

Are Sponsorships The Black Hole in Your Marketing Mix?

Corporate sponsorships and celebrity endorsements represent a significant portion of the marketing mix among global businesses, and the recession has done little to change this commitment.

In fact, IEG estimates that 2009 will see \$45 billion in new sponsorship deals, \$17 billion of that by North American businesses. Since sponsorship fees themselves are typically only half of the spending to advertise and promote them, it is fair to estimate that corporations will spend close to \$100 billion on sponsorship-related marketing this year.

Despite their size, scope, and visibility, many companies are at a loss on how to handle their sponsorship investments in these tough economic times. Bank of America ended discussions with the New York Yankees for fear of consumer backlash, despite the fact that many of the bank's senior leaders thought the deal could be beneficial. Royal Bank of Scotland's decision to extend its sponsorship of the Six Nations' rugby tournament raised eyebrows when the institution announced \$41 billion in losses only a few weeks later. And many struggle with handling multi-year commitments that were locked in when sales and marketing budgets were flush.

The challenge is to extract more value from sponsorship investments without over-investing in programs that may not show a strong return on investment. Striking that balance is difficult when many companies fail to ground their sponsorship marketing strategies with clear objectives and criteria for success. Their visibility, access to celebrities, and opportunities to entertain business partners often make them so enticing that the normal criteria for evaluating investments is disregarded. A recent Performance Research and IEG study found that only 20% of companies do any primary customer research to evaluate the fit of their sponsorships before entering or renewing agreements. It also showed they're far more likely to ask what competitors are sponsoring than to investigate the sponsorship's appeal to their customers.

In order to evaluate fit and measure the return of a particular sponsorship, the objectives and desired outcomes of sponsorships must be evaluated. Is the sponsorship intended to drive awareness for an existing brand or new product? Is it being used to create new

brand equities and relationships to increase consideration and purchase? Or is it more important that the sponsorship strengthen the bottom of the purchase funnel and build repeat purchases and customer loyalty?

Like Accenture's sponsorship with Tiger Woods, the desired outcome will change over time and the measures used to evaluate success/impact should shift accordingly. From 2003–2006, Accenture's Tiger Woods sponsorship was focused on shifting Accenture's brand image from innovation to performance. Starting in 2006, however, it was more focused on using Tiger Woods to help convey high performance, successfully having changed its image in the previous years.

Another issue with sponsorships is the lack of metrics to evaluate their impact:

- Their confidential, deal-by-deal nature has made it difficult to assemble standard market metrics. Benchmarks such as reach, frequency, audience composition, and cost (CPM) that are standard for other paid media advertising cannot be obtained through syndicated sources for sponsorships.
- Sponsorships can have very different objectives, ranging from driving awareness to creating customer loyalty to improving corporate reputation. And companies often have multiple objectives.
- Many sponsorships utilize a wide variety of marketing vehicles and tactics that increase the complexity of measurement. For example, Holiday Inn's sponsorship with Major League Baseball includes tickets for staying at a hotel, utilizing loyalty points for VIP experiences at All Star games, a live attraction at the FanFest associated with the All Star game, and more traditional billboards and television media.

Marketers can escape this "black hole" of sponsorships and achieve immediate and sustainable results by combining rigorous impact analysis with a well-structured, strategic approach to sponsorship selection and management.

A well-structured, strategic approach to sponsorship is the first step, one that will improve the utilization of sponsorships within the company's overall marketing mix, the selection of individual properties to sponsor, and the

execution of individual sponsorship programs. The key is to improve both the content of sponsorship initiatives and the relative investments in different parts of the portfolio of sponsorship properties.

Effective sponsorship marketing tackles three sets of issues:

- 1. What's the sponsorship strategy and the optimal portfolio of sponsorship properties?** What objectives are we trying to achieve through sponsorships? What role should sponsorships play in our overall marketing strategy?
- 2. How do we identify, evaluate and select high-impact sponsorship opportunities?** What property and event opportunities are the most and least attractive? What are the roles individual properties will play in a portfolio of properties?
- 3. How do we optimally structure and utilize individual sponsorship initiatives?** What advertising, promotional, and customer engagement programs will be used to extract the most exposure and value from our sponsorships? What are optimal levels of investment for each property and program?

From there, a measurement process—now sorely lacking among many businesses—must be put into place. The Performance Research/IEG study showed that 40 percent of sponsors spend less than 1 percent of their sponsorship fees on all of their sponsorship metrics, while more than a quarter of them spend nothing at all.

Prophet has an effective three-part process measuring sales response, brand equity impact, and contribution to marketing efficiency:

1. Measurement of sales response typically requires combining purchase data with investment data through marketing mix modeling or historical analysis. Coca Cola, for example, uses analysis to distinguish between the volume generated at the event itself, through local market promotion, and through national advertising and promotion.
2. Assessing the impact of sponsorships on brand equity requires identifying the customer attitudes that

drive value-creating behaviors, such as buying more often or buying when a product is at regular price. Understanding the extent of changes in value-creating brand attitudes before and after the sponsorship shows whether the program is really enhancing brand equity. This type of analysis can be extremely valuable whenever brand objectives are crucial to success, such as Citibank's commitment to the new Mets' ballpark, Citifield.

3. Calculating the contribution to marketing efficiency is the other important component. Take local marketing activities of individual bars and restaurants on behalf of leading brewers for events such as the World Cup or the Super Bowl. Their micro-marketing clout obviously eliminates costs that the brewer would have to shoulder. But brewers continuously partner with local bars and restaurants. The trick to efficiency analysis is comparing the efficiency gains from using a particular sponsorship to other sponsorships and other local marketing programs.

Where to start? Introduce a few simple metrics that can rapidly improve sponsorship investment decision-making. From there, the pace of improvement can be accelerated over time by making processes more robust, expanding data collection, and enhancing analytical skills. The ultimate goal is to be able to combine historical analysis of individual aspects of the sponsorship program with test-and-learn experiments that assess the aspects of the sponsorship program that are hard to measure discretely using historical analysis.

The economic downturn and the pressure it has put on business to ensure that their sponsorship commitments deliver may actually be a positive development. It's an incentive for them to face up to the fact that sponsorship marketing can and must be better measured and managed. Sponsorships can be effective and powerful. But the question that those who invest in sponsorship marketing must face is whether their strategies, property portfolio, and programs are effective and generating strong returns in good times and in bad. ☺

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