



IEG SPONSORSHIP REPORT

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In Depth

Help Wanted: Ins and Outs Of Hiring A Sponsorship Sales Agency

One segment of the sponsorship industry actually may see growth as a result of poor economic conditions: sponsorship sales agencies.

Although such agencies accounted for only seven percent of the total number of sponsorship sales in '08 according to IEG's annual survey of rightsholders (IEG SR, Oct. 20, 2008), many in the industry expect that share to grow as more properties look to reduce costs by outsourcing responsibilities previously managed by staff.

"As properties come under financial pressure, they want to reduce overhead by hiring an external agency," said Tom Worcester, senior vice president and manager director, U.S. business development with IMG Sports & Entertainment. NHRA team John Force Racing hired IMG this month to market its sponsorship opportunities.

"The number of inquiries from properties has increased significantly over the past six months," said Michael Neuman, president of Amplify Sports and Entertainment, which last month signed to represent the USTA's community tennis division.

Other properties big and small have recently enlisted the aid of outside firms. Professional Bull Riders last month named Fenway Sports Group as its exclusive sponsorship sales agency, while Southern California's OC Fair & Event Center recently hired California Partnership Marketing Group to represent Orange County's fair.

Is Your Property An Attractive Client?

Sales agencies consider a number of variables when evaluating the potential of representation assignments, including audience demographics and salable sponsorship inventory. They also look at intangible aspects such as the property's track record and prestige.

Many agencies look for alignment with their specialties, whether properties of a certain type or those located in a certain geographic area. For example, CPMG focuses on tourism-oriented retail and mixed-use properties in California, while Amplify looks for niche sports properties that draw upscale audiences.

Agencies also may look for properties that will fill a void in their portfolios. Case in point: CPMG saw the OC Fair as a way to round out a client roster comprised

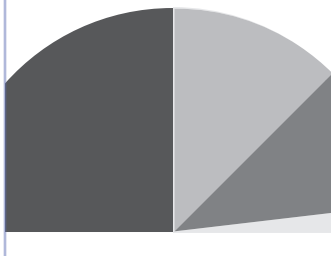
AT ISSUE

Considerations for properties thinking about working with a sponsorship sales agency

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mostly of higher-end properties. "This gives us a family-focused property that is not driven by disposable income," said Tamara Goddard, CPMG's director of strategic alliances. "It also gives us the opportunity to deliver huge exposure to brands in a very concentrated period of time." Access to senior property personnel also plays a role in evaluating potential clients.

"I need to know the pathway to the decision-maker, the person who can make any changes required," said Mel Poole, president of SponsorLogic, which represents the National Electrical Contractors Assn. (IEG SR, Dec. 22, 2008) and other properties.

Another important factor: the property's understanding of sponsorship and what it takes to be a good partner after a deal is signed. A client who fails to deliver doesn't provide much of a chance for renewals and also reflects badly on the agency the next time it tries to strike a deal with the sponsor.

Precision Sports Entertainment, which represents endurance sports events such as the Nautica New York City Triathlon presented by Toyota, looks for properties ready to embed sponsors and their stories in the fabric of the event.

"We look at how creative the event owners and directors are, and if they are willing to integrate sponsors," said Armand Milanese, CEO.

Sales agencies also shy away from properties that depend on sponsorship as their sole revenue source.

"That's a red flag. I want events that will continue with or without corporate participation; sponsorship should be the gravy," said Kathy Emery, president of The Sponsor Placement Co., which reps the Milwaukee Art Museum, Taste of Minnesota and other properties in the Midwest.

Wakeham & Associates Marketing, an agency that represents the Niagara Convention & Civic Centre and other properties in the U.S. and Canada, has

developed an internal matrix that scores possible representation clients on a list of attributes and revenue potential elements, including prestige, retainer offered, commission potential, agency exclusivity and lead time.

"It's good to have that exercise, because sometimes we have an emotional response to a property without being analytical," said president Hugh Wakeham.

Sorting Out Agency Payment Structures

While some agencies—mostly those that represent large properties with a good chance of sponsorship success—will work on commission only, the vast majority look for a retainer plus commission.

IMG has moved away from commission-only deals in favor of requiring a retainer on top of commission.

"These types of fee structures will gain more prominence as the economy gets more challenging," said Worcester, who uses the fee to cover the cost of placing employees at each property and otherwise servicing the client.

Poole agreed: "If a potential client is not willing to pay a retainer, it shifts 100 percent of the risk to the agency," he said. "The retainer is their skin in the game."

In addition, properties interested in commission-only often want to work with multiple agencies at the same time, Poole noted.

"A property that hires an agency strictly on commission is probably going to hire 10 other agencies, so everyone is selling against each other."

The average commission is between 15 percent and 20 percent. That number can range from 10 percent or below to as high as 35 percent based on the size of the deal, the prestige of the property, time frame and other factors. Retainers and other fees also range widely. An agency hired strictly to sell

may seek less than \$1,000 a month from a small property, while projects that include asset inventory, packaging and sales can require fees into the six figures.

Then there is the matter of what happens after sponsors are initially signed, i.e., how is the agency compensated for multiyear deals and renewals.

For sponsorship agreements extending beyond one year, many agencies receive a smaller commission after year one. For example, an agency may receive a 20 percent cut of the year one fee, 12 percent of year two and seven percent of year three, Poole said.

In addition to payment for new deals, properties and their agencies must also come to terms on compensation for renewals of deals that pre-dated the agency, future renewals of agency-led deals and in-kind sponsorships.

Typically, an agency that renews a sponsor originally signed by the property will receive its standard commission only on the amount of any increase.

For renewals of deals the agency secures, some firms reduce their commission rate, while others don't. "I used to ask for a smaller percentage on renewals, but not anymore," Emery said. "Many times the renewal is just as tough to bring in."

Emery also includes a "tail" in her representation contracts that requires the property to pay commission on renewals if she parts ways with the client.

"If I brought it in, and it's new money to them, I get a piece of it going forward, whether it was my effort or theirs," she said. "Otherwise people will want to hire me for one year and that's it."

Agencies typically receive the same commission on in-kind deals as cash deals, although there are exceptions. For example, one veteran sponsorship agency charges 5 percent to 10 percent on in-kind media deals, and a full commission on other in-kind products and services that are budget relieving.

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Most agencies look to sign three-year deals with properties, with an option to terminate at the end of each year.

Tips On Landing A Sponsorship Sales Agency

Below, IEG SR offers tips on landing and working with a sponsorship sales agency:

Grant exclusivity

Most agencies will not take on a client without exclusive representation rights. Those rights can span across all categories or be limited to a few agreed-upon industries.

For example, CPMG works with a property that has a separate agency charged with soliciting business from the Hispanic tourism industry. "They're focused on a different segment of business," Goddard said.

Without those boundaries, having multiple agents working for the same property can cause confusion in the marketplace and risks alienating prospects who may be approached more than once.

In some cases, agencies must work alongside a property's internal sales force. In that situation, as with multiple outside reps, the key is to define which categories each party is and is not able to pitch.

When selling in conjunction with property staff, WAM ensures everyone uses the same proposal, benefits package and pricing, Wakeham said.

Clearly define the agency's role

Properties and agencies should understand the parameters of the relationship and stick to them. For example, if an agency has been contracted to sell, the rightsholder should not later ask it to do some PR work as well.

"If you're working on a defined project and a property throws something at you

from left field, you're not bearing down on what they brought you on board to do. That can dilute the whole project," said Poole.

Be realistic with timing and revenue goals

Typically, properties should expect agencies to start securing deals within three to six months.

"If we don't deliver revenue in 90 days, we're not making the right phone calls," Goddard said.

Prior to hitting the street, properties and agencies should determine success metrics such as revenue goals and time lines.

"How do we know if we've won? That's a critical question, and many agencies are afraid to ask it," Poole said.

Setting prices for the sponsorship packages the agency is selling can often be a bone of contention between agent and client, with a growing number turning to independent third-party valuation services to establish the market value.

Provide sales assistance

Where possible, properties should participate in sales calls to help close deals.

In representing Strike Ten Entertainment, the national bowling property, "our success rate improves dramatically when a representative from Strike Ten joins us on sales calls, conferences or meetings," said Neuman, who noted the rep can answer questions and immediately sign off on any special requests the agency would otherwise have to gain approval for.

"It expedites the process and gets to a 'yes' faster," he said.

Maintain constant communication

Properties should try to treat agencies as they would their own sales departments.

That includes keeping lines of communication open and ensuring the agency is up to speed on any new programming, operational issues or advertising and marketing initiatives.

Where possible, Emery tries to participate on a property's marketing or advertising committee. "I like to gain a seat if they'll have me, because that's so much of what I'm selling."

Emery has that relationship with two of her Milwaukee clients. She sits on the advertising committee for Festa Italiana and attends German Fest's monthly marketing meetings.

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