

IEG Executive Brief

Measuring High Performance Sponsorship Programs

*Ten Key Factors Critical to the Strategic,
Organizational and Tactical Issues
of Sponsorship Measurement*



IEG Sponsorship Consulting



Sponsorship has evolved a great deal since the time – not that long ago – when the phrase “sponsorship can’t be measured” was an accepted “fact.” As all aspects of the industry have become more sophisticated, and the dollar value and prominence of sponsorship have grown, accountability has become a vital skill for today’s sponsorship marketers.

However, much of what passes for sponsorship measurement misses the mark. The general mentality has been to transfer advertising metrics and processes to sponsorship – without considering the differences between sponsorship and advertising or the inherent flaws in the way advertising itself is measured.

The fundamental issue for today’s sponsorship professional is the lack of a standard measure. That is a fact. But that marks the beginning, rather than the end, to the measurement discussion. Just as your business and brands are unique, so are your sponsorships. The bottom line is: to measure the effectiveness of your investments – in fees as well as activation – sponsors must develop a customized approach.

As the industry leader, IEG can show you the latest measurement and evaluation methodologies. We are pleased to share some of our strategic thinking on the following pages.

The IEG Approach

Evaluation enhances the performance of every sponsorship. It establishes the legitimacy of sponsorship to internal constituencies – and, importantly – provides the justification needed to preserve sponsorships in an uncertain economic climate. Sponsorship measurement and evaluation are not a “nice to do”: they are a must.

Our experience reveals that sponsorships are often misunderstood by CEOs and CFOs because they do not tie back to broader business strategies and/or because what’s being measured is not converted to address those strategies. Strengthening connections to customers is fine, but how does that contribute to annual profit targets?

While one size does not fit all, all sponsorships can and should be measured using a disciplined, business-based process. IEG has developed a proprietary approach that we call “Return on Sponsorship” or ROS.

IEG's Return on Sponsorship (ROS) Approach Includes:

- Defining the scope of measurement needs
- Tailoring the IEG approach to accomplish sponsor goals
- Clearly identifying, ranking and weighting sponsorship objectives
- Allocating sponsor fees and activation expenses against objectives
- Identifying measurement metrics to be used for each objective
- Determining research methodology
- Conducting appropriate research
- Interpreting data and applying financial metrics
- Using results to review/refine client activation strategies and/or identify new rights and benefits to help sponsors achieve their objectives
- Developing a go-forward strategy

This Executive Brief outlines 10 factors IEG has identified that are critical to the strategic, organizational and process-related issues of sponsorship measurement today. They are:

1. Measure Outcomes, not Outputs
2. Define and Benchmark Objectives on the Front End
3. Measure Return for Each Objective Against Pro-rated Share of Rights and Activation Fees
4. Measure Behavior
5. Apply the Assumptions and Ratios Used by Other Departments within Your Company
6. Research the Emotional Identities of Your Customers and Measure the Results of Emotional Connections
7. Identify Group Norms
8. Include Cost Savings in your ROI Calculations
9. Slice the Data
10. Capture Normative Data

Read further to see how your colleagues – and your competitors – are measuring and evaluating their sponsorships. Are your sponsorships working hard enough for you? Give us a call at 800/834-4850 (outside the U.S. or Canada, 312/944-1727) to find out.

1. Measure Outcomes, Not Outputs

Most of us measure what's easy to measure rather than what matters. This means we end up measuring "outputs" – what a sponsor got or did – rather than "outcomes," what a sponsorship actually produced.

The most common outputs sponsors measure are impressions and media exposure. These "surrogate" measures fail to capture whether sponsorship impacted attitudes that lead to purchase and other desired actions. They also fail to measure the actions themselves.

Reporting that 200,000 people attended an event may reveal the popularity of the event, but not how your brand fared. Some good examples of how to turn outputs into outcomes are provided in the table below.

"Output"	"Outcome"
200 clients entertained	Who were they, what happened as a result and how does their post-event behavior compare to similar targets who were not entertained?
5,000 people sampled	How many were qualified and what is the conversion rate between sampling and future behavior?
P-O-P displays 19% more effective	Cost per sale decreased from \$x to \$y or value of additional sales or profits
New distribution outlets	Estimated value of the channel
Propensity to purchase rose 8%	Every percentage point increase yields an x% sales increase or ability to increase price by y%
100 employees participated	Retention rate of employees who participate in sponsorships vs. those who do not and cost savings derived from lowering turnover among 100 staff
Shifts in brand loyalty	Premium price that can be charged
Data capture	Lower cost per acquisition
Increased sales of additional services	Value that can be captured by comparing increase to additional services bought by customers of same demographic not impacted by the sponsorship
Recruited 20 agents	Cost to hiring via a recruiter

2. Define and Benchmark Objectives on the Front End

Defining objectives at the beginning of a sponsorship identifies which indicators to track, as well as which need to be benchmarked before programs are developed and implemented.

Clarifying objectives upfront also defines what it is going to take to accomplish those objectives, how much risk and difficulty the project involves, and which competencies are required. It also facilitates decision-making for actions that are typically not factored into sponsorship evaluation, such as tactical execution.

Make your objectives as specific as possible. Many clients set goals that are too general to measure. The desire to improve a company's standing, or to reposition a brand, do not constitute an effective or rigorous measurement criterion. For example, increasing the number of consumers in a given audience segment by a target number – say 100,000 – is a measurable objective.

Finally, be certain to benchmark. While models can measure impact after the fact, the most accurate way of measuring is to know what you had – or would have had – without the sponsorship. Many times, an existing brand tracker study can provide good benchmarks.

3. Measure Return for Each Objective Against Pro-rated Share of Rights and Activation Fees

Sponsorships typically have multiple objectives. For best results, every objective should be measured individually, using quantifiable data.

To measure results by objective and get an accurate picture of a sponsorship's true performance, IEG recommends allocating a portion of the total rights to each objective. The table below lists all five objectives against one sponsor's \$5 million rights fee. Objectives have been weighted based on priorities set by management.

Objective	Importance	Fee Allocation
Sales: Acquisition and Retention	29%	1,450,000
Motivate Channels: Sales Force and Distributors	23%	1,150,000
Build Presence: Retail and On Premise	19%	950,000
Reinforce Brand Image and Key Brand Benefits	16%	800,000
CSR: Promote Responsible Drinking	13%	650,000

To fully understand the total amount spent against each objective, add any activation expenses used to support each objective. Note that the activation allocation is not based on weighted objectives; instead, it is based on each activation program's goal. The table below allocates \$10 million activation dollars spent to accomplish each objective, then determines the total spend for each objective.

Objectives	Sales	Channels	Presence	Image	CSR	Spend
Sponsorship Fee (from above)	1,450,000 (29%)	1,150,000 (23%)	950,000 (19%)	800,000 (16%)	650,000 (13%)	5,000,000
Activation						
Show Car	100,000 (10%)	100,000 (10%)	800,000 (80%)	(0%)	(0%)	1,000,000
At Track	250,000 (25%)	100,000 (10%)	(0%)	150,000 (15%)	500,000 (50%)	1,000,000
Hospitality	50,000 (5%)	500,000 (50%)	450,000 (45%)	(0%)	(0%)	1,000,000
Retail	1,200,000 (60%)	200,000 (10%)	600,000 (30%)	(0%)	(0%)	2,000,000
Signage	(0%)	500,000 (50%)	500,000 (50%)	(0%)	(0%)	1,000,000
Drive Safe	(0%)	(0%)	(0%)	(0%)	1,000,000 (100%)	1,000,000
Media	(0%)	(0%)	500,000 (25%)	1,500,000 (75%)	(0%)	2,000,000
Management	200,000 (20%)	200,000 (20%)	200,000 (20%)	200,000 (20%)	200,000 (20%)	1,000,000
Total Activation	1,800,000	2,800,000	1,900,000	2,900,000	600,000	10,000,000
Total Fee + Activation	3,250,000	3,950,000	2,850,000	3,700,000	1,250,000	15,000,000

4. Measure Behavior

Most sponsors, like most advertisers, measure things that simply aren't relevant to the rest of the business. Generally, measures like awareness and visibility are not compelling for members of senior management. For example, CEOs are interested in creating shareholder value.

When IEG works with sponsors, we retool their sponsorship objectives to align with the core drivers of their business. No matter how positively target audiences feel about a sponsorship, behavior shifts are critical to determine value.

When capturing behavior information, the challenge is not in measuring – technology allows almost instantaneous sales analysis from virtually every angle and altitude – but in isolating behavior changes caused by the sponsorship.

IEG analysts have identified these best practices in measuring behavior:

- Analyze your customer database to identify increases in sales during the sponsorship campaign as compared to the previous 12 weeks
- Compare sales for the period surrounding the sponsorship to the same period in prior years
- Measure sales in the event market against similar markets with no sponsorship
- Compare sales shifts at participating retailers or on-premise accounts vs. those not participating
- Compare usage levels among fans of the sponsored property to non-fans in the same demographic
- Tie a sales offer directly to the sponsored property, e.g., ticket discount with proof of purchase
- Code new leads generated, and track the conversion rate of those leads
- Work with your sales force to track the value of new or incremental business generated by clients who were entertained
- Calculate additional display/P-O-S orders and the volume generated by the displays

5. Apply the Assumptions and Ratios Used by Other Departments Within Your Company

Base your measurement on metrics already used and accepted by different departments of your company. Using statistics provided by the sales department means sales managers will be more likely to accept your estimate as a true measure of incremental revenue.

For example, if you want to measure the revenue a sponsorship generated and sales at your company require a long lead time, you can make a reasonably accurate estimate using commonly accepted, internal assumptions.

Ask your sales manager what your company's close rate is. You know how many qualified leads you are turning over – how many prospects commit to a sales contract or sales-related step after your event. Apply metrics already used by your sales department to estimate what percentage will turn into sales.

Also ask a sales manager the average value of a sale or contract. If you're promoting multiple product lines, develop a weighted average based on the level of interest for each product and its price.

6. Research the Emotional Identities of Your Customers and Measure the Results of Emotional Connections

At IEG we believe the real value of sponsorship is its ability to facilitate and deepen relationships; to have conversations and add value to customer's lives; to connect brands to current and prospective customers; and ultimately, to build business.

People are not passionate about most products. But they do have strong feelings about their favorite teams, causes, etc. Highly identified sports fans, for example, view their team's success and failure as personal success and failure. Sponsors that are able to successfully tap into this affinity gain more favorable purchase intentions.

Successful sponsorship begins with an understanding of your customers – not as demographics, but as people.

- What are their interests, loves and passions?
- What do they want your company to sponsor?
- What aspects of the experience are they emotionally connected to?
- How can your company add value to that experience?

This intimate knowledge is not found in demographic studies or syndicated research. Such data lacks the insights needed to build the emotional capital that creates brand loyalty.

Commission primary research to discover the emotional identities of your customers. Do not rely on your sales force to identify customer interests. IEG client experience reveals that the sales force's idea of what clients like often reflects what the sales force likes, e.g., pro sports as opposed to gardening.

Too much emphasis is given to short-term returns and too little to the value of influencing long-term consumer behavior through emotional connections. Knowing that 1,200 cars were sold last quarter as a result of a sponsorship is important and necessary. However, contemplating the future sale of 12,000 cars next year derived from the same sponsorship – is critical to understanding the full impact of brand loyalty.

Measure short term impact and build tracking into your activation programs. But do not forget to factor future purchase intent into your strategic sponsorship assessments.

7. Identify Group Norms

We know from the body of sponsorship research that psychological connectedness to a team or event represents an important aspect of self-identity. The more consumers identify with an organization, the more likely they are to support its sponsors.

We also know from research that the only thing stronger than a loyal, committed consumer is one who is a member of a group that shares that loyalty. Favorable purchase intentions toward sponsor products and services are strongest when such intentions are perceived as important to other members of the group.

For example, even the most casual NASCAR fans understand that being part of the NASCAR family means supporting the sponsors who make the sport possible.

Sponsors should use primary research to identify organizations where fans, donors, members, and attendees act in ways that exemplify the will of the group.

8. Include Cost Savings In Your ROI Calculations

Cost savings are more than a calculation of how much money you saved by cutting sponsorship expenses. It is the real savings generated on the sales, marketing and recruitment activities that take place outside but in conjunction with your sponsorship.

For example, let's look at the ROI for an insurance company sponsoring a Hispanic festival. A primary objective of the sponsorship is to recruit minority agents and this ROI analysis is specific to this primary objective.

Sponsorship fee	\$500,000
Rights fee and activation allocated to recruitment of minority agents	\$150,000
Number of agents recruited	12
Normal cost for recruiting minority agent	\$50,000 each
Normal recruiting expense (\$50,000 x 12 agents)	\$600,000
Rights fee & activation allocated to recruitment	(\$150,000)
Net Value/Cost Savings	\$450,000

In this example, the return on the recruiting objective comes out at 3-to-1. For every dollar spent on rights fee and activation, the sponsor is getting \$3 back in out-of-pocket.

9. Slice the Data

IEG client experience reveals that sponsorship does not work equally well with all consumers. It works best with those who are most committed, either to the property being sponsored or to the brand.

In the case of the former, sponsorship can bring in new customers. In the case of the latter, it builds loyalty and repeat sales.

IEG has codified a range of results by property type and sponsor category. On average, sponsorship will have the greatest impact with a core of about 20% of your customers and about 20% of the property's most avid fans.

Slicing data is key. If you sponsor U2, for example, make sure you look at the likelihood to purchase your brand due to your sponsorship among:

- Your target audience, e.g., men, 18 to 25 years old
- U2 fans who are 18-to-25-year-old males
- Avid U2 fans who are 18-to-25-year-old males

To drill down and see how your sponsorship is impacting smaller sub-groups requires a larger pool of respondents. For example, to carry out meaningful comparisons between the yes/no responses of men and women in a study, you would need a minimum of 40-50 respondents in each sub-group. If you needed to drill down further to identify differences in response between older and younger people within each gender, you would need 40-50 each of young and old men and young and old women.

10. Capture Normative Data

Most of our clients need a comparative, across-the-board analysis of their sponsorship investments, as well as an evaluation of individual programs. Our research plans incorporate a two-phase structure, addressing both the primary set of objectives (affecting all sponsorships) and the secondary level, which is generally property-specific. We recommend sponsors create a similar structure for their sponsorship programs.

Having consistency in the core set of evaluation criteria means that the results between different sponsorship programs can be compared. Comparing data from a specific program to normative data lends invaluable context to the findings.

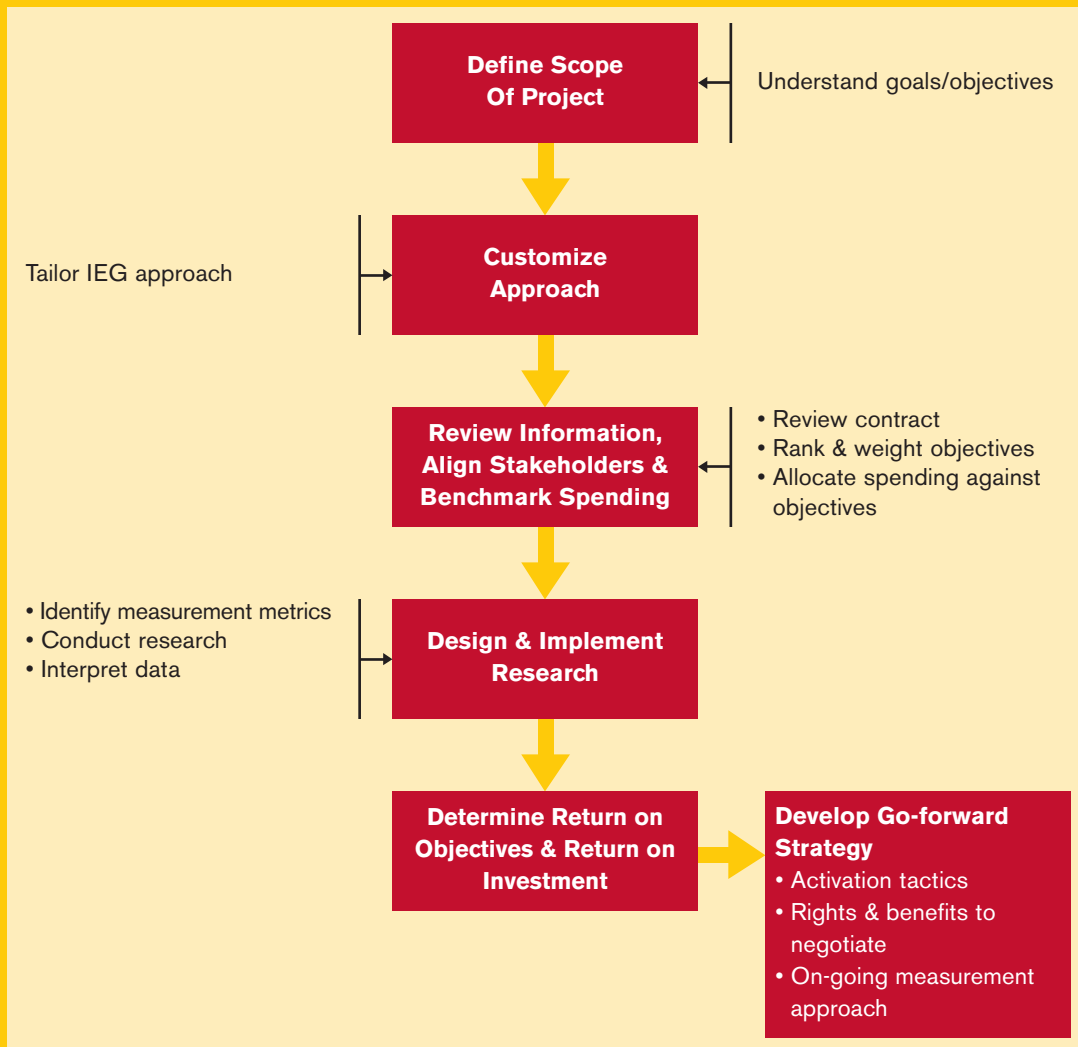
Once comparable, the value of the research is exponentially increased by the number of programs studied, as simple research results can be developed into consistent sponsorship learnings. Taken a step further, they can also predict the impact of different sponsorship campaigns.

Remember, to gain full value from your research, make better use of data capture. Conducting exit polls only allows you to determine whether the brand communications have been seen and what effect they had on brand perception. Most value is gained by using this data to start a dialogue with your audience post-sponsorship.

Methodology

To measure Return on Sponsorship (ROS), we tailor each project to meet client objectives. Below is a flow chart of the IEG process.

IEG's Approach to Sponsorship Measurement



To learn more about IEG's Return on Sponsorship (ROS) services call us at 800/834-4850 (outside the U.S. or Canada, 312/944-1727) or visit www.sponsorship.com.

About IEG

IEG is the leading provider of consulting, valuation, measurement, research and training for the sponsorship industry. For more than two decades, IEG has pioneered smarter ways for companies and brands to partner with sports, arts, entertainment and causes, showcasing sponsorship as a powerful strategy to build brands as well as businesses.

Our suite of services and products are used by some 5,000 clients each year – from Credit Suisse to the NFL, Cadbury Schweppes, Susan G. Komen for the Cure, BP Castrol, Cirque du Soleil, and Rijksmuseum.

IEG has unequalled access to real-world information on both the buy and sell sides of the business. Combining our robust information databases with the deep analytic capabilities of our team of strategists, IEG is the “go-to” resource for consultation, thought leadership and resolution of sponsorship’s most nettlesome issues.

Our expertise analyzes partnerships of every type: sponsorships, branded entertainment, strategic alliances, promotional partnerships, co-branding initiatives, online and new media programs, strategic philanthropy, as well as experiential, affinity and social marketing programs.

No company has been more influential in cementing sponsorship as an essential part of the marketing mix. Have a sponsorship question that you can’t resolve? Put us to work for you. Call us at 800/834-4850 (outside the U.S. or Canada, 312/944-1727) or visit www.sponsorship.com.



IEG, LLC

640 North LaSalle, Suite 450

Chicago, Illinois 60654-3186 U.S.A.

Tel: 312/944-1727; Fax: 312/944-1897

www.sponsorship.com