Festival Sponsorship Investment

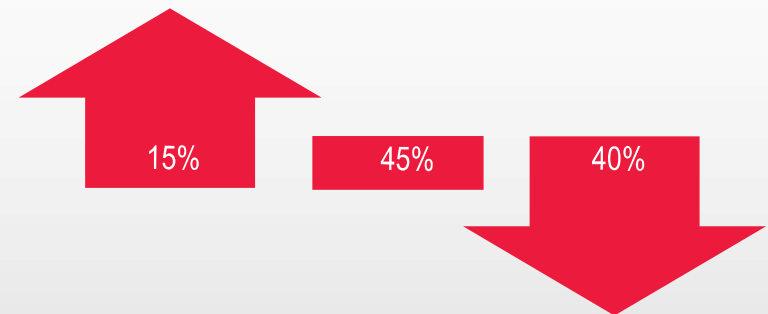


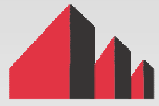
2012 Findings (Agencies)

30.8% Completed Work for a Festival Sponsor

46.2% Completed Work for a Festival Property

Expectations for Next Year





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.”

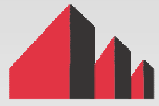
Maximize Experiential Opportunities

“ 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

2013

Tells a Good Story!



Smarter

Spending ↓, Activation ↑, Total Spending ↑



Progress

Evaluation, Social Media, Activation, Servicing



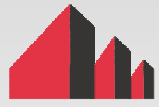
Festivalization

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

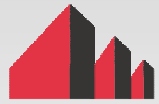
Application to your sport: (i) understand your reality, (ii) use time wisely, (iii) info for Board reports/communications, (iv) info for sponsor decks, (v) development of sponsorship policies and practices (activation, evaluation, servicing)

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

Organized sponsorship resources: activation, evaluation, services.



Academic lit summary

Sophisticated!

Key Themes Today

Sponsorship-Linked Marketing

Sponsorship Evaluation

Public-Private Partnerships

Relationships: Trust

Sport Communications

Is sponsorship for you?

Are you sure?

Need revenue. What are alternatives?

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



ABOUT the speaker

Dr. Norm O' Reilly, Lead Researcher

Contact

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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.

THANK YOU

October 22

Succession planning

November 19:

Conflict Management

December 17:

Building a communication plan

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REVENUE GENERATION IN SPORT QUESTIONS?



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