MKTG

Frontier

2020 | The Voice of the Sponsorship, Sport & Entertainment Industry

FOREWORD

For the last five years, MKTG has undertaken a global survey looking at the sponsorship, sport and entertainment world in a bid to understand the marketplace and identify the emerging trends of the sponsorship industry.

Frontier 2020 had the highest response since its inception, with over 800 industry professionals from more than 30 countries giving their views.

With such a large global response across a variety of organisations and covering different sectors of the sport, entertainment and sponsorship industry, we have a wealth of data to ascertain in depth insights.

It is safe to say that 2020 has been no normal year. There is no doubt that the market is feeling the effects of the unparalleled disruption the COVID 19 pandemic has inflicted on the sport and entertainment industry.

OVER
30
COUNTRIES ACROSS ALL CONTINENTS

RESPONSES

155 BRANDS

189 RIGHTS HOLDERS

363 AGENCIES

WORKING ACROSS

64% SPORT

35% MUSIC & ENTERTAINMENT

23% ARTS & CULTURE

21% CSR

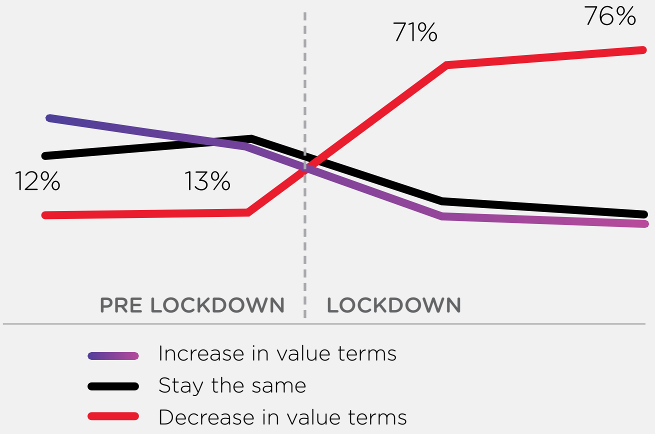
PERFORMANCE EXPECTATIONS OF THE SPONSORSHIP INDUSTRY

Whilst we considered postponing the survey due to the pandemic (originally opening on 11th March and closing for responses on 8th May), we have used this year's Frontier survey to monitor market sentiment and shift, as well as to provide insight on the industry. In early March, many countries unsurprisingly expected the industry's market value to align with that of 2019.

However, once the reality of the impact of Coronavirus became more apparent, a rapid decrease became clear. So far, so obvious. What is interesting though, is the question of **"what happens next?".**

Frontier 2020 gives us an opportunity to look at what matters in the industry and how respected practitioners feel it needs to change and adapt moving forwards.

Performance Expectations of the Sponsorship Industry



In 2019 we highlighted the following key insights

MultiMediaFication
Multi-screen usage, streaming and over-the-top (OTT) channels are changing the way sport is consumed.

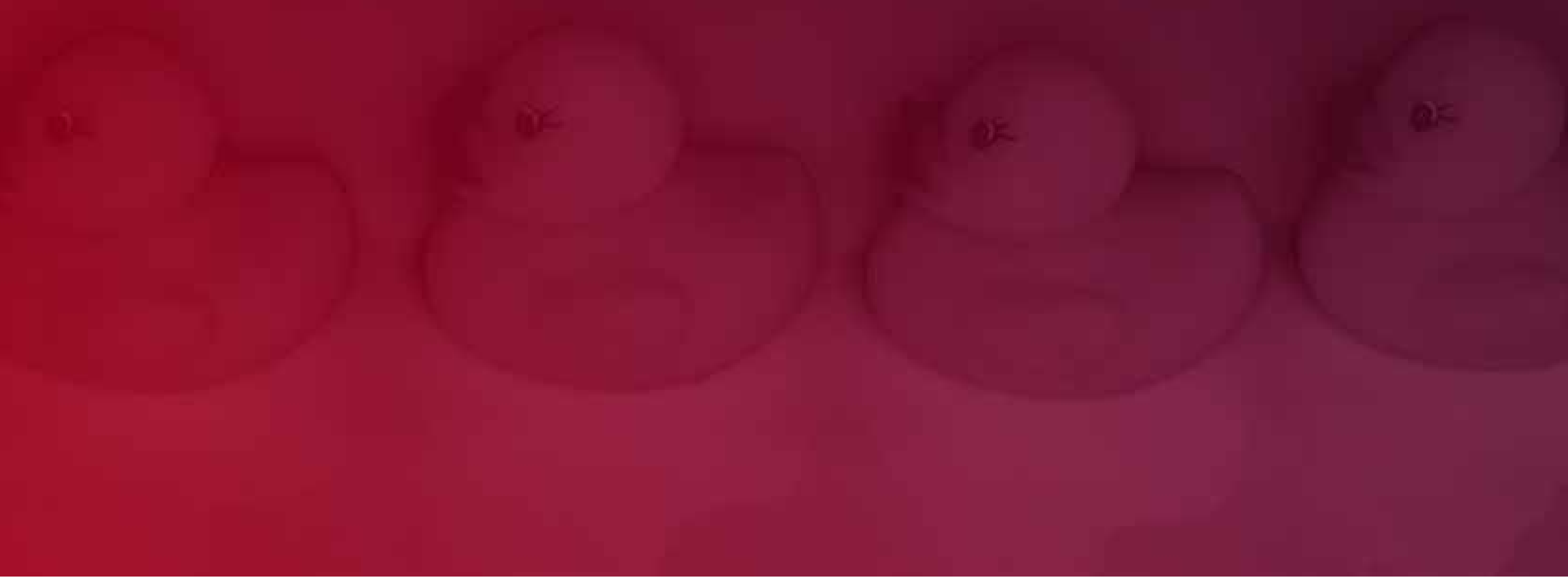
Exclusive Content
With the media consumption model continuing to fragment and diversify, content needed to be more exclusive to achieve stand-out.

Real World Experiences
In line with the 2018 report, we saw that although virtual experiences have a wider reach, real-world experiences are crucial as they lead to first-hand engagement which can then be shared to a wider audience.

Proof points and accountability
The 2018 report revealed very low confidence amongst respondents in being able to prove the business return against objectives. In 2019, we expanded on this area proving the value of using talent and rights holder IP.

Whilst the real-world experiences may need to be more digital in the present/near future all of these learnings and insights hold true in 2020.

FOUR KEY TAKE OUTS



1.

AGILITY & ADAPTATION of sponsorship packages– Covid-19 has highlighted the importance of both tangible and intangible assets and the need for flexibility as both a brand and rights holder.

2.

THE NEED TO UNDERSTAND IP AND HOW TO USE IT PROPERLY – Sponsorship's most valuable intangible asset is being under-utilised.

3.

THE POWER OF PURPOSE; sponsorship's missing pillar – it is time to focus on how sponsorship can bring societal good to the table.

4.

SO WHAT? WHY DO SPONSORSHIP? – If we cannot prove the return of sponsorship, why are we doing it? The industry needs to focus more heavily on measurement and proof of success/effectiveness.

We will dive into these in more detail, to not only give a view on the status quo, but also provide some ideas and inspiration on what might come next.

1. AGILITY & ADAPTATION OF SPONSORSHIP PACKAGES

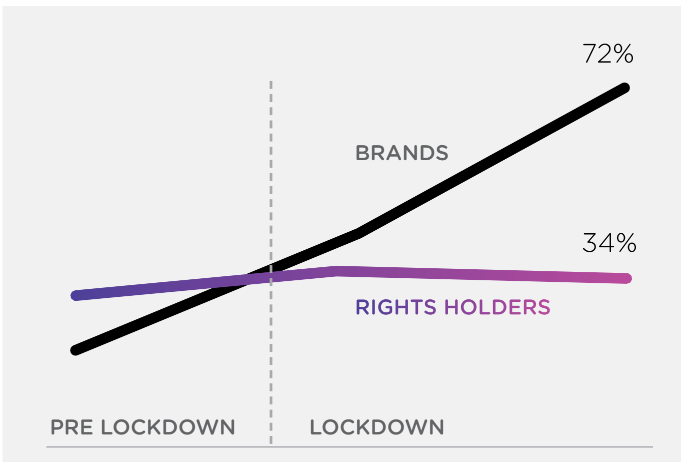
A key trend worth noting is the rapid shift in brand sentiment towards whether brands should pay for all their rights or just those that are used. This is perhaps unsurprising given the hiatus of live events, but does this point to a need for a more agile sponsorship system?

As the pandemic continued, we saw clear differences in opinion between brands and rights holders regarding payment of non-delivered assets. Pre-pandemic, there was an alignment between brands (20%) and right holders (30%) that brands should not have to pay for non-delivered assets, but as brands tried to balance the books, their need to be reimbursed for non-delivery increased with rights holders seemingly not willing to consider it.

Fast forward two months and 79% of brands now say that fixed sponsorship is dead, compared to 66% of rights holders. This may signal a shift in how rights and partnerships are constructed in the long run, but in the short term it will lead to multiple commercial and legal conversations between "partners". This will help to bridge the divide in perception as we hopefully exit the restrictive phase of the pandemic.

These unprecedented times have brought to the fore the importance of knowing the value of your assets, be that tangible or intangible by association. It will be interesting to see if those rights holders who price solely on media value are willing to "give back" non-delivered exposure and whether brands undertake their own valuations and identify each asset's value in their contracts. The figures suggest this has been an eye opener and the traditional list of assets and traditional rights package may be a thing of the past.

Brands should only pay for the assets they use.



1. AGILITY & ADAPTATION OF SPONSORSHIP PACKAGES (CONT)...

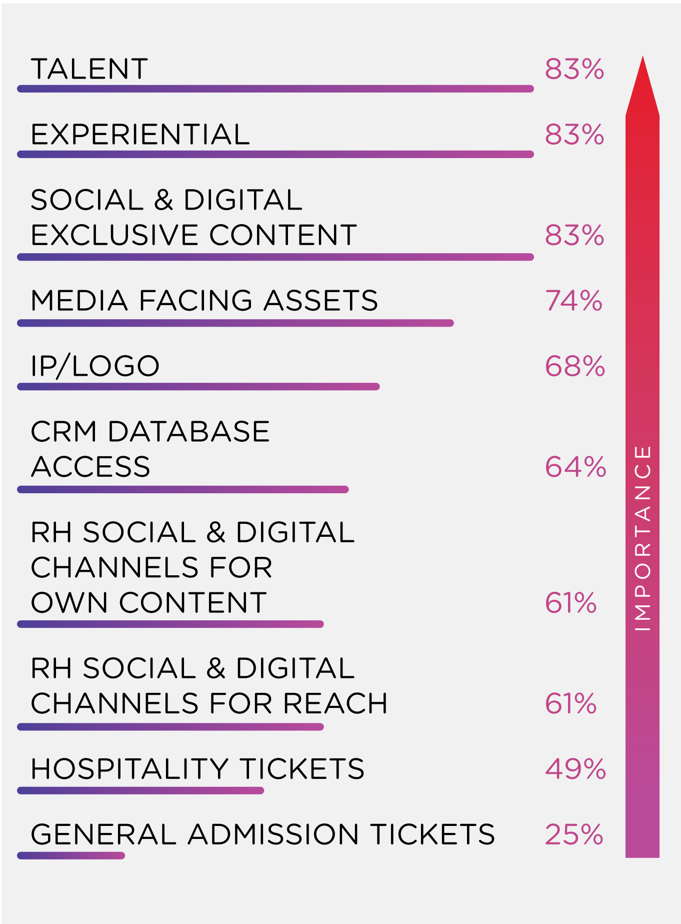
DEMAND FOR TANGIBLE ASSETS FOR A FULLY INTEGRATED SPONSORSHIP

So what assets are top of the list?

In 2019 we highlighted that exclusive content was king. This is still extremely important for 2020, but sponsors want more. It is not just social and digital content that is in demand but access to talent and experiential activities. These activities tie into the findings from Frontier 2019, where exclusive content is king and allow brands to create personal experiences or moments that resonate with their desired audience.

Use of rights holder channels and databases are vital for brands to engage with receptive & targeted audiences. It is key however, to make sure that the content is linked and connects with the property to maintain high engagement rates.

Access to talent and experiences may put pressure on rights holders and be more difficult to deliver than media facing assets, but if used well by brands, they can rapidly extend a rights-holders potential audience and reach.



1. AGILITY & ADAPTATION OF SPONSORSHIP PACKAGES (CONT)...

THE FIXED SPONSORSHIP PACKAGE IS DEAD...

"The fixed sponsorship package is dead", long live agility! Brands are taking the driving seat with 8 out of 10 brands agreeing with this statement compared to only 6 out of 10 rights holders.

As long lists of assets are built into contracts to try and increase value, it is important to only select those you can use and activate even on an annual rotation basis. But the combination of these assets has the strongest impact as brands try and engage across different channels, through content, with experiences and align with talent to reach the all-important target audience.

Sponsorships have different priorities in their objectives, but a clear delineation of their importance has been established through Frontier 2020 – not necessarily linked to their monetary value.

TOP TIER

8 OUT OF 10 BRANDS

> Talent & ambassadors

> Experiential activities

> Social and digital exclusive content

SECONDARY TIER

6 OUT OF 10 BRANDS

> Property's IP & logo

> CRM database access

> Use of rights holder social and digital channels for brand posts & content

> Use of right holder social and digital channels for reach

> VIP/Hospitality tickets

TERTIARY TIER

3 OUT OF 10 BRANDS LOOKING TO USE

> General admission tickets

2. THE NEED TO UNDERSTAND IP AND HOW TO USE IT PROPERLY

The "schedule of rights" of a sponsorship contract focuses very much on the tangibles, those that you can equate to a monetary value, often a media value.

But what of sponsorships most fundamental principle of "association of values" or put another way the value of intellectual property. Do people know what they are buying, do rightsholders know the value of what they are selling? What does it bring to the table?

Best practice for sponsorship selection closely matches brand and rights holder values to establish and ensure best fit. This forms the backbone of the brand value transfer between brands and rightsholders. However, 60% of brands still admit that they are not maximising this IP to its full potential value. This is surely the biggest area for optimisation and improvement within the industry.

47%

IP IS SPONSORSHIP'S MOST VALUABLE ASSET

CONFIDENCE TO MEASURE IP VALUE

BRAND	RIGHTS HOLDER
5%	14%

2. THE NEED TO UNDERSTAND IP AND HOW TO USE IT PROPERLY (CONT)...

SPONSORSHIP'S MOST VALUABLE INTANGIBLE ASSET IS BEING UNDER UTILISED

85%

OF RIGHTS HOLDERS WHO INVEST IN THEIR IP ATTRACT THE BEST SPONSORS

IP IS A PROPERTY'S MOST VALUABLE ASSET

MAXIMISE THE POTENTIAL OF IP, USING MKTG'S BESPOKE MEASURING TOOL

85% of respondents felt that rights holders who invest in their IP attract the best sponsors, so the power of IP works both ways. If a rightsholder can build the power and value of their own brand, they are likely to see the return by attracting more sponsors. If the traditional rights package is now dead, the future is a rights package that celebrates and lauds the potential shared value in IP and brand value transfer.

There is, however a challenge. 85% of the industry agrees that there is no one value for IP. Whilst half of brands and rights holders believe that IP is a property's most valuable asset, only 5% of brands and less than 15% of rights holders can confidently quantify its value.

This most powerful of assets is consistently undermined by the perceived intangible nature of its return. However, it is not only important that you know how to measure it, but totally possible to do so. Using our bespoke measurement tool, MKTG Amplify, we can value the uplift that using IP can bring to a brand. This type of measurement will help the industry fully maximise the potential of IP.

3. THE POWER OF PURPOSE

We have focused on the industry's ability to work at a more meaningful level than just brand awareness. In terms of trends, over the last five years we have seen a steady decline in the importance of brand awareness as a primary objective, but a stubbornly resilient approach to continuing to use media value as a key metric. The overarching issue that while sponsorship can be used for so much more than brand awareness, the full effect and value is not seen if you rely on media values alone.

So, what is the point of sponsorship?

Frontier shows that 90% of people interviewed believe sponsorship makes a meaningful connection with customers. Historically this might have been passive i.e. if your football team is associated with a brand it might make you more likely to buy said brand. The hiatus in live sport and entertainment however has accelerated the need for brands to focus on how they are building a meaningful connection with fans and what they want them to do off the back of that connection.

The opportunity here is to build a more meaningful connection with the people you are trying to reach. This is nothing new. Brands have, and should have been doing this for years, but the interesting element is how? Gone are the days where handing out a fixture list or a piece of branded clothing or merchandise is enough to engage with fans. That is not engagement, that is environmentally unfriendly brand awareness.

BRAND AWARENESS AS A SPONSORSHIP OBJECTIVE	
2016	70%
2020	65%
EVALUATION TOOLS FOR SPONSORSHIP – MEDIA EXPOSURE AND VALUE (TV)	
2017	54%
2020	54%

AGREEMENT WITH STATEMENTS	
Meaningful brand action through sponsorship can build customer loyalty	95%
Sponsorship makes a meaningful connection with customers	90%
By demonstrating shared values, brands can be seen to be making customers' lives better	81%

SPONSORSHIPS MISSING PILLAR

Using sponsorship to create meaningful, believable demonstrations of brand purpose will drive the industry forward and give a more credible, significant answer to the "so what?".

The success of this approach relies on several factors. Firstly, a brand having something interesting to say and a purpose to their story, which then needs to be matched to the partner. Where are the synergies? What is the shared purpose and direction of travel? Once this is in place it gives brands a perfect opportunity to act and move from words to deeds. Activated in the right way, sponsorship can bring a brand's purpose to life in a meaningful way. Frontier shows that this can work, with 95% of people believing meaningful brand action through sponsorship can build customer loyalty.

The world is increasingly looking at brands through the lens of their deeds and actions rather than their words. Givewith, the pioneering US-based social impact company is quoted as saying that 88% of consumers expect brands to create social impact, and sponsorship offers a way to do this above and beyond the traditional advertising mix.

Used in the right way sponsorship can give brands personality and provide physical demonstrations of them living what they breathe. According to Frontier, 67% of people believe sponsorship is a better platform for purpose-based marketing than advertising. More brands should be capitalising on the power of sponsorship to affect change in behaviour through purpose-driven partnerships.

If you look into the history of persuasion and the construct of Ethos, Pathos, and Logos, where permission, empathy, and logic are the three main pillars of influence, it would be fair to say that sponsorship, as a medium, is clear on the Ethos – partnering gives you permission and a voice in a relevant space. We as an industry need to work harder on the Pathos and Logos – the emotional and rational drivers to create change.

Media will always be important and reach and scale are credible reasons to associate with a property, but we need to do more to unlock the full power of partnerships. Having a greater consideration around the purpose and potential societal good of a partnership will only lead to more efficient effective engagement with fans.

WE ASKED THE INDUSTRY:

"How and why is cause or purpose important to sponsorship"
The key theme was authenticity leading to connection through trust.

> *A cause or purpose makes a sponsorship campaign resonate, meaningful and ultimately more effective.*

> *It creates a deeper impact / connection to the consumer / customer because if it resonates with their values it will create a natural connection.*

> *The best sponsorship campaigns feel relevant for the brand, the rights owner and, most importantly, the customer. Without cause or purpose, it is not easy to make a campaign feel relevant.*

4. SO WHAT? WHY DO SPONSORSHIP?

Results from Frontier 2020 show across all organisations that the top two requirements are to evaluate performance against objectives and targets. But, for the last three years, Frontier has found that only 1/5 of the industry is very confident of being able to measure business return. This is not due to lack of data - everything is measurable. It is down to understanding purpose, objectives and ensuring that every activation aligns to these and a metric is assigned – and of course putting a budget behind this from the outset.

VERY CONFIDENT MEASURING BUSINESS RETURN

WANT TO MEASURE

- #1 TRACKING PERFORMANCE AGAINST BUSINESS OBJECTIVES
- #2 SETTING TARGETS & KPI'S
- #3 MEDIA RETURN V FEES (ROI)

ACTUALLY MEASURE

- #1 BRAND EXPOSURE
- #2 DIGITAL & WEBSITE STATISTICS
- #3 SPONSORSHIP AWARENESS & IMPACT
- #4 SOCIAL LISTENING

RELEVANCY IS THE CORE SPONSORSHIP OBJECTIVE

Brands regard "relevancy" as their core sponsorship objective. This involves matching their audience profiles, lifestyles and personalities to the right property and wanting to transfer its values through credibility and authenticity – something we have spoken about in the previous section around IP values.

With sponsorship now integrated within marketing and communication, the "brilliant basics" used for any media creative and campaign are also being seen and understood to apply more so to sponsorship.

Rights holders, however, are more likely to see brand awareness being achieved through brand exposure and reach rather than audience fit. Perhaps misleadingly using big reach numbers to attract new sponsors and assess if the sponsorship has been a success for their partners.

BRANDS
Top 3 Sponsorship Objectives

64%	BRAND RELEVANCE
63%	BRAND PERFORMANCE CONSIDERATION UPLIFT
61%	BRAND AWARENESS

RIGHTS HOLDERS
Top 3 Sponsorship Objectives

68%	BRAND AWARENESS
63%	BRAND REACH
63%	SALES/TRANSACTIONS

WHY IS THIS IMPORTANT?

Last year $46.2bn was spent on sports sponsorship rights alone. Even with a 37% drop expected this year, this figure is expected to be $28.9bn. These vast sums of money spent on rights fees place pressure on companies to vindicate the value. Measuring a sponsorship's effectiveness not only provides the rationale to justify sponsorship but also to strategically target opportunities that align with the company's key business objectives and deliver meaningful returns.

Several sectors, who traditionally spend significantly in sponsorship, like finance and airlines, will see a significant investment cut. Instead we will see many new categories and companies entering the market, like Cazoo or similar online companies as well as the FMCG sector..

This presents a great opportunity to upweight the focus on evaluation & performance, with brands having to be much more selective with who and what they partner with, and rightsholders demonstrating the value in selecting their property, beyond just a media value.

Sponsorship is not just about selecting a property and attaching a name to it. Activation is increasingly prevalent and important with sponsorship, so tracking what works becomes even more important. The advancement in measurement tools has given brands the chance to optimise these activations. Previously brands would have to wait until the end of a campaign to evaluate the success. However technological advancements mean that they have the chance to view the data in real-time. This offers a chance to find out what is working and what is not during an activation or campaign and to adjust this accordingly.

Whilst historically measurement has been seen as an afterthought, it must be incorporated as part of the initial sponsorship budget. The desire for a 'big number' can be overwhelming particularly for rightsholders wanting to emphasis the benefit of sponsoring their properties. However, the needs of each client are unique. Some clients will want to concentrate on increasing the visibility of the brand, whilst others simply want to sell more products. The measurement programme should match this.

MEASURING SUCCESS – 360° VIEWPOINT

A Post Campaign Report most likely highlights the "big metrics" alongside some great visuals. TV media value, easy and cost-efficient access to social and digital data is often misinterpreted as evaluation of success.

These metrics are important, but unless targets have been set, they are meaningless.

We need to move on from this singular viewpoint and take a 360° approach, to review a sponsorship on all aspects of its implementation, activation, asset usage and ultimately its brand/business objectives. Starting with clear objectives is paramount. Then you have a focus to aim for and quantifiables to measure against. At MKTG, we do this through our Performance Quadrant Model; working closely with clients to understand the cause (use of assets and activations) and the effect of a sponsorship (meeting objectives).

Most importantly using data to provide actionable insights in the understanding of what works, what needs improving and giving a performance score.

We asked the industry:
"What do you feel are the biggest challenges to evaluating sponsorships"

> *If you don't obtain sponsorship based on your own business objectives then it is very difficult to evaluate what's achieved by it.*

> *There are two main challenges: Firstly, the myth that you cannot evaluate sponsorship. This is lazy, wrong and perpetuated by those with a short-sighted, short-termist agenda. The second point is usually the cause of the first; a lack of clarity on the business or marketing objectives at the outset. It is hard to get somewhere if you don't know where you are going in the first place.*

ABOUT FRONTIER

Frontier is designed to measure and understand current thinking, monitor trends, and identify future developments in the Sponsorship, Sports and Entertainment industry.

Conducted across a base of over 800 industry professionals, we questioned industry experts in over thirty different countries from EMEA, North, South and Central America and APAC.

Over the course of the year additional findings from Frontier will be released to reveal more insights and provide a greater depth on the challenges and opportunities facing different sectors and channels within the industry.

For more information on any of the findings from Frontier2020 or to learn more about how MKTG can help your brand grow through the power of sponsorship, please get in touch:

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ABOUT MKTG

BRAND EVENTS & EXPERIENCES
SPONSORSHIP COORDINATION
STRATEGY & CONSULTANCY
CONTENT & COMMS
TICKETING & HOSPITALITY
INSIGHT & EVALUATION

MKTG is a full-service, global lifestyle marketing agency working with brands and rights holders. We are in the business of connecting people with brands and brands with people through the power of shared experience and have over 16,000 staff in 20 different countries delivering over 80,000 brand experiences a year.

Find out more: www.mktg.com

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