

SPONSORSHIP AND BUSINESS NEWS

THE SHORTEST ROUTE TO ROI IS ROO



ROI IS ONLY ONE OBJECTIVE IN YOUR SPONSORSHIP PROGRAM

Nowadays we are swamped with ROI (return on investment). ROI here, ROI there: boards of directors, procurement and top management are all putting pressure on sponsorship departments to justify spending. ROI should NOT be the ultimate goal in any sponsorship program. ROI is only part of the overall impact a sponsorship delivers. It is only one of many objectives and therefore does not replace all of the other objectives.

Yes, sponsorship has become costly and is now part of your marketing strategy. It's only natural that your shareholders want to know if their investment is bringing in dividends. But the shortest route to ROI is ROO (return on objectives).

At a recent conference, a Sponsorship Director from a financial institution was telling the audience how well they were doing with their sponsorships. The key criterion for selecting a partnership was for the rights owner to generate banking revenues at least equal to the rights fees paid. In other words, the value of the sponsorship was based on the money exchanged. You sponsor a property that agrees to become your banking customer: small banking revenues, small sponsorship contribution; big banking revenues, big sponsorship contribution. This stops short of being a sponsorship. This is a common example of a sponsorship professional who bent over backwards to please misinformed upper management.

The bigger picture

Even if you get a good financial return, are you targeting the right audience? Are you positioning or enhancing your brand in the community? Are you backed by your employees and stakeholders? Are you making a difference? Are you giving your customers an experience? Are you blocking competition? Are you using sponsorship to introduce a new product in a specific market? Are you entertaining special guests in a highly positive atmosphere? Are you promoting customer retention? Are you seen by your communities as an indecent profit maker who uses sponsorship to further advertise itself OR as a good corporate citizen who invests in the lifestyle of people? Those are measurable objectives.

There is general confusion between ROI and ROO. For example, how do you calculate ROI out of entertaining customers or a grassroots or community event? Some corporate cultures seek brand awareness more than anything else. The notion of ROI here is useless.

If you don't know how to deliver ROI, relax, you're not the only one. Getting to know your ROI in sponsorship is complex. Getting to know your ROO is easy.

Taking on the excitement of a challenge

Sponsorship deals with peoples' emotions, and, as such, it challenges you as a creator. You have to be a creator more than a banker to succeed in sponsorship. You are good at what you do because of your intuition. Your gut feeling is important because it summarizes the sum of your experiences. Your ability to test the chemistry between your group and the rights owner will define your future relationship with this group. And your creativity in negotiating winning deals and inventing tie-ins will determine the quality of your partnerships.

Recent industry studies consistently suggest that for many companies setting clear sponsorship objectives is still not a standard procedure. And if clear objectives are not set, unclear results will generally come back to haunt you. So why isn't this managed better? Is your workload too heavy? Do you wear so many hats that clarity and measurable results falter? Are you inundated by untargeted proposals? Are some proposals "parachuted" in by top management? Are you understaffed? Does management want instant reports? Must you tie in all your initiatives with sales growth? Are you constantly fighting for budgets?

A MORE DISCIPLINED APPROACH FOR BETTER RESULTS

Sponsorship is a medium with its own personality, budgets, teams of professionals, vision and objectives. A more disciplined and proven effective approach will add some science to your art. For example, weighting your sponsorship objectives is simple. It provides the basis and structure from which to measure ROO in a snap.



Here are three easy steps to evaluating your ROO:

1. Establish your criteria by listing the reasons for the sponsorship:

- To meet specific corporate objectives
- To initiate promotional tie-ins for your outlets
- To reach a new or existing target group
- To achieve greater exposure and visibility

This criteria listing is a healthy recognition and justification process to go through first.

2. Weight your criteria using a simple scoring system of 1,000 points:

- | | |
|---|--------------|
| - Corporate objectives | 300 points |
| - Promotional tie-ins for your outlets | 250 points |
| - Reaching a new or existing target group | 200 points |
| - Exposure and visibility | 250 points |
| - Total | 1,000 points |

With your criteria weighted, you can now measure what is most and least important to you. The larger events or properties, however, are always likely to outscore the smaller ones. Why? Simply put, it is because they deliver a broader range of benefits. For example, a professional sports team could deliver on all the above criteria, but how well targeted and cost effective would it be for a smaller niche property? A second dimension is therefore required to measure ROO more accurately.

3. Measure cost per point:

In order to compare partnerships and proposals of all sizes equally, you need to know the rights fee and your own activation budget.

The second dimension (cost per point) simply requires you to divide the net cost to you by the points scored. For example:

Costs	Points (1,000)	Cost Per Point
\$500,000	÷ 700	= \$714.28

You have now manually empowered yourself to evaluate proposals as well as review your existing sponsorships. You also have imposed a simple yet effective discipline to evaluate all those intangible benefits through measuring ROO, and can now set rational targets for your work.

Similarly, sponsorship is an art and a science. And for most of us, the shortest route to ROI is ROO.

By Paul Pednault
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Leonardo da Vinci took the shortest route

When Leonardo da Vinci painted his Mona Lisa, he used his artistic talents as well as scientific techniques to reach his objectives. His ROO was obvious. ROI would come later.