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## **AS CINGULAR ADS PARODY, NOT ALL SPONSORSHIPS FIT THE BRAND-BUILDING BILL**

*Abstract: Sponsorships have been the fastest growing form of marketing over the last decade as an effective means of building a brand. But they are not without challenges as they encompass such a vast scope of activities. Because of that complexity, it's important that organizations develop a sound sponsorship plan keyed to their brand strategy to ensure business goals and objectives are met.*

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A recent advertisement from the wireless communications giant Cingular features a show dog prancing before the judges. As the pooch changes directions we see that he has a Cingular logo shaved into his hindquarter, at which point the voice-over sarcastically states something to the effect of “maybe next year.” The video next cuts to Cingular’s more strategic sponsorship of a Nascar racing team.

The ad parodies the extent to which sponsorships have grown as a means to grow brand awareness. But it still underscores a very real challenge faced by executives – of devising sponsorship strategies that are on-target, cost effective and, perhaps most crucial, that do the job in supporting the organization’s brand strategy.

From the Olympic Games, to the London Symphony Orchestra, to, yes, even local dog shows, there seems to be no limit to what companies can sponsor. Indeed, sponsorship has been the fastest growing form of marketing over the past decade, according to IEG, a major provider of sponsorship research and analysis. And *Marketing News* reported that global sponsorship spending eclipsed \$20 billion in 2000 from a mere \$4.3 billion in 1990. Yet, while it has earned legitimacy as a marketing tool, sponsorship remains a tool that is misunderstood and strategically under-managed in many industry segments.

Sponsorship is complicated because it can encompass an extraordinary scope of activities. While it can be as simple as paying to put your company’s name on the latest baseball stadium, it can also be exceptionally complex, encompassing media planning, special events planning, client relations, direct marketing and celebrity involvement. Further compounding this challenge is the fact that sponsorship relationships are often nepotistic in nature and constitute multi-year commitments that are difficult to alter if your business or brand strategy changes direction.

Given sponsorship’s increasing prominence, the fact that many companies annually invest well over \$50 million in it, the impact it can have on the company’s brand, and its complex nature, it is critical that companies develop a skill in sourcing, evaluating, and executing sponsorships. To begin to formulate a strategic sponsorship plan requires that three dimensions are both understood and addressed by the marketing and management teams:

- Why choose sponsorship;
- How to evaluate sponsorship opportunities; and
- What to spend on sponsorship.

## **Why Choose Sponsorship**

Sponsorship activities have many unique characteristics when compared to other communications efforts, and if exploited properly can become highly efficient brand-building vehicles. Consider the following examples:

- Sponsorships can provide highly effective targeting – UBS Financial Services Group has a long-standing relationship with the Zurich Opera House and Zurich Ballet, which enables it to target a customer group that is consistent with the bank's upscale, wealthy customer.
- Sponsorships have a unique ability to directly leverage equities and associations of another property – Nascar has a particularly rugged, all-American, even macho image, which Busch Beer has leveraged to enhance its own image by sponsoring the Nascar Busch Series.
- Sponsorships can be highly interactive, thus presenting the opportunity to have a more experiential relationship with customers – As the official telecommunications sponsor of the Professional Golfers Association (PGA), Sprint sets up hospitality tents at tournaments where new products and services are displayed and customers and Sprint representatives interact in a relevant, personal environment.
- Sponsorships can provide broad reach and exposure – As a worldwide partner of The Special Olympics, Coca-Cola is able to reach 50 million stakeholders, government leaders and donors in over 160 countries around the globe.

## **How to Evaluate Sponsorship Opportunities**

When evaluating the benefits of a sponsorship opportunity it is important to assess it from both a strategic and tactical perspective. The following outlines some of the integral aspects of the evaluation process:

- Strategic Objectives – Does the opportunity align with your overall business and brand objectives, and fit with your target audience? For example, if your overall objective is to acquire new customers, a sponsorship that reaches only existing customers should be bypassed. At the same time, does the opportunity provide competitive differentiation, and if your competitors are participating in this sponsorship, do you have the opportunity to distinguish yourself by participating or exploiting it in a unique way?
- Sponsorship Characteristics – What are the sponsorship rights and benefits, what is your ability to exploit the sponsorship, and what reach does the opportunity offer? For example, a sponsorship may include the right to use your logo on a product, and additional exploitation benefits may include sweepstakes tied in with the sponsorship, direct marketing efforts, discount cards, etc. Can you assign a relative "street value" to the opportunity and what is that figure? Also, are you paying for rights and benefits that are not important to you?
- Sponsorship Organization – How would you characterize the integrity and strength of the organization offering the sponsorship? What are the risk factors associated with the property and what is the potential impact on your brand? For example, sponsoring a football event

could have negative consequences for your brand image if rioting fans cause injuries or deaths.

- Internal constraints – Do you have the internal commitment necessary to make the sponsorship successful? What are your existing internal constraints such as budgets, human resources, and timing?

A properly developed and managed sponsorship strategy should include a fairly sophisticated, even quantitatively based, evaluation across these dimensions.

## **What to Spend on Sponsorship**

One factor to consider when determining how much to spend on sponsorship is to consider what your competitors are spending as a percentage of overall revenue and how they are benefiting. Data from Mintel Sponsorship 2000, IEG and A&P Database 2000 shows that on the consumer products side, Nike, Coke and Pepsi are among the three of the most aggressive businesses putting sponsorships to work to build their brands and fuel growth. They are investing 1.30%, 0.75% and 0.50%, respectively, as a percentage of total revenue.

It is also important to assess sponsorship activity relative to the value of other marketing and brand-building initiatives such as advertising, direct marketing, etc., and how it aligns with your overall strategic objectives as outlined in the previous section.

Sponsorship expenditures can be broken down into two categories: spending to acquire sponsorship rights, and spending to exploit those rights. When sponsorship expenditures are reported in the media, the data typically relates to the amount companies have paid to secure the rights for sponsorship, which is not inclusive of funding for exploitation activities. When thinking through how much to spend on sponsorships, it is important to consider both. Exploitation fees often equal or even exceed the original sponsorship rights fees themselves. Official sponsorships for the FIFA 2002 World Cup, for example, reportedly cost between \$20 and \$28 million. Adidas, an official sponsor, budgeted roughly \$88 million in order to fully exploit the investments. The analysis should factor in the desired level of association with the event, competitors' activities, and the potential benefits accrued through such a sponsorship.

## **Conclusion**

Given the unique capabilities of sponsorships to develop your brand, as well as the potentially significant investment it takes to exploit and maximize this benefit, it is critical that you take a thoughtful approach to your company's sponsorship strategy. This should include a well structured and articulated sponsorship strategy that is explicitly linked to your business and brand objectives, ensures that property decisions are made based on objective criteria, and allows for well-measured and thoroughly analyzed sponsorship investments so that future decisions can be data driven. Otherwise, you might *really* find your company's logo shaven into next year's Kennel Club champion.

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