

Valuation: Stop Guessing & Gambling on Your Sponsorship Fees

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Presentation Outline

I. Introduction

A. Three most typical philosophies behind the setting of a sponsor fee...

1. Expense-based
2. Needs-based
3. Desperation-based

B. Six common sources often cited to determine sponsor value

1. Historical
2. Expectant
3. Consensus
4. Edict
5. Atmospheric
6. Gastro-Intestinal

C. Risk & Reward: Unless you are using some sort of clearly defined methodology and metrics to determine your sponsor fee, you are *gambling* with the financial sustainability of your event.

II. Why accurate valuation is essential

A. The Consequences:

1. You don't want to overprice (and loose the deal)
2. You don't want to underprice (and leave money on the table)
3. Your competitors are doing it (and if you are not, you will eventually be left in the dust)
4. Sponsors & their agencies are "scoring" your offer (and they will know if you are providing justifiable value)
5. Guessing sponsor fees is, in the end, NOT maintainable

B. The Rewards:

1. Differentiating between marketing vs philanthropic based support
2. Reliability
3. Accuracy
4. Competitive
5. Parity
6. Sustainable
7. Confidence

III. Key Elements of Determining Accurate Sponsor Value

- A. Core Tenet: The sponsor fee is determined by the value of the offer being proposed to your potential partner as determined by the tangible rights they will receive, the intangible benefit of association with the property, and the cost of comparable opportunities.
- B. Valuation Factors
 - 1. Tangible Value: Quantifiable value of all benefits provided
 - 2. Intangible Value: Qualitative value of being associate with the event
 - 3. Market Value: What the market will pay

IV. Getting Started: What you need to know before you can determine what a sponsorship is really worth

- A. Do's & Don'ts
 - 1. Determine "Value" not "Cost"
 - 2. Your cost or expense is NOT relevant
 - 3. This process is for internal use only
 - 4. Use realistic numbers – Don't over or under-inflate
- B. Information and data you will need to collect beforehand
 - 1. *Accurate* Attendance
 - 2. Media Values (paid & promotional)
 - 3. Promotional Materials (quantities)
 - 4. Publications (e.g. event program circulation, ad rates, etc.)
 - 5. Website Analytics (Unique visitors)
 - 6. Social Media (Likes/followers)
 - 7. Mailing Lists (# snail mail, email addresses with which you communicate)
 - 8. Exhibit Space (exhibitor fee for a 10' x 10')
 - 9. Hospitality (face value, estimated value, of tickets, parking, receptions)

V. Valuation Metrics:

- A. Tangible Value
 - 1. Typical Quantifiable Benefits
 - a. Signage Exposure
 - b. Exhibit Space
 - c. Sampling Rights
 - d. Audio Announcements
 - e. ID in Event Ads
 - f. ID in Event Materials
 - g. ID on Apparel
 - h. Program ID and Ads
 - i. Website/Social Media Rights
 - j. Mailing Lists
 - k. Event Tickets
 - l. VIP Hospitality

2. Industry Metrics (Where do they come from?)
 - a. Retail Value
 - b. Comparable Value
 - c. Impression Value (Visual & Digital)
 - d. Media Rates
 - e. Sampling Rates
 - f. Values Borrowed from Other Industries

(See Addendum 1)

B. Intangible Value

1. The Importance of Intangibles

The true value of an event does not begin to become apparent until the intangible assets are weighed. Often it is the intangible value of being associated with an event that has the greatest impact on the sponsor fee.

2. Intangible Factors

- a. Prestige of Property
- b. Recognition and Awareness
- c. Category Exclusivity
- d. Level of Audience Interest/Loyalty
- e. Ability to Activate
- f. Degree of Sponsor Clutter
- g. Property's Susceptibility to Ambush/Guerilla Market
- h. B2B Networking Opportunities
- i. Media Coverage Potential
- j. Demonstration of Community Involvement/Cause Interest
- k. Established Track Record

C. Sponsor Fee Formula

1. TV x ITV% (MP Filter) = Sponsor Fee

- a. Add up tangible value of benefits provided at a specific sponsor level
- b. Multiple the tangible total by the intangible percentage for the event
- c. Total the two
- d. Determine ROI (Should be at least 200%)
- e. Compare to the marketplace's ability to pay
- f. Set the sponsor fee

VI. Other ways to increase sponsor value

- A. Growing attendance
- B. Proprietary assets with dedicated signage
- C. Media partnerships with guaranteed advertising value
- D. Building social media outreach through web traffic, social media likes and engagement
- E. Being proactive and helping to facilitate with your sponsors onsite engagement including sampling, demos, experiential promotions, etc.
- F. Value proposition can be greatly increased by the potential communications platform the property provides through activation.

VII. How What? Valuation Options

A. Do It Yourself

- 1. Typically, this will take 40-60 hours to create
- 2. Conduct an inventory
- 3. Plot information onto a Matrix
- 4. Create formulas to calculate values
- 5. Compare to similar properties

Note: This will NOT have independent third-party endorsement

B. Engage a Consultant

- 1. National Valuation Service
 - a. IEG, The Sponsorship Collective, others
 - b. \$80,000 - \$125,000+
- 2. Sponsorship Agencies
 - a. CSG, Proxy Sponsorship, others
 - b. \$10,000 - \$50,000

C. Online valuation services

- 1. Key features
 - a. Cloud-based
 - b. Specialized by event type
 - c. Plug & play valuations
 - d. Third-party valuations help in pricing and recaps
- 2. Sponsor Fee Pro
 - a. \$1,895 annual subscription

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Addendum 1: Industry Valuation Standards

On-Site Interaction

- ▶ Direct Sampling \$.15 - .25/sample
- ▶ Static Display \$.05 - .1/impression
- ▶ Exhibit Space \$.15-.25/attendee or at premium rack rate

On-Site Signage/Recognition

- ▶ Principal Banners \$.01 - .03/impression (based on size, location)
- ▶ Secondary Banners \$.0025 - .0075/impression (based upon size, location)
- ▶ Co-branded Asset Signage \$.01 - .025/imp. (based upon location & exclusivity)
- ▶ LED/Video Signage \$.01 - .02/impression (Includes PowerPoint Screens)
- ▶ PR/Verbal Announcements \$.004 - .0075/impression
- ▶ Opportunity to speak/intro. \$.01 - .05 (based on attention/desirability of audience)

Website/Digital/Social Media

- ▶ Logo and/or link \$.005 - .015/unique visit
- ▶ Banner ad \$.015 - .035/unique visit (based upon size & placement)
- ▶ Co-Branded content \$.03 - .04/unique visit
- ▶ Other prominent exposure \$.05 - .12 (integration into video, podcast, webcam)
- ▶ E-newsletter content/offer \$.03 - .0425/address (increases if subscription-based)
- ▶ E-blast or direct mail offer \$.0275-.035/address (increases if opt-in)
- ▶ Social Media content \$.05 - .15/delivered post
- ▶ SMS (Text) Message/Offer \$15 - \$25/mobile number

Media & Communications

- ▶ Logo in Media Advertising 5% - 10% of total rate card value
- ▶ ID on Brochure/Flyer/Poster \$.03 - .0425/impression (based upon size & placement)
- ▶ Logo on Merchandise \$.0075-.035/impression
- ▶ ID on Tickets \$.0025 - .05 (if includes bounce back coupon)

Official Programs/Publications

- ▶ ID in Program Cover \$.035 - .05/impression (based upon size & placement)
- ▶ ID within Program \$.0075 - .03/impression (based upon size & placement)
- ▶ Program ad Retail placement rate (Based upon comparable circ.)

Other

- ▶ Mailing Lists \$0.12-18/name
- ▶ Hospitality Face value of tickets/admission
- ▶ VIP Hospitality Value based upon quality/exclusivity of experience

Source: IEG and other industry sources