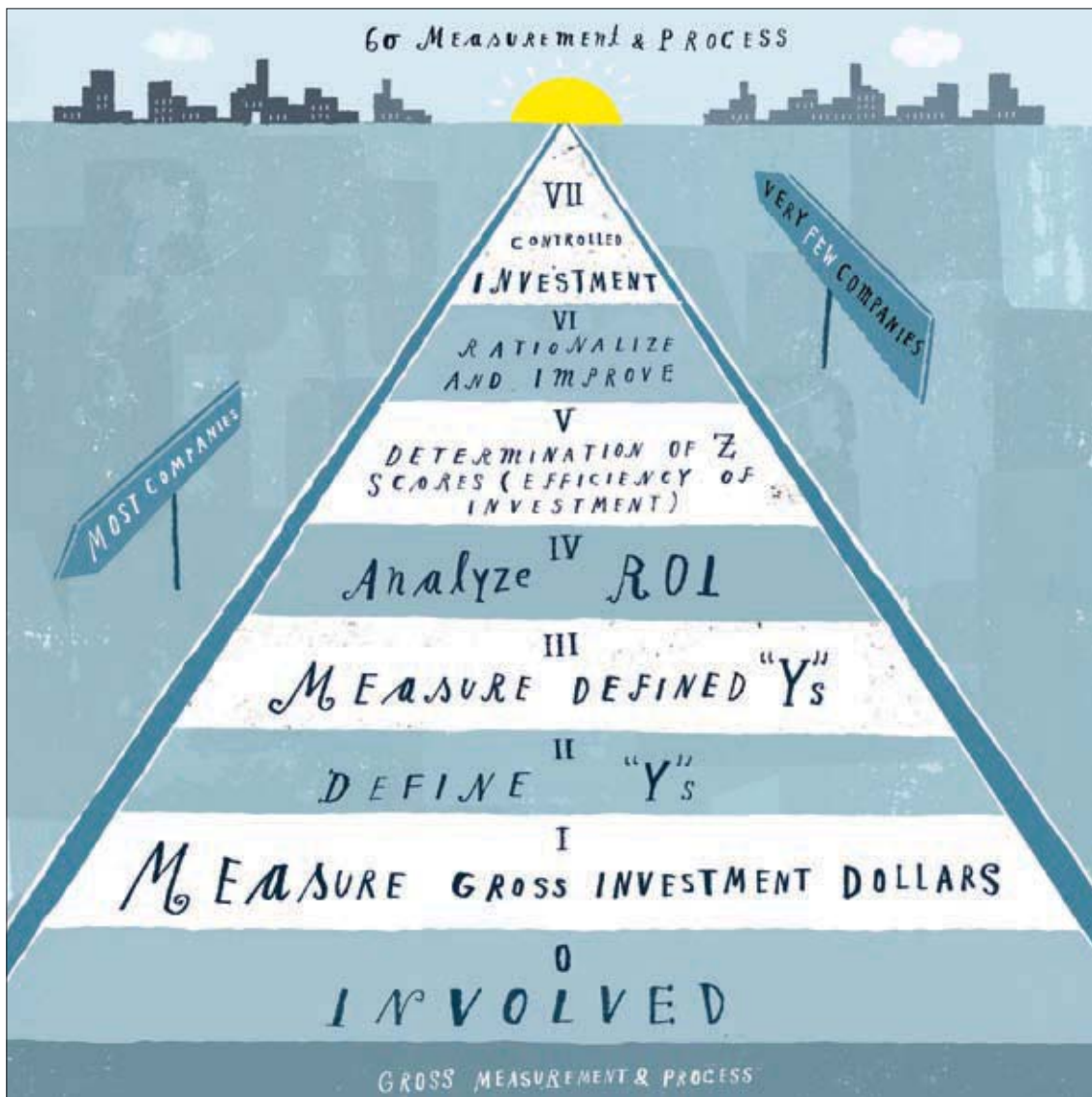


Sponsors' path to enlightenment

Sponsorship is frequently misused, the money spent on it wasted, argues *Raymond Bednar*. Here, he outlines the progressive stages through which companies can create a rigorous and structured sponsorship program.



Level 0 – Basic involvement

Within the chart is an ascending hierarchy of Zen-like vision attainment. At the bottom, 0, is where the vast majority of companies dwell that use sponsorship, regardless of how much they are spending. These are the companies

buying sponsorship to fulfill some perceived need. A common reason to enter sponsorship is to counter the competition. A simple litmus test for determining if a company is at this level is a quick analysis of the ratio of activation to sponsorship spending.



As an example, let's assume a company is paying \$2 million for the naming rights at a professional sports stadium. At the same time, it is spending untracked token amounts on client entertainment (activation) in addition to the naming rights expenditure. If this ratio of activation spending to sponsorship spending is below 5%, we could say this company's enlightenment is characterized as "Level 0 – Involved." In this example, this would mean that entertainment spending is approximately \$100,000. This seems like a lot of spending for just being "involved," not to mention the fact that it might be misspent money.

Now think about what can be realistically done with \$100,000. A relatively minor golf outing connected to a major tour sponsorship will often carry a budget of more than \$50,000 (including rooms, flights, meals, green fees, etc.). Nearly the same objective can be achieved independently without spending the original \$2 million for the naming rights simply by staging a world-class golf outing. The example highlights a hypothetical (and all too real) sponsor who is not connecting the sponsorship (and consumer passion) to business goals. Client entertainment may be a goal but why is sponsorship needed to achieve it?

Level I – Measurement of gross investment dollars

Just above "Involved" is the next level of measuring exactly what is spent on the sponsorship. The operative word is "exactly."

Nearly all sponsors know what they pay for the right to sponsor. This may include incremental costs such as buying additional tickets, hotel rooms, etc. Few, if any, track exactly what is being invested in the relationship because few understand why they are in the relationship. For the time being, let's leave this level with an understanding that someone at Level I is tracking "gross" – not exact – investment in the property/activity.

Level II – Definition of Ys

Ys are goals for a process as defined by Six Sigma. Many sponsorship managers think they are defining "goals" for their company's participation in a property by listing broad and mostly vague marketing and sales objectives, such as:

- Entertaining clients.
- Associating the brand with the property.
- Getting more business.

Since these do not reflect the underlying elements of the objectives, these are not Ys in the context

of our process. Short examples: at minimum, "getting more business" could be broken into the underlying elements of "fewer cancellations" or "selling additional services." Entertaining clients could be broken into reaching "decision makers" or "salespeople."

To characterize the entire equation: Getting more business (Y) is a function (f) of x (the underlying elements). Or $Y = f(x)$.

Level III – Measuring defined Ys

Now that the Y definition stage has been achieved, interaction with the property to be measured can be designed from the very start. Most sponsorship and client measurement systems are designed to provide data that they already collect.

Briefly, these two data collection systems consist of processes that are designed to provide information that is easily collected for the property. This data includes attendance, media coverage, reach, etc. Additionally, the measurement systems are most often oriented to long-term data collection. They data include share of voice, periodic sales reports, ongoing general market research, etc.

Both systems are of only general interest to the new sponsorship measurement method advocated here. The Y discernment process helps the sponsoring company determine the supporting elements of a particular Y. This is discussed in detail later. For now, it will suffice to say that the enlightened model emphasizes the imperative of designing the sponsorship to be measured against the goals for entering into the relationship. The existing data set may or may not be relevant to the new Ys.

Level IV – Analysis of ROI

Now that we know the critical Ys can be defined and used to measure the success of the sponsorship relationship, we can develop a return on investment (ROI). ROI is simple in theory, but usually more difficult to determine in practice. This disjunction is due to the misalignment of company goals with sponsorship attributes from the outset.

The aim is to design measurement of the sponsorship property to be conducted from the start. This allows anticipation of ROI models that are built and tested in advance against predetermined hurdles.

The objective in measuring ROI is to determine what portion of an investment is returned in the form of measurable results.



Level V – Determination of Z scores (efficiency of investments)

As the hierarchy is ascended, the “efficiency” of any investment can be determined. Efficiency is a metric used to determine how well scarce resources are producing results. Let’s take an example: think of the fuel efficiency of cars. One car gets 30 miles per gallon (mpg), the other 15 mpg. This doesn’t mean the car with 30 mpg is a better car than the 15 mpg car at all. It simply means in the ONE task – efficiency of fuel consumption – the 30 mpg car rates higher. That 30 mpg vehicle may also accommodate only two people – making it entirely impractical for moving a large group.

In our determination of efficiencies of sponsorship investments we are trying to accomplish the same thing. Namely, to know which sponsorship opportunity will produce best on the same amount of resources? There may well be compelling reasons that can overshadow this metric – as in the two-person car being impractical for a large group. Independent of any of these other reasons though, we essentially are trying to determine which sponsorship investment is the most efficient in delivering on the goals we have designed our measurement of the investment to demonstrate.

Beyond this initial value, our application of this theory is “dimensionless”. What does this mean? Unlike the 30 mpg example above, our sponsorship efficiency model is not “qualified” – it is not restricted in its use and comparative function to one metric, such as fuel efficiency. Miles per gallon cannot be used to compare which car is faster, which hauls more, etc. The dimensionless efficiency model, however, allows us to compare different activities which are trying to achieve widely different objectives. An example is summarized in the chart below:

Segment	Property	Y	Goal	Z
Sports	PGA	Employee retention	85% participation	2.0
Art	Monet exhibit	Name capture	\$5per name	2.0
Entertainment	Rolling Stones tour	Product demo	500 trials per concert	3.0

Notice we are comparing three different sponsorship segments – sports, arts and entertainment. In each segment, we are using a different property to achieve a different goal. For example, in the Art segment we are using Monet art exhibit for the purpose of capturing

names of potential customers with the goal being a cost of \$5 per name (after we pay for the sponsorship and all the activities associated with capturing those names). That activity has an efficiency of 2.0 and compares to the other two examples favorably and unfavorably. So which is better, a smaller efficiency number or a larger? It’s the same as fuel efficiency – the larger the number, the more efficient the process is at achieving the goal for which it has been designed. The 3.0 score of Entertainment is the most efficient in this comparison.

Level V is a critical level because it denotes the ability to determine which investment among competing offers requiring scarce resources is the most efficient.

Level VI – Rationalization, improvement and design of experiments

Advancing still further up the hierarchy, now that we can know how efficient the various sponsorships are, we can determine which to keep, which to dispose of and which to improve. Here we realize the true cost savings in the Six Sigma process. Let’s review Rationalization, Improvement and DOE separately.

A. Rationalization. Referring back to the chart above, we may elect to eliminate the PGA event because of its low Z score relative to the alternatives. On the other hand, we may choose to use it to achieve another goal for which it may offer a more efficient relationship.

Decisions on rationalizing the sponsorship investment are based upon many factors in addition to ROI and Z scores. Common discriminators include overall cost limits, long-term property commitment, management affinity, segment coverage requirements, goal coverage, and the use of financial tools such as net present value, internal rate of return, and pay-back period.

As each company will have its own set of evaluation criteria, it is not possible to outline a “boilerplate” set of guidelines to analyze such a complex management decision. However, I recommend that any set of criteria contain an exercise in which five important sponsorship questions are used to interrogate any current or prospective sponsorship opportunity. Briefly, the questions are:

- What business goal(s) does the sponsorship seek to affect?
- What business goal(s) could the sponsorship affect?



- How do you know the goal is being affected – how do you know you are being successful?
- How do you measure the long-term performance of achieving the goal?

Further, the Six Sigma process gives a company the ability to clearly understand the business implications of yield on sponsorship investments. What they choose to do with this knowledge remains the privilege of the corporate suite.

Rationalization of this type will provide the company with a very powerful set of analytical tools to reduce waste and increase the return on investment. This result alone often pays for the investment in the Six Sigma management process.

Improvement. Improving the return on a company's investment in sponsorships that survive the rationalization process is the second huge gain from adopting a Six Sigma-based sponsorship management program. This step is combined with rationalization because the two are inextricably linked in the management decision process. The rationalization process often is linked to the perceived ability to improve the performance of the potential surviving sponsorship candidates. Conversely, the perceived ability to improve the performance of a relationship may be a key determinant in the rationalization process.

So let's discuss the improvement process that will be applied to the survivors. Improvement in both the ROI and Z score of a particular investment normally is obtained using many simple management tools. Examples include eliminating unfocused ancillary programs and increasing spending on existing programs or program elements. For example, if the "Coffee with the NASCAR Pit Crew Chief" is consistently providing quality consumer data, it may warrant expansion. If not, it should be re-evaluated and either improved or eliminated, and the money invested elsewhere.

Design of Experiments. In the Six Sigma process, there is a methodology called, "Design of Experiments," or DOEs. DOEs are simply the application of rudimentary scientific inquiry. Let's focus on the word "experiment."

To experiment is to hold certain elements of a program constant while varying other elements in order to determine the effect of the variation on the overall outcome of the process. Let's take a simple, real-life example.

The process of obtaining data on an

individual consumer is a common goal of many direct interaction programs associated with sponsorship. All one has to do is attend a sporting event to find a credit card issuer with a table offering gifts in exchange for the consumer opting to give certain personal information such as name, address, income, etc. The possibilities for experimenting with the yield of such an operation are numerous. One could:

- Set up the sign-up tables in totally opposite sites within the stadium to determine if location has any effect on yield of obtaining information – is the location near the food stands better than the location near the entrance, or near the bathrooms?
- Set up the tables with different and mutually exclusive gift offerings – perhaps a tote bag at one and a stuffed animal at another – what gifts are more conducive to improving yield?
- Set up the tables outside the stadium – perhaps near the cars to see if yield improves or declines – signaling a potential savings in cost by identifying easier location set-up (and perhaps lower site or set-up fees).

The variations are endless. The point is that certain portions of the experiment are held constant – the same stadium, the same game, the same credit card, etc., while changing other portions to determine if the performance of the activity can be improved.

This process is systematically used to improve the outcome of an investment.

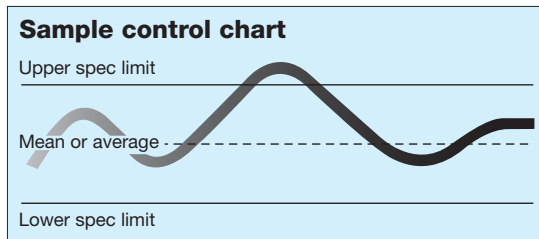
Level VII – Controlled investments

The apex of the hierarchy. Once we have rationalized and improved investments we must maintain the new level of return by setting limits on the processes used to reach these results. Controlling process means setting up reporting limits to signal when investments are going "out of control." Out of control means a process is yielding results that are not within the expected range of results.

To understand when a process is either "in" or "out" of control, we need reporting tools that gather and organize data in an easily understandable format. This is normally a process of management by exception rather than active analysis. In other words, we don't necessarily need to know that the process is in control – we expect that because we have invested in building a process to achieve the new performance level. Instead, we want to know when the process has crossed the boundaries of acceptable control levels.



A sample control chart is illustrated here:



Here you see the line varies along the middle of the chart – or the mean. The line above the center line is the upper control limit and the bottom line is the lower control limit. As long as the results – the varying line in the middle – stay within the upper and lower limits, the process is “in control.” When the line crosses the upper or lower limits, it is not in control.

This information is critical to the management process so that we are clearly alerted to take action to bring the process back into control and maintain the hard-fought gains when necessary.

In order to report more completely on a group of activities, we may use a slightly more sophisticated format than the graph above. PRISM’s

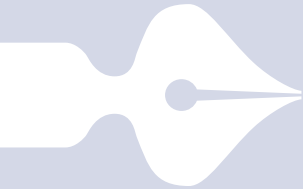
report format is the “dashboard.” The name refers to its graphic similarity of how a car dashboard looks and works. Dashboards give a driver various data on how the car is performing. Examples include speed, tachometer, oil pressure, coolant temperature, fuel level, etc. The same theory is used in designing “dashboard” reports for sponsorship.

Take away

Crafting a visionary program for sponsorship as part of a company’s marketing mix is not only possible, it is imperative. Pressure from investors and increasing needs for evidence of return on investment demand a rigorous program of thoughtful and structured sponsorship strategy. Gone are the days of whimsical investments into golf, tennis and the like. A logical, comprehensive system to develop an investment mindset about sponsorship is a requirement. Fortunately, it’s also a reality. ■

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Sponsorship’s Holy Grail

Atticus Abstract



Corridors of power

How to Build Distinctive Relationships with Policy Stakeholders in China

Xinhua Liu
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In his foreword, the author informs us that the Chinese word for relationships is “Guanxi”, and that this is often regarded as the key to doing business in China, especially when it comes to relationships with government.

Xinhua Liu has written a handbook for multinationals wanting to do business in China, based on a four-stage process

for building relationships. It introduces a Relationship Scorecard which enables a company to assess the strength of its relationships with government and other stakeholders, as well as to measure its corporate reputation, CEO reputation, and the effectiveness of its communications.

Many compelling reasons are offered for why Government relationships are important: government approval is needed to get access to markets; the authorities have discretion to give preferential treatments in tax and financing; the Government may be a significant stakeholder in partners who are state-owned enterprises; and on the plus side, there are considerable opportunities for business to influence Chinese economic and industrial policy.

The first stage in the relationship-building process

is to identify the stakeholders you need to talk to, whether from Central Government, regulatory bodies, or local government, and to prioritise them. Next, says Liu, you need to understand their individual agendas, which may vary considerably. That often involves approaching individuals within the stakeholder organisations. These also need to be seen within the context of China’s overall goals. The third step is to align agenda, which itself involves a process of collaboration with the Government.

The final part of the picture is to manage the relationship, which is where the Relationship Scorecard comes in. Liu offers a number of tools, but the requirements are taxing nevertheless. One thing is clear: you don’t make progress in the world’s biggest market without working at it. ■

