



6. What to charge a sponsor



What's covered in this chapter

This chapter provides a guide to pricing a sponsorship and determining what to charge a sponsor. Pricing a sponsorship and, crucially justifying the fee, is often the toughest task facing a club.

Most companies seek a return on their support or investment (if they are not seeking any form of return on their investment it would be a donation and not a sponsorship). This can range from the most basic in terms of goodwill within the community, to the more complex guaranteed levels of media exposure, brand awareness and visibility.

Ultimately, like the process of buying a house, the sponsor (or buyer) will only pay the amount that they believe it is worth!

However, it is essential to go to market with a valuation that maximises income for you but that is also sensible and achievable. Within the next few pages, we will offer hints and tips based on best practice and how best to obtain this.



How the global sponsorship seekers value their packages

The largest national teams, clubs and leagues etc. will use **benchmarking** as a key tool in working out the value of any sponsorship and whilst it is highly effective, they will often use other tools to help justify a fee in addition, remembering that a brand will only pay what they feel it is worth to them.

Whilst there aren't any recognised industry-wide sponsorship pricing rate cards, large sponsor-seekers will price their packages using their own formulas for calculating the value of a sponsorship deal OR work with a specialist evaluation agency.

Recommendation:

Benchmarking is the most effective way of identifying a sponsorship price but, if you have the resources and finance, it might be worth working with experts to establish a justifiable price. Ultimately, it is all about being able to justify a fee, which you can then negotiate.

The formulas that they use combine a measurement of the following:

- Tangibles (and things that you can value): i.e., branding on kit, web and programme advertising, perimeter boards, tickets and hospitality.
 - These are measured using ratecards taken from the advertising and media industries based on cost per thousand of people reached etc.
- Intangibles (and things that you can't value or physically see): i.e. association with values, prestige of winning a league and reputation etc.
 - Given the nature of these elements it is impossible to provide a rate or measurement, therefore they will be providing with a 'rating' which they then use to influence the final fee.



Setting up a pricing structure – overarching rules

A notable error and trap that many sponsor seekers fall into is to charge a sponsor what the sponsorship will cost them (e.g., sponsoring to pay for shirts etc.) or what the deficit is within a budget.

SPONSORSHIP HAS A COMMERCIAL VALUE AND SHOULD BE PRICED ACCORDINGLY!

As with other areas of marketing, there isn't an industry norm rate card, so during the final negotiation phase the price will come down to negotiation. However, you need to be able to justify the fee you're offering. Key points to consider are:

- Just because you think an opportunity is worth X, it doesn't mean that other people do!
- Be reasonable and realistic once you have determined what else is in the marketplace
- Don't ask a small company for a large amount of cash, they will say no
- Have an idea on what a company is likely to be able to spend. The internet can sometimes give you an idea of advertising spend which is a useful benchmark – but don't rely on that too much. Check on their financial results in the news – have they made a profit or a loss?
- Decide on whether you want cash, product, equipment or services, or are you willing to take a combination?
- What other support can the company offer you that is of value, e.g. PR/marketing support, resource etc? This can often be worth as much, or more than, cash
- Be prepared to be flexible and know what your bottom line is – don't be afraid to walk away



Benchmarking – understanding what others charge

The marketplace is often the key indicator on what to charge for a sponsorship. Benchmarking (i.e. looking at how other clubs/organisations structure their sponsorship and what they charge) is done throughout all sports sponsorship, even at the very highest level. It is an essential process to establish what other similar propositions command and therefore what brands are willing to pay.

Whilst the details of most deals are kept private, you should try and build a database or list of known sponsorship deals. In some cases, although rare, it might also be possible to gather information from research and the press, especially sports trade publications, such as Sport Business Magazine and SportsPro.

Alternatively, where practical, you should be able to gauge what other clubs (which could be a football, netball or hockey club) are approximately charging through your network, for example from their own sponsorship sales materials or previously agreed sponsorship deals. From this you should be able to make a call on your own sponsorship valuations based on where clubs have been successful etc.



Staged payments and incentives

Sometimes it may be easier for a company to work with staged payments rather than a large lump sum. This could be a base fee with a performance-related bonus e.g., first place in the league or achieving promotion.

Incentives can also be used to reward certain performance targets more focused on pre-set sponsorship objectives, such as media exposure or other measurable factors e.g., the number of followers on Twitter, Facebook 'likes', etc. Be careful in structuring this type of agreement; if media exposure is important, you need to consider the quality, not just the quantity.





What it will cost you to service a sponsorship

The final thing to consider is how much it is going to cost you to deliver a sponsorship, should you secure investment from a commercial partner. This figure needs to be considered in addition to the investment you need in order to ensure you are covering all areas and determine whether sponsorship is a viable option to meet all your needs.

In some cases, such as the cost of manufacturing perimeter boards, should be borne by the sponsor and in most cases built into the sponsorship fee (rather than at your cost or a separate fee or invoice to the sponsor). Equally, the cost of placing branding on kit etc. should also be paid for a sponsor.

The cost (or price you charge) of providing tickets as well as delivering hospitality should be worked out and built into the sponsorship fee.

Where possible and if relevant, you should also factor in some additional fee towards the staffing required to manage the sponsorship (see Sponsorship Management).





Pricing your sponsorship - considerations

When pricing a sponsorship, you should think about:

- ❑ Cost of tickets e.g. £10 x by the number provided
- ❑ Cost of food/hospitality e.g. £20 x by the number provided
- ❑ What to charge for perimeter board advertising or on the website or social media, based on ratecards/benchmarking from media or other clubs
- ❑ The cost of kit etc. – making sure that you don't make a loss
- ❑ What the cost of delivery is in terms of, if appropriate, paying staff and the time they spend on servicing etc.



Task: Build Your own pricing model

Build your own pricing structure for each level of sponsorship by:

Pricing your tangible assets,
e.g. the price of tickets,
hospitality and perimeter
boards (based on the level of
exposure – perhaps by using
rate cards from a local
newspaper)

**Factor in the cost to you
in terms of delivery and
resource etc.**

Benchmarking -

Sense check your fee by looking at what has worked well for you in the past, researching what other clubs are charging - either by looking on the internet at press releases, seeing if you can locate a proposal from a rival club or (nicely) chatting to other clubs in your area or league

**Does the final fee feel right
based on what you've done in the past
and how you understand the market
to be at this time?!**



Chapter takeaways

This chapter provides an overview of best practice with regards pricing a sponsorship. **The key things to remember are:**

Pricing sponsorship and crucially justifying what you're asking for is one of the hardest tasks you will face

– so take your time and make sure you can prove why you're asking for that amount

Sponsorship has a commercial value, which should be reflected in the price. Don't simply offer the fee of what something costs you or the deficit in budget sheets

Benchmarking and studying what people are willing to pay in the marketplace is vital and a practice used by the largest sports organisations in the world

Make sure that you don't quote a fee that will provide a loss for you to deliver!

Make sure that you can justify the fee, if challenged, and don't ask for too much of a small company

The final fee will come down to negotiation



Top tips

As recommended,
sponsorship packages
should be based on grouping assets to
together to create valuable sponsorship
opportunities

In some cases,
it might be better to take a lower offer
than you want, especially if, for example,
it's a brand that you wish to work with
who can offer additional benefits, such as
access to potential ticket purchasers
(if it's a local company with a large staff
number) or they can help promote the
club through high profile social media
channels etc.

You should not
individually price benefits
(like a shopping list) instead give them
one fee/total, if they try and negotiate
and take benefits out of a package, make
sure that you give them one new fee
again based on the commercial value –
don't reveal what each element will cost!

In order to further justify
your fee, can you get rate cards from
local media publications,
which may help to price your kit
branding and perimeter boards (based
on reaching a certain number of people
etc).

