



Sourcing Forum  
April 16, 2020

## WFA Webinar: Better sponsorship outcomes through better category management

Click [here](#) to listen to the full webinar

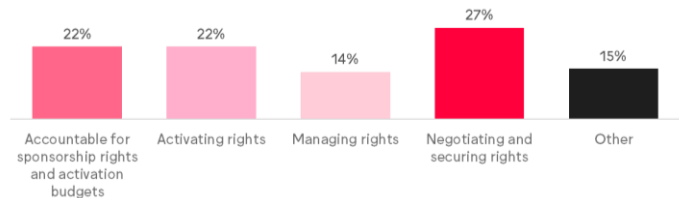
Click [here](#) to listen to a former WFA webinar on managing Sponsorship and experiential marketing initiatives during and after the COVID-19 crisis.

Guest speaker: Ian Malcolm

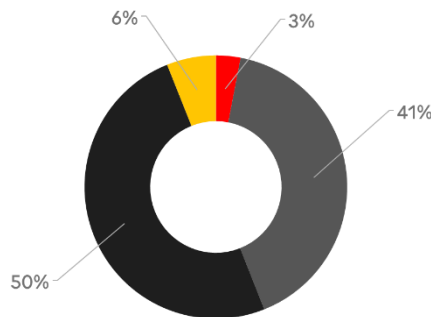
President and CEO at Lumency [ian.malcolm@lumency.co](mailto:ian.malcolm@lumency.co)

### Live poll results:

Q. What role do you play in your organization's sponsorship efforts??  
(106 respondents)

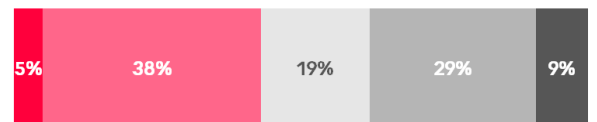


- 26% to 50% increase
- 1% to 25% increase
- 1% to 25% decrease
- 26% to 50% decrease
- No change

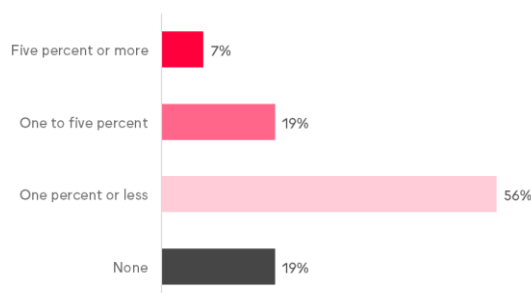


Q. What impact will the COVID-19 crisis have on your CY2020 marketing budgets? (33 respondents)

Q. How confident are you that most of the investments in your sponsorship portfolio are addressing the 'right audience' with the 'right assets' and at the 'right spend'?  
(58 respondents)



- Very confident
- Somewhat confident
- Neutral
- Somewhat unconfident
- Not very confident



Q. What percentage of your sponsorship budget is spent on measuring return? (66 respondents)

## Q&A:

*Please note that the recommendations included in this document are merely meant as suggestions or proposals from Lumency. They are not binding in any way whatsoever and WFA members are free to depart from them. The following questions were asked by attendees throughout the webinar.*

### Cost structure & benchmark

Q. Do you have a template to share for measuring sponsorship across the deliverables?

Lumency: As we said during the webinar, unfortunately there is no easy one-size-fits-all solution for measuring sponsorship impact (ROI). We customize our measurement protocol to each client's business and industry sector.

Q. How to run a proper benchmark for sponsorship having in mind that most of costs are imposed by sport association and each sponsorship is sort of unique?

Lumency: Value to rights fee ratio is an important benchmark across your portfolio. This references to value you're receiving from a property in relation to your rights fee spend. Different types of properties and different tiers of properties can and should align to different property value to rights fee ratio benchmarks.

Activation to rights fee ratio by property will help your organization commit to targets around activation spend. These also should vary by not only property type, but also by market or region. Consider as a first step, looking at market averages for comparison. Select activation to rights fee ratios by region/market that we track: Western EU – 1.1:1; Brazil – 0.7:1; US – 1.3:1; Canada – 0.67:1; Australia – 1:1

Target efficiency index (concentration within of a property's audiences of your target audience(s)) will help to ensure you're maximizing the opportunity against spend to be able to connect with the right audience(s) and stakeholder groups.

Q. What are top 2 parameters or cost drivers to be kept in mind when negotiating a sponsorship deal?

Lumency: We're assuming that 'cost drivers when negotiating a sponsorship deal' refers to what factors determine the negotiated rights fee for a property. There are five key drivers for this:

1. **Asset list** – the entitlements that are negotiated into the sponsorship deal (i.e., more assets, the higher the value of the sponsorship package being negotiated).
2. **Term** – often, cost efficiencies can be realized when negotiating longer term deals.
3. **Escalator** – a significant year over year rights fee escalator can drive up the rights fee spend over the term of the deal (if no assets are being added during the term,

no incremental value to the deal, escalators most often should be kept to a-or-below the rate of inflation).

4. **Value-in-kind** - can mitigate (cash) rights fees.
5. **Competitiveness of Category** - The competitiveness of the sponsorship rights category will impact the rights fee (i.e., two or more category competitors negotiating for the same sponsorship rights will drive up the rights fee that the successful category proponent winds up spending).

### Music festivals

Q. What can you classify as a lead in a Music Festival activation? And how can we nurture those leads?

Lumency: In the case study presented during the webinar presentation for an automotive client, a lead is the personally identifiable information provided by a consumer and is categorized into either a 'hot', 'warm' and 'cold' lead. 'Hot', 'warm' or 'cold' is a categorization based on the level of interest the consumer has stated in our client's products, (i.e., we categorize a 'hot' lead as coming from a consumer who has indicated they would like to be contacted by a Dealer. A 'warm' lead has indicated interest in our client's products and may be in market to purchase within a defined period of time). 'Warm' leads go into a lead nurturing process that includes on-going communication with the consumer derived from information the consumer provided at the time the lead was captured. This information includes demographic, social cluster and product preference, among other data points.

### Covid-19 impact

Q. Given that conventional (sports) sponsorships are on hold globally due to COVID-19, do you see an exponential shift to esports sponsorship properties at the moment? Does it make sense? If yes, what should we consider/be careful off to not diminish ROI given that these assets might be artificially overpriced currently?

Lumency: We'd caution against any major shifts to e-sports, or any other passion point that you hadn't already been focused on, as a result of the COVID-19 crisis. There is a lot of uncertainty in front of us, but we don't yet know how long the crisis will last, or when sports, entertainment, arts and culture properties will return to being able to host live events. e-sports is doing a better job than most property categories in migrating live events to virtual ones, but the category is still struggling as a result of the crisis.

Even in the months leading up to the COVID-19 crisis, we were seeing softness in the e-sports space. Rights fees and hype for e-sports properties had been over inflated. The audiences and the interest hadn't reached the levels that the properties, leagues, teams

and titles in the e-sports space had been promising. e-sports will find its place and will have a following, but it's likely to be less mainstream than many had hoped for.

Q. Which other alternatives to conventional (Sports) sponsorships do you expect to emerge post COVID-19 (e.g. social, healthcare)?

Lumency: The research we've seen suggests that there is latent demand building during the crisis for attending large sporting events, particularly amongst millennials and gen-z. Sports will return when we get past the COVID-19 crisis, and so will sports fans. While it remains to be seen how and when sporting events will restart, we expect broadcast audiences to be larger than they would have been without the COVID-19 crisis and we anticipate live audiences to be down between 15-20% during the short and midterm. Gen-x and boomers, while not significantly less inclined to attend live sporting events coming out of the crisis, it's with these cohorts that we'll likely see some reluctance around attending large sporting events.

We believe more local, more familiar events will see increased live attendance once social distancing and lockdowns are lifted. As people begin to reengage with the world around them, they will likely start in their neighbourhoods and in their local communities first.

Q. What are the main rights properties changes you can preview after the Covid19 Crises? For instance, in sports and music events what type of properties would be the future?

Lumency: We believe it's important to think about the period once the crisis is behind us across three timelines – 1/ the near term (the first 30-45 days), 2/ the midterm (the first 45 to 120 days), and 3/ the longer term. In the near term and the midterm, events, sports seasons will be cancelled or postponed. We expect the longer term won't be all that much different than the 'normal' we experienced before the COVID-19 crisis.

Q. With Musical Festivals slowly transitioning for Digital Festivals, what's the best way to preserve the relation with the festival attendees that we created in person along the years?

Lumency: Work with your music festival partners that are shifting to virtual/digital events to find ways you can get attribution through their new approach. Add value for the festival audience and enhance their 'new' experience. Show up as a partner to the property and show up as a 'fan'. It's what your brand does in these ten weeks that will be remembered for the next ten years.

Q. From the point of view of someone selling sponsorship, how and what is the proper way to approach prospect companies during and after COVID?

Lumency: With pressure on marketing budgets, comes pressure on sponsorship budgets. It will be more challenging than ever to be selling sponsorship over the next +/- 9

months. You'll need to be able to demonstrate a very real ability to help sponsors deliver on measurable business and brand objectives. And over the near to midterm, to be able to deliver against lower funnel metrics.

### Top advice

Q. In these testing times with important marketing budget reductions, what would be your key advice to anyone attending this call?

Lumency: Be choiceful. During the webinar presentation, we talked about the importance of ensuring your sponsorship portfolio is healthy. Focus on the properties that deliver measurable results, that deliver target efficiency and that enable you to demonstrate your brand values. And be prepared to exit the rest. With reduced budgets, protect working dollars (activation spend) even if it means you have less to spend on rights fees. Consider partnering with fewer properties but optimize those properties that can support brand and your business. Really commit to leveraging the properties you do have across your entire connections mix. Sweat your assets.

## Other items

[Link](#) to a spreadsheet created by Lumency for WFA members to track all sponsorship and experiential initiatives, by client, for calendar year to go – with timing and budget implications, status, date changes due to COVID-19

[Link](#) to meeting overview from recent meeting on sourcing sponsorship

[Link](#) to sponsorship glossary created by Lumency

[Link](#) to WFA benchmark on Sourcing Sponsorship

[Link](#) to WFA Covid-19 Compendium