

# Considerations for the Development and Implementation of a City of Saskatoon Sponsorship Program

## Summary of Consultant's Reports

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## PROJECT BACKGROUND

In Budget 2017, Saskatoon City Council approved Capital Project #2524 to source an industry professional for their specialized knowledge and expertise in the field and to provide an objective opinion on municipal sponsorship endeavours. This funding was provided to help the City explore potential ways to expand or enhance its approach for naming rights and sponsorships. Following an open and competitive Request for Proposals process in February 2018, The Centre of Excellence for Public Sector Marketing (CEPSM) based in Ottawa was awarded the work.

In conducting its work, CEPSM completed two major phases:

**Phase 1** of the project involved identifying the City's most "sellable" sponsorship, naming rights and advertising assets (opportunities), establishing fair market value for these assets, assessing high-level revenue potential, and recommending an overall strategic direction for the program. The resulting Phase 1 Asset Inventory and Valuation Report was completed during the spring of 2018. It identified a wide range of City assets (facilities, programs and initiatives) that could be marketed to the private sector in exchange for financial investment.

**Phase 2** of the project was to propose a sponsorship strategy and framework on how the City can leverage its assets to generate additional non-tax revenue for the corporation, as well as recommendations and analysis related to the implementation of a potential program. It also included a cost benefit analysis that projected revenue streams (gross revenue), identified program delivery costs and net revenue over a five-year period.

The information contained in the subsequent sections provides a summary of the findings of both phases of the work conducted by CEPSM. It does not offer commentary or analysis by the Administration, but simply summarizes the most relevant sections of the consultant's reports as it relates to the exploration of a sponsorship program for the City.

Note: The term "Sponsorship Program" throughout this report includes naming rights, sponsorship and advertising unless otherwise specified.



## 1.0 INTRODUCTION

Many municipalities are looking at their potential sponsorship assets as a means of generating non-tax revenue to help offset the costs of operating programs and services and carrying out community projects. Saskatoon has a wide range of these assets in the way of naming rights; program, bundled, themed or facility sponsorships; advertising and other unique opportunities.

In order to fully leverage its assets, Saskatoon will need to find adequate resources to effectively sell and service a program, place an emphasis on non-contentious assets that reach large numbers of clientele, and adopt an approach that is aimed at achieving corporate business objectives. In this regard, the City must take a “marketing approach” vs. a “donation approach” with potential sponsors and remove themselves from the philanthropic side of the business where so many of the hospitals and other charities exist. In short, the City should not compete against charities for philanthropic dollars.

Of critical importance is the distinction between sponsorship and donations. With donations, there is no expectation of return. Sponsorships typically involve an exchange of value between the sponsor and the sponsee (municipality). That is, the sponsors usually require some benefit from the dollars they invest in a program, event or facility. The truth in municipalities is that companies will probably invest in opportunities that are a combination of both sponsorship and donation. They want to invest in activities that make the City a better place to live, work and play, but, they also want to receive sponsor benefits that achieve some kind of marketing benefit.

Saskatoon is well positioned to capitalize on its assets. It has impressive year-over-year growth and a population that is younger than most of Canadian cities (source: [City of Saskatoon & Saskatoon CMA Population Projection 2015-2035](#)), a key buying demographic. It also has a history of working successfully with companies on their sponsorships and can be viewed as a good partner with which to have an association. Moreover, many sponsorships will be offered for the first time, making them attractive from a marketing perspective (point of differentiation).

On the negative side, the City has aging facilities (which some companies will not want to be associated with). It must compete for corporate dollars against organizations that are much more nimble in their approach. And perhaps more importantly, it has no consistent process for establishing value and marketing assets.

To assist the City in potentially expanding its approach for selling naming rights and sponsorships, a number of considerations will be addressed including the current sponsorship environment in Canada; an inventory and valuation of the City’s naming rights, sponsorship & advertising assets and recommended approach for prioritizing assets; an initial financial analysis of a sponsorship program including revenues and program costs; issues and risks of a sponsorship program; and final recommendations to achieve a successful program implementation.

Ultimately, it would be the opinion of CEPSM for the City to:

- Embark on a coordinated approach to sponsorship;
- Focus efforts on the most lucrative opportunities, such as selling and renewing naming rights, or consider expanding the program to include a range of prioritized opportunities;
- Have Divisions retain the revenues generated through the program with a portion of funds dedicated to funding the program itself;
- Ensure adequate resources are in place to implement the program, whether internal or external; and
- Update policies to align with the expanded direction of the program.

## 2.0 SPONSORSHIP ENVIRONMENT

### 2.1 Corporate Interest

As companies continue to shift away from traditional mediums such as newspaper advertising to online channels, sponsorship spending continues to grow in North America as companies look for new ways to connect with audiences and differentiate themselves from their competitors. Some of the key industry-wide trends include:

- Corporations taking a more strategic approach towards sponsorship spending by aligning sponsorships more closely with business objectives and increased emphasis on measuring the performance of their investments;
- Growth of cause-related sponsorships as a means of associating a brand with a worthwhile cause that is viewed as important by the customer;
- Increased emphasis on activating sponsorships to leverage opportunities and increase audience impact;
- Increased integration between sponsorship and social media channels as a means of engaging audiences; and
- Corporations are still willing to invest in sponsorship, but there is clearly a shift from the traditional signs and banners to a more comprehensive approach that includes adding value to the customer experience so that they are ultimately more receptive to sponsor messaging.

This shift will have an impact on how the City must approach sponsorships in order to gain buy-in from the public. It also means that the City must provide greater value for dollar vs. the traditional donation mindset that has historically worked in the past.

Another barometer of the current sponsorship environment is the 2016 *Canadian Sponsorship Landscape Study*. Key findings from various previous studies include:

- Almost one-quarter (22%) of marketing communications budgets are being allocated to sponsorship marketing and the majority of sponsors expect their budgets to remain the same or slightly increase over the next year;
- In terms of sponsorship activation, the five most popular areas of leveraging and activation were advertising, hosting/hospitality, public relations, branded content/events and internal marketing;
- The largest increase was in branded content which is reflective of the increased interest in having customers experience their products firsthand;
- Significant increase in the diversity of sponsorships being pursued and the integration of sponsorships with social media platforms;
- While professional sports is still the largest beneficiary of sponsorship, other categories such as amateur sport, festivals, fairs and annual events, education, the arts and community sponsorships continue to grow;
- The most popular sponsor categories include retail trade, services, finance, manufacturing, oil and gas and communications; and
- The largest challenges sponsors are facing include measuring price justification and return on investment on sponsorships, activating sponsorships to leverage each opportunity and how to integrate new media/social media.

### 2.2 Current Municipal Sponsorship Practices

The City is not alone in pursuing sponsorships as a non-tax revenue opportunity. In a survey conducted by CEPSP in 2015 of municipal sponsorship activities nationwide, it was found that:

- 65% of municipalities are involved in some form of sponsorship engagement, whether seeking naming rights for facilities or other community assets, or generating financial and in-kind support for programs, events and other community initiatives.
- Of the 35% not actively engaged at the moment, 90% of those are considering various levels of sponsorship with naming rights, program and event sponsorships the most common.

At the time of the survey, most municipalities with populations over 100,000 were involved at varying levels of corporate engagement, with some municipalities such as Burlington, Edmonton, Mississauga, Oakville, Ottawa and Winnipeg taking an active role in recruiting sponsors, while others were taking a more passive approach.

At a high level on a national basis:

- 94% of those municipalities actively marketing their assets were seeking naming rights sponsors and 62% currently had agreements in place. Still, many were looking at their assets (i.e. Calgary, Regina, Saskatoon, Vancouver) to determine what they have to offer potential sponsors, including the value of these assets;
- The most common term for naming agreements was 5-10 years (45%). This is in sharp contrast to the “In Perpetuity” terms that were commonly used a few years ago;
- The best opportunities for sponsorship were viewed as:
  - Arenas (96%)
  - Recreation Complexes (82%)
  - Pools (61%)
  - Sports fields (61%)
- 68% use internal staff to market their opportunities and manage the program;
- 55% manage their sponsorship program through a central office, while 45% left it to individual departments (i.e. Recreation, Community Services) or programs to implement their own programs; and
- Revenue from sponsorship and naming rights was allocated to a variety of areas including:
  - General revenue accounts
  - Departmental reserves
  - Sponsored program/facility/service

Table 1 outlines what other municipalities are exploring or doing to generate sources of non-tax revenue via sponsorship dollars as of 2018.

**Table 1: What Other Municipalities are Exploring or Doing**

City	Status
Abbotsford	Undergone full valuation and plan to launch in 2019
Calgary	Currently conducting an RFP to hire a consultant to conduct a valuation
Edmonton	Operated a full sponsorship / advertising program for years
Regina	Currently conducting a valuation of assets
Winnipeg	Operated a full sponsorship/advertising program for years. Plan to re-valuate assets in 2018
Ottawa	Operated a full sponsorship/advertising program for years
Barrie	Completed a valuation of assets and hired a consultant to proceed
Brampton	Completed a valuation of its assets and is currently hiring a staff person
Milton	Completed a valuation and has hired a staff person. Selling sponsorship / advertising for a number of years
Vancouver	Currently evaluating assets
Vaughan	Undergone a valuation of assets and hired a staff person to implement
Windsor	Operated a full sponsorship / advertising program for a number of years

Table 2 outlines the number of dedicated staff and estimated amount of annual revenue generated by a select number of municipalities via sponsorship dollars as of 2018.

**Table 2: Dedicated Staff and Estimated Annual Revenue of Other Municipalities**

City	Status
Coquitlam, BC (135,000)	1 FTE (plus other staff involved), program in its infancy
Kelowna, BC (125,000)	1 FTE (plus other staff involved), program in its infancy
Hamilton, ON (200,000)	1 FTE (plus part time staff). Annual revenue generated \$750,000
Oshawa, ON (150,000)	1 FTE. Annual revenue generated \$189,000
Newmarket, ON (80,000)	1 FTE (plus other partnerships). Annual revenue generated \$75,000
Oakville, ON (182,000)	2 FTE. Annual revenue generated \$250,000
Windsor, ON (211,000)	1 FTE. Annual revenue generated \$300,000
Whitby, ON (122,000)	1 FTE. Annual revenue generated \$450,000

### 2.3 Public Support

Research also indicates that the public is supportive of corporate sponsorships that contribute to an activity or cause that they deem worthwhile. Numerous studies clearly show an appetite for sponsorships on both the part of consumers and corporations, provided that there is a strong association between the investment and the sponsored activity. For example, as show in Figure 1, the Edelman Good Purpose Study (2012) illustrated the impact between corporate social responsibility and consumer attitudes towards companies who support activities that are important to the community:

**Figure 1: Edelman Good Purpose Study (2012)**



This research indicates that there is a high level of consumer acceptability for corporate sponsorship that supports worthwhile community activities. This will be an important consideration for how the City positions its sponsorship program and recognizes companies that contribute to municipal programs and services.

### 3.0 MASTER INVENTORY OF NAMING RIGHTS, SPONSORSHIP & ADVERTISING ASSETS

The first step in developing a City sponsorship program involved the development of a master inventory of potential properties and assets within the City that could be leveraged with corporate partners; either as stand-alone opportunities (i.e. naming opportunities, programs) or bundled packages (i.e. all seniors programs, all public swims).

This master inventory was compiled by examining the wide range of programs and services offered by the City with a view to identifying those areas where corporate involvement could be leveraged to the benefit of the City, the company and program participants.

To provide a starting point for identifying and organizing potential assets through this master inventory, a high-level framework was established as a means of creating a structure for all opportunities. This framework outlined six core categories under which City assets could be organized. They include:

1. **Naming Rights** – Opportunities where a sponsor name can be added as a prefix to the facility name and/or amenities, i.e. BMO Recreation Complex, and receive a wide range of supporting visibility opportunities over an extended term.
2. **City-Wide Public Programs and Services (Stand-alone or Bundled)** – Opportunities to support City-wide programs or services that are offered to citizens under a centralized or common delivery system, i.e. public swims or skates.
3. **City-Wide Themed Initiatives** – Opportunities for companies to associate their organization with high profile City-wide initiatives to improve the lives of citizens i.e. environmental initiatives, active living programs.
4. **Advertising** – Commercial advertising opportunities where there is no implied associative element or relationship between the City and the advertiser, i.e. leisure program section of website.
5. **In-Kind Services** – where the City is able to realize direct budget savings as a result of products or services being offered as a part of a sponsorship.
6. **Other Unique Opportunities** – Other opportunities for sponsorships that are not necessarily related to any of the above categories, i.e. leased space in Leisure Centres, product exclusivity.

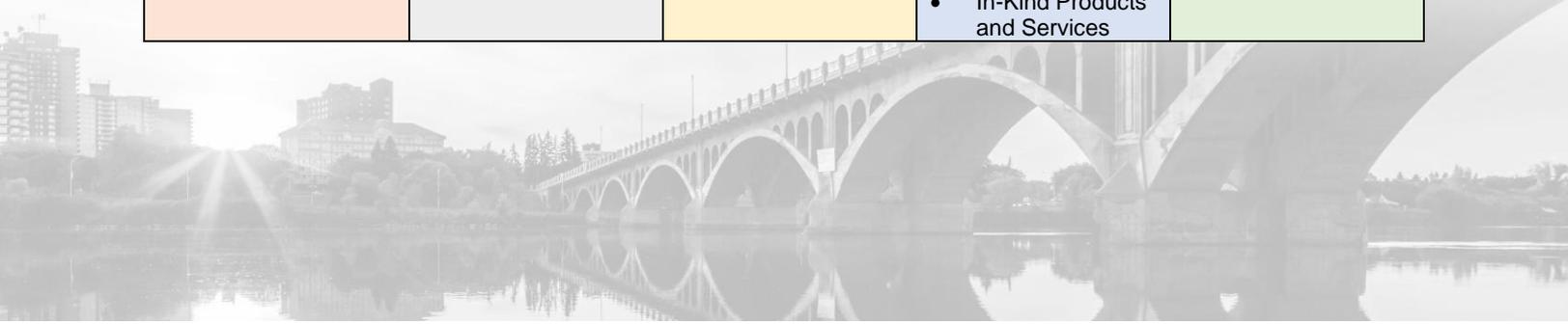
It is important to note that while the framework establishes the overall scope of opportunities that are available, it will need to be considered a work in progress as new opportunities are added and others removed because they are not viewed as practical from an appeal or implementation perspective, or are no longer being offered due to policies or administrative processes (budget).

Table 3 outlines the City of Saskatoon Master Inventory of Sponsorship, Naming Rights and Advertising Assets identified by the CEPSM.



**Table 3: City of Saskatoon Master Inventory of Sponsorship, Naming Rights & Advertising Assets**

Naming Assets	Program Assets (stand-alone or bundled)	Themed Initiative Assets	Advertising	In-Kind / Other Unique Opportunities
<ul style="list-style-type: none"> <li>• Shaw Centre Complex and Amenities</li> <li>• Cosmo Civic Centre and Amenities</li> <li>• Harry Bailey Aquatic Centre Amenities</li> <li>• Lakewood Civic Centre Complex and Amenities</li> <li>• Lawson Civic Centre Complex and Amenities</li> <li>• Saskatoon Field House Complex and Amenities</li> <li>• Terry Fox Track Amenities</li> <li>• Cosmo Arena</li> <li>• Arena Dressing Rooms (all)</li> <li>• Saskatoon Civic Conservatory</li> <li>• Skateboard Parks (4 nameable)</li> <li>• Forestry Farm Park and Zoo</li> <li>• Off-Leash Dog Parks</li> <li>• Fitness Circuit (River Landing)</li> <li>• New Facilities</li> <li>• Sports fields</li> <li>• Parks (213)</li> <li>• Bridges (6)</li> <li>• River Landing Market Square</li> </ul>	<ul style="list-style-type: none"> <li>• LeisureCard (see Advertising)</li> <li>• Birthday Parties</li> <li>• Summer/Winter Play Programs</li> <li>• Summer Paddling Pools / Spray Parks</li> <li>• Learn to Swim (Also see Bundled)</li> <li>• Public Swims incl. Lane Swims</li> <li>• Learn to Skate</li> <li>• Public Skates</li> <li>• Off-Leash Dog Parks</li> <li>• Pet Licenses (see Themed)</li> <li>• Business Services</li> <li>• Newcomer Programs</li> <li>• Floral Beds / Intersections</li> <li>• Outdoor Pools</li> <li>• Leisure Access Program</li> <li>• Drop-In Sports</li> <li>• Outdoor Rinks - Public Skates</li> <li>• Youth Centres</li> <li>• Me Ta We Tan Travelling Van</li> <li>• Child Minding</li> <li>• Pre-School Programs</li> <li>• Seniors Programs</li> <li>• Walking Trails</li> <li>• Garden Plots</li> <li>• Special Event Bus Program</li> <li>• Bike Paths</li> <li>• Camping</li> <li>• Public Art</li> </ul>	<ul style="list-style-type: none"> <li>• An Active Saskatoon (Active Living)</li> <li>• A Green Saskatoon (recycling, composting, tree planting, drop-off depots, etc.)</li> <li>• A Business Friendly Saskatoon</li> <li>• Women in Sport</li> <li>• A Pet Friendly Saskatoon (licenses, off-leash dog parks, animal shelter, etc.)</li> <li>• A Safe Saskatoon (public education)</li> <li>• An Age-Friendly Saskatoon (50+ Programs)</li> <li>• Bereavement Services - Cemeteries</li> </ul>	<ul style="list-style-type: none"> <li>• Display Ads in Arenas and Leisure Centres (Rink Boards, Digital Signs)</li> <li>• Zamboni Wraps</li> <li>• Exclusive Pouring Rights (City-Wide)</li> <li>• LeisureCards</li> <li>• Recreation / Specific Web Pages</li> <li>• Online Ads</li> <li>• Leisure Guide</li> <li>• WI-FI in Civic Facilities (Shaw)</li> <li>• Garbage Collection Schedule (print &amp; online)</li> <li>• Busses</li> <li>• Billboards</li> <li>• Benches, Garbage Cans</li> <li>• Mailings with Bill Inserts</li> <li>• Golf Course Cards, Rate Brochures, Carts, etc.</li> <li>• Admissions Brochure</li> <li>• Rec. Posters, Billboards, A-Frames</li> <li>• Park Furnishings (i.e. picnic shelters)</li> <li>• Fleet</li> <li>• Billboard Space on Major Roads</li> <li>• Transit App</li> <li>• Digital Screens on Buses</li> <li>• BRT</li> <li>• Parking Lots and Receipts</li> <li>• Bike Racks</li> <li>• Overpasses</li> <li>• In-Kind Products and Services</li> </ul>	<ul style="list-style-type: none"> <li>• City-wide Exclusive Product Sales</li> <li>• Leased Space in Facilities</li> <li>• Official Supplier Status</li> <li>• Employee Incentive Programs</li> <li>• Retail Sales in Leisure Facilities</li> </ul> <p><u>In-Kind</u></p> <ul style="list-style-type: none"> <li>• Vehicles</li> <li>• Sports / Playground Equipment</li> <li>• Staff Apparel</li> <li>• Computers and Peripherals</li> <li>• Communications Equipment</li> <li>• Flower Beds at Traffic Circles</li> </ul>



## 4.0 INITIAL PRIORITIZATION OF NAMING RIGHTS, SPONSORSHIP AND ADVERTISING ASSETS

The master inventory of naming rights, sponsorship and advertising assets is extensive. If the City attempts to market all its opportunities simultaneously it could be a burden administratively, confusing to the marketplace and/or raise objections from the community. Therefore, it is recommended that the sponsorship and advertising program be implemented gradually. As a result, it is beneficial to provide an initial prioritization of the assets for the valuation process.

### 4.1 Criteria used for Prioritization of Assets

Table 4 identifies the criteria used to identify the initial prioritizing of naming rights, sponsorship and advertising assets for an initial rollout of a City Sponsorship Program:

**Table 4: Asset Prioritization Criteria**

Criteria	Description
1. Opportunities should focus on areas where there is already a high degree of public acceptance for environments with commercial overtones	To avoid controversy, opportunities should focus on areas where the public is used to seeing sponsors and advertisers such as sports facilities and programs, publications and special activities.
2. The inventory of opportunities should appeal to a wide range of corporate marketing objectives	<p>There are several reasons why a company might want to invest in the City’s sponsorship and advertising opportunities. They include:</p> <ul style="list-style-type: none"> <li>• To market products and services to specific audiences (i.e. car dealerships, fitness products)</li> <li>• To increase visibility in the marketplace (i.e. brand awareness)</li> <li>• To recruit or retain employees or to increase employee morale (i.e. volunteering for an event)</li> <li>• To position their company as unique from the competition (i.e. banks, food retail)</li> <li>• To align corporate values with community initiatives (i.e. environmental stewardship)</li> </ul> <p>In order to appeal to the broad range of companies that could be approached by the City, it will be important to carry an inventory (and benefits packages) that allow for the customization of sponsorship packages that respond to the specific needs of companies.</p>
3. Pricing should appeal to a wide range of corporate budgets	In order to gain broad acceptance from the business community, the program will need to be viewed as one that is inclusive, where businesses of all sizes and financial capacity have the opportunity to become involved. This means that there should be a wide range of price points that make it easy for any business to invest in the program from a sponsorship or advertising perspective.
4. Facility naming rights inventory should focus on newer (or planned) facilities	Companies will be reluctant to sponsor older facilities because of how it will reflect on their own brand. In this regard, new facilities represent the best chances for naming sponsors because they generate the most excitement and don’t compete against any previous branding efforts.
5. Efforts need to focus on “low hanging fruit”	The City wants to set itself up so that the official launch of the expanded program is viewed as a success. This means establishing and marketing opportunities that:

	<ul style="list-style-type: none"> <li>• Have a high community appeal</li> <li>• Appeal to large numbers of citizens or specific target audiences</li> <li>• Are easy to coordinate and deliver on fulfillments</li> <li>• Provide a level of competitive exclusivity</li> <li>• Allow for sponsor interaction or activation</li> <li>• Provide value back to the participant (that can be communicated)</li> </ul>
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## 4.2 Recommended Prioritization of Assets

Based on initial research, strategic considerations and criteria there are several areas that represent “low hanging fruit” for potential corporate partners. These assets would be attractive to sponsors while minimizing pushback from various community stakeholders. Figure 2 identifies the recommended prioritization of naming rights, sponsorship and advertising opportunities.

Assets are placed in six (6) categories (for an initial five year roll-out phase).

***Figure 2: Recommended Naming Rights, Sponsorship & Advertising Prioritized Assets***



**Naming Rights** for major recreation complexes and their amenities as well as other major facilities that have a strong community attraction, attendance and/or high street visibility, new facilities (planned) and amenities within selected park operations.

- Shaw Centre (competitive pool, family pool/features, gym, multi-purpose room, child minding room)
- Harry Bailey Aquatic Centre (pool, tot pool, multi-purpose room, zoom slide/climbing wall)
- Lakewood Civic Centre (complex, pool, waterslide, sym, multi-purpose room, pre-school room)
- Lawson Civic Centre (complex, pool, water features, multi-purpose room, indoor playground, fitness & weight room)
- Saskatoon Field House (complex, 200m track, indoor courts, dance studio, fitness & weight rooms, multi-purpose room, child minding room)
- Cosmo Civic Centre (complex, gym, weight & fitness room, multi-purpose room, theatre)

**Public Programs and Services (stand-alone or bundled)** that appeal to large numbers of the population.

- LeisureCard Membership (Adults)
- Summer Indoor LeisureCard (Adults)
- Public Swims (Stand-Alone or Bundled)
- Learn to Swim Lessons (Bundled, Registered)
- Summer Playground Programs (Bundled)
- Golf Courses (3)
- Summer Outdoor Pools (Adults, Children)
- Child Minding (Children, Families)
- Public Skates (Indoor Rinks - Stand-Alone or Bundled)
- Adults 50+ Programs (Bundled)
- Fitness Centres + Weight Rooms Drop-Ins (Bundled)
- Walking Tracks (Seniors, Combined)
- Birthday Package (Children, Families)
- Off-Leash Dog Parks (Adults, Families)
- Animal Licensing (Adults, Families)
- Dog Days of Summer (Combined)
- Business Services (Combined)
- MeTaWeTan Traveling Van (Children, Families)
- Newcomer Programs (Annual)
- Sports Events Tournaments (Saskatoon Field House)
- Girls in Motion (Youth)



**City-Wide Theme Initiatives** that contribute to a safer, healthier and more sustainable community.

- An Active Saskatoon (Family Fun & Fitness Activities, Recreation Month, Fee Subsidy Program, Special Active Living Initiatives)
- A Green Saskatoon (Community Clean-Up, Recycling Initiatives, Tree Planting, Hazard Waste Days, Arbor Day)
- A Business Friendly Saskatoon (Start-Up Services, Business Licenses, Ongoing services/Directory, Business Walks, Special Events)

**Advertising** opportunities that offer a unique value proposition in the market and/or measurable transactions.

- Website (Leisure Online Registration, Garbage/Recycling and Composting Resources, Garbage Collection Schedule, Drop-In Leisure Program Schedules, City Hall Career Opportunities, Animal Services)
- Arenas/Recreation Facilities (A combination of static rink board, facility ads, lobby racks, digital (screen) advertising, zomboni wraps, score clocks, marquee signage, dressing room assignment)
- Membership/LeisureCards
- Parking Advertising (Lots and tickets)
- Golf Course Advertising (Scorecards, holes, pro shop, etc)
- Transit Advertising (digital screens on buses, transit app, BRT)

**Exclusive Provision of Products or Services** where exclusive “sales or pouring rights” may be provided to one or a series of non-competing suppliers.

- Sports physiotherapy in Leisure Centres
- Exclusive pouring rights in all City facilities

**In-Kind Services** where the City is able to realize direct budget savings as a result of products or services being offered as a part of a sponsorship.

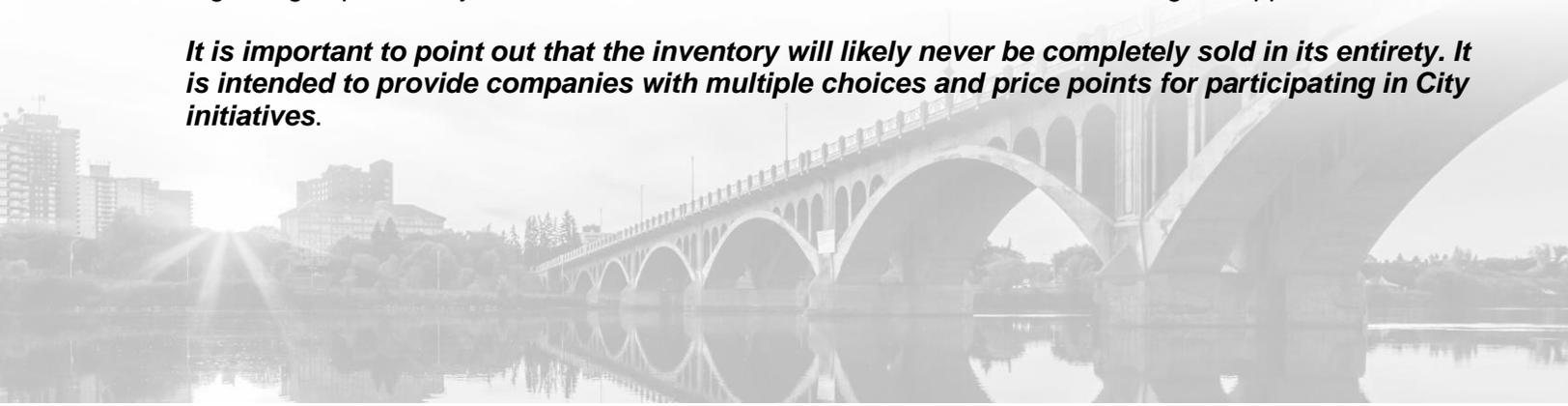
- Sports equipment, flower gardens, use of transportation vehicles for summer playground programs

The opportunities have been selected for prioritization because they:

- Are viewed as being the least contentious from a public opinion perspective;
- Provide a wide price range for companies to choose from; and
- Are relatively easy to implement from the City’s position.

In addition, the prioritized assets identified don’t require third party discussions and negotiations regarding impact. They are thus viewed as unencumbered in terms of marketing the opportunities.

***It is important to point out that the inventory will likely never be completely sold in its entirety. It is intended to provide companies with multiple choices and price points for participating in City initiatives.***



### 4.3 Other Considerations for Prioritized Assets

#### 1. Primary Emphasis on Naming Rights

Of the assets mentioned, it is expected that the most emphasis will be placed on the naming rights and advertising opportunities, which is why they have been weighted higher in the revenue estimates. By focusing on low risk, high-yield and corporate partnership opportunities that represent a good audience fit, the City will be positioning itself for some quick wins that also demonstrate how the sponsorship and advertising program can be successfully integrated with City operations.

#### 2. Public Programs and Services

The City has a diversified range of properties and assets that can be leveraged with the private sector, particularly in the area of program-based sponsorships.

A number of specific City programs, while full for a city with the size of Saskatoon, have smaller numbers of registrants and/or participants, making it difficult to recruit consumer or retail-oriented sponsors who would want to reach larger markets. Therefore, one of the strategies will be to bundle complementary programs under a common theme in order to increase reach as well as enhance value alignment.

For each of the areas identified in the inventory or where multiple programs are bundled (i.e. seniors, fitness), the City will need to identify the target audience and the total number reached and/or served. This information is fundamental to establishing the potential value of the sponsorship or advertising opportunity.

Note: While the inventory outlines the scope of sponsorship and advertising opportunities, not every single asset has been listed. In addition, many areas will need to be further explored and refined before they can be presented to the corporate sector.



## 5.0 ASSIGNING VALUES TO NAMING RIGHTS, SPONSORSHIP AND ADVERTISING ASSETS

The City has a significant range of opportunities that could be marketed for private sector support. While some companies may want to support a program or service through a pre-packaged set of benefits, others will have specific objectives that will require a certain level of customization. In order to be prepared for either scenario it will be important to have a system in place to effectively price these opportunities. By taking a structured approach towards determining the value of its assets, the City can be confident that it is providing fair market value and will be able to rationalize its sponsorship pricing.

The following formula is used to calculate the Total Value assigned to the City assets:

$$\text{Tangible Value} + \text{Intangible Value} + \text{Activation Value (if appropriate)} = \text{Total Value}$$

### 5.1 Value of Tangible Assets

Tangible benefits refer to quantitative elements that may be measured (i.e. media/print circulation) and non-measured (impressions). These include such elements as logo ID impressions, media advertising and sampling opportunities. It is what most people think of when they think of sponsorship.

Tangible values are determined by assessing the value of sponsorship assets against other communication or promotional channels in the marketplace. It also includes other factors such as the quality of the audience and value of the sponsor benefit in moving audiences along the purchasing decision continuum. By using average prices as a benchmark, the City can ensure that it is being competitive in its baseline sponsorship pricing.

In calculating tangible values, the number of impressions (transactions) received through any benefit is multiplied by a pre-determined dollar value to arrive at a total tangible value. For example, if a logo and link on a website is exposed to 100,000 unique visits during a defined period, it would be multiplied by an assigned value (i.e. \$.005) to arrive at a tangible benefit value of \$500.00. The same principle applies to all other benefits that can be counted such as the number of people exposed to a banner, ad or logo, the number of samples or coupons distributed, logo placement on print ads and so on.

Tangible benefits, without the associative or relationship element inherent in sponsorships, are similar to other forms of advertising or promotion. If the sponsorship opportunity doesn't present a strong link between the corporate partner and the audience and/or their experience, sponsor prospects will likely compare your offering against other traditional advertising options.

A potential list of the inventory of tangible sponsorship benefits and benchmark tangible values for any City naming right, sponsorship or advertising asset has been provided. The value numbers come by comparing the cost to advertise in other mediums, ensuring that the City's tangible pricing is in line with the cost to advertise in other mediums.

It is also important to note that the *benchmark tangible value* is based on exposure to a public audience that represents a broad cross-section of the population (i.e. all website visitors). As a general rule of thumb, the tangible values can increase based on the quality of the buying audience. To reflect the high-quality nature of some of the City's audiences, the tangible values below may be increased by up to 100% depending on the sponsorship property and audience.



In cases where the potential reach is insufficient to warrant per exposure pricing (i.e. low numbers), it is recommended that flat values be assigned to sponsor benefits. These numbers will be determined on a case-by-case basis depending on the sponsorship opportunity.

**5.2 Value of Intangible Assets**

In addition to assigning tangible values to benefits, there is also a strong intangible value that can be attributed to a corporate partner’s association with an organization or specific property.

Intangible values are those associative or qualitative benefits that add value to a benefits package and the tangible value rating. Key elements considered in the intangible assessment include the uniqueness of the opportunity, quality of the audience, reputation of the organization that can be leveraged by the corporate partner, the experience the partner can deliver to the audience, amount of sponsorship clutter and the potential for leveraging the associative elements to the benefit of the partner.

Upon completion of the tangible asset valuation using established benchmark values, the City was further assessed for its intangible attributes and awarded additional value based on the qualitative or associative value of the property(s).

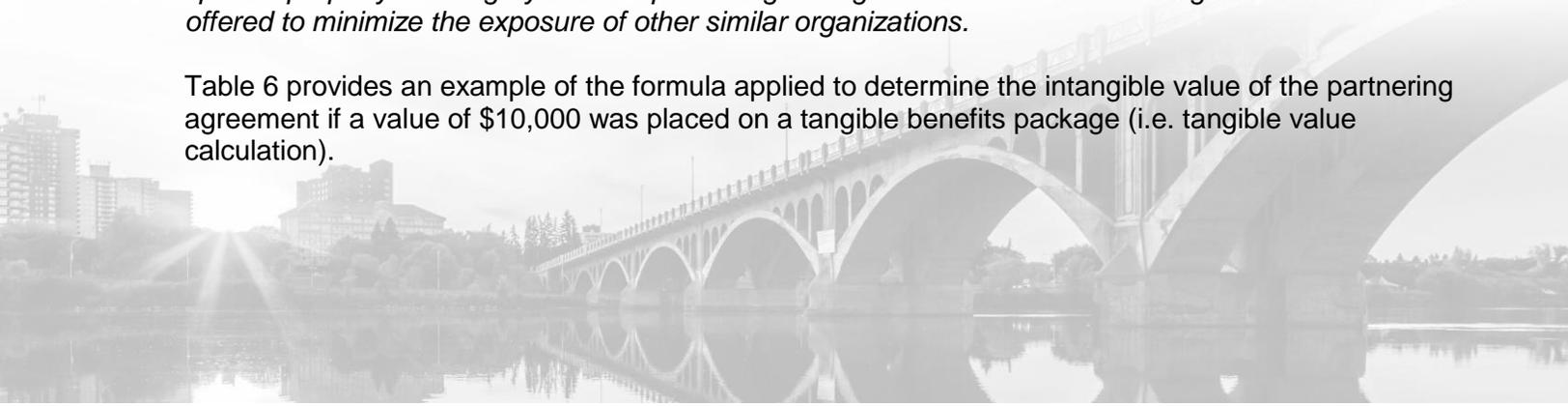
Table 5 provides a general intangible ranking that may be applied to all tangible values to arrive at a total value for each sponsorship opportunity associated with the City. While this will provide a baseline intangible value for most sponsorship properties, the values may increase or decrease as well as other intangible factors considered, depending on the specific opportunity.

**Table 5: Intangible Asset Rating Factor and Value**

Intangible Asset Rating Factor	Considerations	Assigned Value
Uniqueness of Opportunity	The City offers a number of unique opportunities to reach various target audiences that cannot be easily replicated. Furthermore, if a company wants to reach audiences in the greater Saskatoon area, the City offers very attractive opportunities.	25%
Audience Desirability	Through its activities, the City provides opportunities to interact directly with large number of targeted audiences with specific interests and lifestyles city-wide or within defined geographic areas.	20%
Prestige / Recognition / Reputation	The City is a well-known organization. Companies that partner with the City believe that they are working with a credible, respected partner.	20%
Industry Exclusivity / Degree of Clutter*	The City has the opportunity to create an environment rich in exclusive opportunities for companies that want to differentiate from their competitors (industry exclusivity of specific programs).	25%
<b>Total Intangible Value</b>		<b>90%</b>

*\*Industry exclusivity is a unique benefit and is defined as giving one partner exclusive rights to a specific property or category inside a partnering arrangement. It is viewed as a significant benefit and is offered to minimize the exposure of other similar organizations.*

Table 6 provides an example of the formula applied to determine the intangible value of the partnering agreement if a value of \$10,000 was placed on a tangible benefits package (i.e. tangible value calculation).



**Table 6: Intangible Value Formula Example**

Uniqueness of the Opportunity	25% of \$10,000 = \$2,500
Audience Desirability	20% of \$10,000 = \$2,000
Prestige / Recognition / Reputation	20% of \$10,000 = \$2,000
Industry Exclusivity / Degree of "Clutter"	25% of \$10,000 = \$2,500
<b>Total Estimated Intangible Value</b>	<b>\$9,000</b>

### 5.3 Value of Activation

Activation refers to what a sponsor does to leverage a sponsorship agreement to their advantage. It can be as simple as supporting their sponsorship by advertising in a publication to manning an exhibit at a sponsored facility during a busy period.

This area is more difficult to assess in advance because every company has different motivations for becoming involved in a sponsorship program. In this regard, the business case for investment is not usually established unless the fit is obvious or if a discovery session is held with the company to establish their objectives and the relative value of the business opportunity. Therefore, most simple forms of activation are usually built into the sponsorship package at no additional cost to the potential sponsor for the right to conduct these activities.

However, as an example, if a company was to establish a storefront in a facility where the City provided space for them to operate their business as part of the sponsorship (i.e. a physiotherapy firm), the value would be great and would probably warrant a value added (lease rent) to the sponsorship for the market value of the actual space being used, and/or a percentage or flat fee for a share of the profits. A similar principle would apply to exclusive product sales.

The City should expect and encourage some level of activation from its sponsors as this will engage them in facility/program activities and ultimately contribute to the success of their sponsorship which will lead to a longer-term investment.

### 5.4 Naming Rights Most Lucrative Area

Naming rights is potentially one of the most lucrative areas that the City can capitalize on to generate sustained revenue for the corporation, although it also requires the largest investment of time and effort to achieve an agreement (estimated 12-18 months). The advantage to naming rights sponsorships is that they are longer-term agreements that require minimal servicing to maintain, once the initial terms are in place. Based on experience in other municipalities, the following are key considerations for implementing a naming rights revenue program:

- Having the right fit is viewed as a major factor in building community acceptance for a naming rights partner. The best candidates are generally those with a strong community connection or those who can offer direct value to facility participants (i.e. sports retailer offering discounts on sports equipment).
- Although the duration of naming rights agreements can range from 3 years to perpetuity arrangements, the ideal term may be in the range of 8-10 years. This allows ample time for the corporate brand to be integrated with the facility as well as establish public mindshare. For agreements that are longer than 15 years, an escalation clause should be considered to account for inflation values.

- To encourage longer-term agreements, the City may consider structuring agreements so that there is an opt-out clause (without penalty) after a certain period. This will make it easier for a partner to agree to a longer term, knowing that they have an out should they not be realizing sufficient value or should their financial conditions change. To this end, 10-year agreements with an opt-out clause (without penalty) after 5 or 7 years has been used successfully in other municipalities.
- A consistent formula should be used to establish the fair market value of each naming rights asset. The valuation process outlined provides a useful tool for determining the value of these assets.

A further analysis identifies several areas that represent quick wins for potential corporate sponsors that should be attractive assets and relatively easy for the City to implement while minimizing push-back from various community stakeholders active with their own advertising programs. These are the areas in the initial roll-out (3-5 years) where staff would focus on identifying prospects and making contact with potential sponsors. Naming rights for the City are identified in Figure 3.

**Figure 3: Naming Rights Most Lucrative for the City of Saskatoon**

**Naming Rights** for major recreation complexes and their amenities as well as other major facilities that have a strong community attraction, attendance and/or high street visibility, new facilities (planned) and amenities within selected park operations.

- Shaw Centre (competitive pool, family pool/features, gym, multi-purpose room, child minding room)
- Harry Bailey Aquatic Centre (pool, tot pool, multi-purpose room, zoom slide/climbing wall)
- Lakewood Civic Centre (complex, pool, waterslide, sym, multi-purpose room, pre-school room)
- Lawson Civic Centre (complex, pool, water features, multi-purpose room, indoor playground, fitness & weight room)
- Saskatoon Field House (complex, 200m track, indoor courts, dance studio, fitness & weight rooms, multi-purpose room, child minding room)
- Cosmo Civic Centre (complex, gym, weight & fitness room, multi-purpose room, theatre).

## 6.0 FINANCIAL ANALYSIS

### 6.1 Estimated Potential Gross Revenue

As part of the preliminary planning process, a high-level analysis of potential gross revenue that could be generated through the assets was completed. Where a detailed valuation has not been completed for each individual asset, an estimated gross revenue has been provided based on industry norms and consultant experience marketing these types of assets.

While the inventory establishes the overall scope of opportunities that are available, it needs to be seen as a work in progress as the program evolves and new opportunities are added or dropped.

In order to determine revenue potential, a series of assumptive, baseline tangible benefits were established for Naming Rights and Sponsorship Programs and City-Wide Theme Initiatives as outlined in Figure 4. Other activation rights and benefits would need to be mutually agreed upon.

**Figure 4: Tangible Baseline Benefits**

<b>Naming Rights</b>	<ul style="list-style-type: none"> <li>• Branded name on building exterior entrance</li> <li>• Branded name on roadside sign</li> <li>• Backlit sign or display in lobby (ongoing)</li> <li>• Stand-alone banner (supplied by sponsor)</li> <li>• Display opportunity in lobby or at entrance</li> <li>• Title name in facility publications</li> <li>• Name on directional signage</li> <li>• Logo and corporate profile in facility publications</li> <li>• Title name in Leisure Guide (print and/or online)</li> <li>• Half-page ad (once per year) in Leisure Guide (print or online)</li> <li>• Name/logo ID on facility web pages</li> <li>• Corporate profile on City website</li> <li>• Name mention on all incoming/outgoing phone calls</li> <li>• Official News Release or Media Event to announce the partnership</li> <li>• Media mentions (where applicable)</li> <li>• Annual credit for use of facility for activation functions i.e. staff function, community events (negotiable)</li> <li>• Distribution of brochures or samples</li> </ul>
<b>Program Sponsorships (Stand-alone or Bundled) and City-Wide Theme Initiatives</b>	<ul style="list-style-type: none"> <li>• Logo ID in Leisure Guide (print and online)</li> <li>• Full page, half-page or quarter-page ad in Leisure Guide (print and online)</li> <li>• Logo ID/link on related website pages</li> <li>• Banner ad on website in sponsored section</li> <li>• Verbal recognition by staff/instructor</li> <li>• On site signage throughout sponsored activity</li> <li>• Distribution/sampling opportunity</li> <li>• Display/exhibit opportunity</li> <li>• Direct communication opportunity (with registration receipt or some other appropriate method)</li> </ul>

Table 7 provides a high level summary of the estimated gross revenue for the assets within the 6 categories identified as part of an initial roll-out.

**Table 7: Estimated Gross Revenues**

Asset Category	Gross Revenue based on Total Inventory Available	Estimated Annual Gross Revenue By year 5
Naming Rights	\$543,250	<b>\$271,625</b> (50% of inventory being sold)
Program Sponsorship	\$249,000	<b>\$99,600</b> (40% of inventory being sold)
City-Wide Theme Initiatives	\$65,000	<b>\$26,000</b> (40% of inventory being sold)
Advertising	\$25,200 webpage \$40,000 display/print	<b>\$25,200</b> <b>\$20,000</b> (50% of display/print inventory being sold)
Exclusive Provision of Products or Services	\$50,000	<b>\$50,000</b>
In-Kind Services	\$75,000	<b>\$50,000</b>
<b>Total</b>	<b>\$1,047,450</b>	<b>\$542,425</b>

Note 1: The value can change if benefits are either added or taken away from the benefits package.

Note 2: Any new facilities that come on stream will likely represent the greatest opportunity for sustainable new revenue.

Table 8 identifies revenue analysis disclaimers related to things not included an initial roll-out.

**Table 8: Revenue Analysis Disclaimers**

Asset Category	Facilities Not Included in Phase 1
Naming Rights	<ul style="list-style-type: none"> <li>• Facilities that are commemoratively named (Harry Bailey)</li> <li>• Parks (likely to be controversial, see Themed Community Initiatives section)</li> <li>• Picnic shelters (may be bundled with other programs)</li> <li>• Smaller, less-used rooms in Leisure Centres</li> <li>• Long-term facility development projects (will require details)</li> <li>• Sports fields that are lighted (mostly commemorative namings)</li> </ul> <p>Potential gross revenues are estimates only and require further assessment to verify value. They are based on industry experience. It is more difficult to verify potential revenue that could be achieved through these programs due to a lack of detailed information and discussion on specific benefits that a sponsor might receive. This includes the number of supporting publications distributed and level of visibility, newspaper advertising visibility, specific signage locations, sponsor activation, etc.</p>
Sponsorship	<ul style="list-style-type: none"> <li>• Children’s preschool, registered sports, learn to skate programs</li> <li>• Summer youth drop in programs</li> <li>• Outdoor public skating</li> <li>• Leisure Access Program</li> <li>• Programs with low attendance and/or registration numbers</li> <li>• Individual sports programs (more focus on facility naming where sports are played)</li> </ul>
City-Wide Theme Initiatives	<ul style="list-style-type: none"> <li>• A Safe Saskatoon</li> <li>• An Age-Friendly Saskatoon</li> <li>• A Pet Friendly Saskatoon</li> <li>• Adopt-A-Trail</li> <li>• Adopt-A-Park</li> <li>• Bereavement Services-Cemeteries</li> </ul> <p>Potential gross revenues are estimates only and are difficult to determine until the specific programs under each chosen category are identified, as well as the specific benefits that sponsors will receive as part of their sponsorship. The estimate is based on industry practices.</p>
Advertising	<ul style="list-style-type: none"> <li>• Street/park furniture advertising (existing)</li> <li>• Roadside flower beds</li> <li>• Increased street billboards</li> <li>• Decals on fleet vehicles (those vehicles associated with “good news”)</li> <li>• Lower circulation publications</li> <li>• Print ads in targeted publications</li> <li>• Inserts in City mailings</li> <li>• Staff uniforms (potential sponsor benefit)</li> <li>• Elevator/bathroom ads</li> </ul>
Exclusive Provision of Products or Services In-Kind Services	<ul style="list-style-type: none"> <li>• Retail sales in recreation facilities</li> <li>• Employee benefits program (existing)</li> <li>• Official supplier program</li> </ul>
Other Notes	<ul style="list-style-type: none"> <li>• Detailed valuations for core naming rights assets and selected program sponsorships have been provided.</li> <li>• The annual attendance at specific amenities is not a statistic usually tracked in facilities, so a percentage of the total attendance has been estimated for valuation purposes. To this end, the percentage used has been posted beside each area being evaluated.</li> <li>• Attendance numbers are estimates only for a number of program and theme assets, which makes it difficult to assess the market value accurately. As participant numbers become readily available, those areas lacking information should be re-assessed.</li> <li>• Revenue numbers are based on gross revenue estimates. Costs to implement the program and sponsorship servicing costs have not be included.</li> <li>• While the price estimates include baseline benefits, it is expected that almost every sponsorship will require some level of customization beyond the stated level of benefits which may or may not have an impact on the overall pricing of the sponsorship. This is mostly accounted for in the activation and valuation element of any sponsorship.</li> </ul>

	<ul style="list-style-type: none"> <li>• In cases where the actual exposure numbers aren't high enough to warrant per exposure pricing, a flat rate has been assigned to the benefit. This is especially prominent for website statistic that tend to be low for most sponsorship properties.</li> <li>• Sponsorship pricing can be adjusted upwards or downwards depending on the benefits offered through the sponsorship package. Any sponsorship program needs to balance value and price against what the market will bear.</li> <li>• If naming right sponsor visibility for any of the Leisure Centres includes the roadside signage, it will increase the value of the benefits package substantially.</li> </ul>
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## 6.2 Sponsorship Program Resourcing

The City has a wide range of assets that can be marketed to the private sector, however, as the program evolves future consideration will need to be factored in on resourcing for the program. In other words, in order to generate any kind of significant revenue from these opportunities, the program will need to be adequately resourced. Simply stated, the program is sizeable and complex enough that in future it can't be run from the side of a person's desk.

### 6.2.1 Internal Versus External Resourcing

A number of key factors were considered when looking at internal versus external program resourcing.

- Sponsor acquisition and retention in any environment is a long-term proposition based on building the property brand as well as relationships over a sustained period of time;
- Sponsor acquisition is generally a difficult process that involves a high degree of skill to be effective, mainly because it involves addressing more complex issues than commercial advertising. Where commercial advertising can be sold more as a commodity, sponsorships involve a strong knowledge of business as well as the marketing discipline to develop and negotiate benefits packages that meet the needs of business and the property;
- Sponsor acquisition requires an extensive knowledge of the municipalities overall assets, values and strategy so that companies can be aligned with the opportunities that meet their needs and that the appropriate internal stakeholders can be recruited and/or managed as it relates to fulfilling these agreements;
- Sponsor acquisition is just the beginning of the corporate/property relationship. To be successful over the long-term, just as much emphasis needs to be placed on executing these agreements, ensuring processes within the municipality are followed, maintaining communication with partners and providing fulfillment reports at the end of each agreement;
- Most times, sponsors want to establish relationships with those individuals who oversee the program (vs. an external salesperson) in order to leverage the relationship between the property and the company as well as ensure that there is a strong level of buy-in from the municipality itself;
- The City needs to protect the interests of the corporation as well as the citizens of Saskatoon. This may involve strategic decisions not to pursue certain opportunities because they do not support the City's values and ethics or foregoing opportunities in order to ensure fair and equitable access by regional businesses.

Table 9 identifies the advantages and disadvantages of each approach:



**Table 9: Analysis of Internal versus External Sponsorship Program Management**

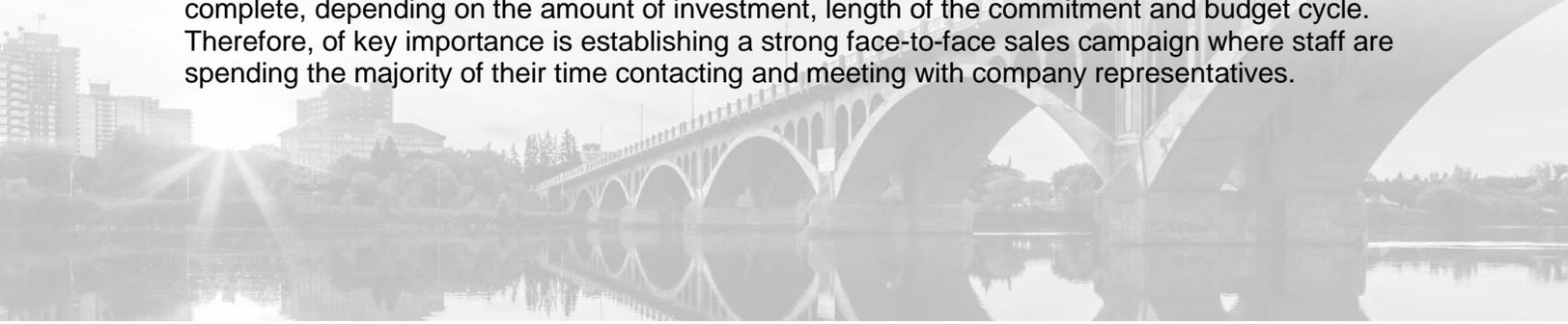
<b>Consideration</b>	<b>Pros Internal vs. External Management</b>	<b>Cons Internal vs. External Management</b>
Developing Sponsorship Packages	<p>Internal</p> <ul style="list-style-type: none"> <li>▪ Would have the internal knowledge and ongoing relationships with City staff to identify and build integrated partner benefits packages as well as encourage buy-in from various departments.</li> </ul> <p>External</p> <ul style="list-style-type: none"> <li>▪ Would likely bring a wider range of ideas to the table due to broader exposure to the market.</li> </ul>	<p>Internal</p> <ul style="list-style-type: none"> <li>▪ May be difficult to generate out-of-the-box thinking around benefits packages due to history with the program and/or internal pressures.</li> </ul> <p>External</p> <ul style="list-style-type: none"> <li>▪ May have an unrealistic view of what can be offered to potential partners, resulting in lost time or frustration with the program and/or process.</li> </ul>
Recruiting, Negotiating Sponsorship agreements	<p>Internal</p> <ul style="list-style-type: none"> <li>▪ Possible higher degree of trust due to association with the City.</li> <li>▪ Direct relationships would be established between the City and sponsor vs. through a third-party.</li> </ul> <p>External</p> <ul style="list-style-type: none"> <li>▪ Will likely have the skills to immediately perform required functions to a high degree of proficiency.</li> <li>▪ Possible higher level of confidence in opportunities being presented.</li> </ul>	<p>Internal</p> <ul style="list-style-type: none"> <li>▪ May not have the skills to immediately perform required functions to a high level of proficiency, which could affect the reputation of the program.</li> <li>▪ Low skill level could result in missed opportunities, poorly negotiated agreements.</li> </ul> <p>External</p> <ul style="list-style-type: none"> <li>▪ May have an unrealistic view of what can be offered to potential sponsors.</li> <li>▪ Could lose interest if approval processes are too onerous.</li> </ul>
Servicing Agreements	<p>Internal</p> <ul style="list-style-type: none"> <li>▪ Would likely allocate more effort towards servicing sponsors to ensure the City's reputation.</li> </ul> <p>External</p> <ul style="list-style-type: none"> <li>▪ Would likely have lower servicing costs.</li> </ul>	<p>Internal</p> <ul style="list-style-type: none"> <li>▪ Likely higher cost due to municipal remuneration packages.</li> </ul> <p>External</p> <ul style="list-style-type: none"> <li>▪ Would likely spend less time on servicing, unless compensated for the service.</li> </ul>
Brand Management	<p>Internal</p> <ul style="list-style-type: none"> <li>▪ More focused on protecting the City's interests and long-term reputation of the program.</li> </ul> <p>External</p> <ul style="list-style-type: none"> <li>▪ Would likely bring more innovative ideas to the table on how to promote the program brand.</li> </ul>	<p>Internal</p> <ul style="list-style-type: none"> <li>▪ May have a biased view of the program/City reputation that prevents critical self-analysis.</li> </ul> <p>External</p> <ul style="list-style-type: none"> <li>▪ May be more interested in short-term gain than long-term reputation of the City.</li> </ul>

<p>Program Implementation</p>	<p>Internal</p> <ul style="list-style-type: none"> <li>▪ Ability to ramp-up operation as required to service the program.</li> </ul> <p>External</p> <ul style="list-style-type: none"> <li>▪ Tendency to focus on shorter-term, low hanging fruit, rather than more significant opportunities that require a longer investment of time to achieve (i.e. naming rights can take up to 18 months to achieve).</li> </ul>	<p>Internal</p> <ul style="list-style-type: none"> <li>▪ Would likely cost more to implement the program, based on existing municipal remuneration packages.</li> </ul> <p>External</p> <ul style="list-style-type: none"> <li>▪ Would likely be reluctant to spend more dollars executing the program, unless there was a direct financial benefit.</li> </ul>
<p>Cost</p>	<p>Internal</p> <ul style="list-style-type: none"> <li>• Would likely cost less for sales and servicing than external over the long term</li> </ul> <p>External</p> <ul style="list-style-type: none"> <li>• Probably little “hassle” overall.</li> <li>• Experience probably brought immediately to the table.</li> </ul>	<p>Internal</p> <ul style="list-style-type: none"> <li>• Would likely cost approx. \$115,000 for a sales and part-time admin. Staff per year for a minimum 2 years to get the program launched.</li> </ul> <p>External</p> <ul style="list-style-type: none"> <li>• Would likely cost retainer for a number of years plus a 15% (average) sales commission on any sales for life of agreement (example: 15% of \$60,000 naming right per year x 10 years = \$9,000 per year = \$90,000 over 10 years) for <u>1 agreement only</u>.</li> <li>• Sponsors must also be serviced at an extra cost.</li> </ul>

**6.2.2 Minimum Staffing Requirements and Recommended Resourcing**

It is the consultant’s recommendation that the City consider options to assume overall responsibility for recruiting sponsors and managing all aspects of the sponsorship and advertising program with municipal or contracted staff. It is also the consultant’s recommendation that the current use of external contractors for advertising sales (such as Saskatoon Transit) is the right approach because of the low-risk nature of display ads and requirement to “pound the pavement” in order to recruit potential advertisers. While the City may receive less net revenue by using an external contractor, the benefits of using an experienced contractor in the advertising area will enable the City to focus on its more lucrative sponsorship opportunities such as naming rights.

It is likely that sponsorship sales will require direct discussions between the staff representative and sponsor prospects in order to position the opportunities effectively, understand the needs of the prospect and customize proposals that respond to business objectives. Sponsorship or naming rights are not typically on a company’s agenda, so in many cases, companies need to be educated on the opportunities, sold on the benefits of participating and properly budget for the expenditure. In this regard, a typical sponsorship or naming right agreement can take anywhere from 3 to 18 months to complete, depending on the amount of investment, length of the commitment and budget cycle. Therefore, of key importance is establishing a strong face-to-face sales campaign where staff are spending the majority of their time contacting and meeting with company representatives.



The recommended resources for the sponsorship program are as follows:

1. **To achieve sponsorship and advertising revenue targets, it is recommended that the City implement the program gradually in Year 1 and provide City Council with a business case to allocate 1.5 FTE resources (including internal staff or contracted persons) to manage the overall program and directly market renewals, as well as high profile sponsorship and naming opportunities.** The annual compensation package for the primary sales staff person would likely be in the range of \$85,000 and initially, a part-time administrative staff at \$30,000 per annum and perhaps, evolving into a full-time or contracted position.
2. **An analysis would be completed in quarter three to analyze if these positions should continue to be supported by a contractor, full-time staff and existing part-time or full-time administrative staff** to coordinate the administrative efforts internally and ensure that sponsor benefits are delivered as agreed. Particularly, the supporting function could initially be fulfilled by an existing part-time (or contracted) basis to begin with, until the program grows to a point where a dedicated administrative resource would likely be required (year 3-4).

This structure would provide a sales focus in the key revenue areas and enable senior sales staff to spend the majority of their time performing a sales function. It also allows for administrative staff (part-time initially) to support the program. It does not include other City functions such as solicitors, procurement or communications, whose services will be required on an intermittent basis.

It cannot be overstated how important it is to adequately resource the program, so that maximum time is spent by City representatives in the field having direct conversations with company representatives. As a rule, at least 50% of the staff person’s time should be spent prospecting potential sponsors. If this not achievable, the City should not expect to achieve its 5 year sales targets.

Table 10 shows how all City resources could be leveraged to deliver an effective sponsorship program:

**Table 10: Sponsorship Program Resource Requirements**

Function	Initial Responsibility
<b>Promotion of Sponsorship and Advertising Opportunities</b> to the corporate sector at-large	Coordinated through a centralized sponsorship function (sales staff person) with assistance from Communications staff.
<b>Sponsorship / Naming Rights Sales</b> (major properties) – identifying, contacting, presenting proposals and negotiating sponsorship / Naming Rights agreements	Sales staff person who can conduct personal sales with high value prospects, liaise with impacted staff and move proposals through the system.
<b>Advertising Sales</b>	Partnerships with an external advertising sales contractors or sports organizations managed through the sales staff person. Does not include Transit who should maintain their own program. Each advertising program to be negotiated on a case-by-case basis.
<b>Program Administration / Sponsor Servicing</b> – servicing sponsorship / naming rights / legal agreements to ensure that the City delivers on agreed-upon benefits as well as renewing sponsorship / naming rights / advertising agreements	Administrative staff person to coordinate overall servicing standards, protect the City’s interests and coordinate major sponsorships. Supported by line staff and initially, a part-time or contracted personnel. Also supported by other functions such as solicitors, procurement, communications, etc. on an intermittent basis.

<p><b>Internal Communications and Coordination</b> – promoting the benefits of the program internally and providing program/facility staff with the training and tools to support the program</p>	<p>Sales staff person in conjunction with Communications.</p>
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The following are additional strategies to ensure that staff resources are fully maximized:

- Initial focus on face-to-face selling of the “lowest hanging fruit” sponsorship opportunities, namely:
  - Renewals of high-profile sponsors and facilities (i.e. Shaw Centre, Hamm Construction Fitness Track);
  - Exclusive provisions for products, services or space;
  - Naming opportunities for other-high profile recreation facilities and Leisure Centres;
  - Selected program sponsorships reaching the largest and most targeted clientele (i.e. public swims);
  - Highest profile events that Saskatoon has control over; and
  - LeisureCard (Monthly Pass), increased digital screen advertising and Zamboni advertising;
- Active promotion of the various sponsorship and advertising opportunities through communications channels such as print advertising and direct mail to encourage call-ins from interested businesses;
- Training other staff in becoming more proficient at identifying opportunities/servicing sponsors;
- Active in-facility promotion of advertising opportunities including the expansion of opportunities for external contractors and increased performance from community organizations;
- Training facility and program supervisors in supporting less complex sales activities so that the centralized sponsorship staff are not spending significant time on lower valued or straight-forward opportunities; and
- Focus on multi-year agreements where possible, with minimal opt-out clauses to reduce the need for constant re-selling of the sponsorship or advertising opportunity.

Please refer to Table 2 on page 7 of this report for a summary of staff resources in other municipalities.

### 6.3 Program Implementation Costs

While the City currently has personnel involved in ad hoc sponsorship activities within various departments (i.e. solicitors, procurement, communications, etc.) they have no dedicated resource allocated towards addressing the sponsorship and advertising program at a corporate-wide level as well as the strategic management of the program. In order to establish a successful program, market the number and variety of opportunities available, coordinate the sponsor deliverables and manage the sponsorship and advertising program, the following is recommended:

1. That a sales staff person (1.0 FTE) be hired to assist in laying the groundwork for a successful launch and to manage the implementation of the program (including sales). The initial planning work would be completed prior to launching the program and involve the establishment of internal infrastructure and processes, preparation of marketing collateral and market testing. Estimated initial cost Year 1 is \$85,000 including salary and commissions.
2. That part-time/full-time (0.5 FTE to 1.0 FTE) administrative support (existing or contracted) be initially brought on board to assist the sales staff person in the administrative aspects of the program including the coordination of sponsor fulfillment (servicing deliverables). It is expected that this evolve into a full-time position (existing or new) as the program develops and allowances have been made in the budget.



3. That personnel currently in sponsor solicitation continue their efforts to secure sponsorship and advertising revenue, but coordinate their efforts through a centralized office (sales staff person).
4. That supervisors in high value areas be trained in the basics of sponsorship sales so that prospects can ultimately be passed on to these staff to support sales (i.e. tours of facilities).
5. That advertising continue to be contracted out to third parties or community organizations with the City receiving a commission on sales.

In addition to the above, an ongoing variable cost needs to be identified for servicing agreements which includes benefit activation costs for items such as City-installed signage as part of any partnership agreements (5%-10% of partnership fee) as well as ongoing marketing costs to promote the program to the business community. These costs are illustrated in the table below.

It should also be noted that increases in resources may be required as the sponsorship program builds, but corresponding revenue should be tied to any new positions. By steady state, the maximum administration costs to support the sponsorship and advertising program should be in the range of 20%-25% of the benefits realized. This cost is in line with marketing sponsorship programs on an industry-wide basis. The overall cost of the program during the five years from the official launch and the net revenue targets are identified in the Table 11.

The analysis in Table 11 is based on the use of internal staff (or contracted employee) to manage and deliver a successful corporate sponsorship program. It does not include City staff from other departments because their services are viewed as supporting corporate initiatives (in general) and are minimal from a resourcing perspective.

**Table 11: Program Resource Costs**

<b>Program Resources</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>Total</b>
Annual Staff Costs (Contracted Sales Staff Person)	\$85,000	\$85,000	\$87,000	\$87,000	\$89,000	\$433,000
Annual Staff Costs (Admin Part/Full-Time)	\$30,000 (Existing or Contracted)	\$30,000 (Existing or Contracted)	\$30,000 (Existing or Contracted)	\$60,000	\$60,000	\$210,000
Marketing Costs	\$20,000	\$15,000	\$15,000	\$15,000	\$15,000	\$80,000
Sponsorship Servicing (5% of projected revenue)	\$5,000	\$14,000	\$19,000	\$23,000	\$28,000	\$89,000
<b>Total Costs</b>	<b>\$140,000</b>	<b>\$144,000</b>	<b>\$151,000</b>	<b>\$185,00</b>	<b>\$192,000</b>	<b>\$812,000</b>

#### 6.4 Estimated Net Revenue

The first 5 years should be considered as building blocks to a sustainable sponsorship program. After 5 years, the City could potentially be in a position to sustain an estimated \$542,425 in gross new revenue annually and have generated a gross cumulative revenue of \$1,657,425 (less expenses) a cumulative net profit of \$845,425 over the five-year period.

It should also be noted that revenue estimates are conservative in approach; in most cases, calculated at 40% or 60% of the total sponsorship inventory, with the exception of new advertising sources which may be tied to guaranteed annual contracts; and that as new facilities, programs and public services

are introduced and/or removed from the inventory, the revenue mix and projections will be subject to change.

Table 12 provides an illustration of the potential net revenue year-over-year as well as the projected cumulative total over a five-year period. It should be noted that the revenue mix is subject to change, based on what is most lucrative at the time.

**Table 12: Estimated Net Revenue**

Sponsorship and Advertising Assets	Estimated Annual Revenue and % of Inventory Sold	Year 1	Year 2	Year 3	Year 4	Year 5	Projected Cumulative Total
Naming Rights	\$271,625 (50%)	\$55,000	\$110,000	\$160,000	\$220,000	\$271,725	\$816,625
Program Sponsorships (Stand-alone or Bundled)	\$99,000 (40%)	\$20,000	\$30,000	\$45,000	\$70,000	\$99,600	\$264,600
Themed Community Initiatives	\$26,000 (40%)		\$10,000	\$15,000	\$20,000	\$26,000	\$71,000
Advertising - Web	\$25,200 (100%)			\$5,000	\$20,000	\$25,200	\$50,200
Advertising – Display/Print	\$20,000 (50%)		\$6,000	\$11,000	\$20,000	\$20,000	\$57,000
In-kind Opportunities	\$50,000 (100%)	\$25,000	\$30,000	\$45,000	\$50,000	\$50,000	\$200,000
Other Unique Opportunities	\$50,000 (100%)	\$13,000	\$40,000	\$45,000	\$50,000	\$50,000	\$198,000
<b>Gross Revenue</b>	<b>\$542,425</b>	<b>\$113,000</b>	<b>\$226,000</b>	<b>\$326,000</b>	<b>\$450,000</b>	<b>\$542,425</b>	<b>\$1,657,425</b>
<b>Program Expenses</b>		<b>\$140,000</b>	<b>\$144,000</b>	<b>\$151,000</b>	<b>\$185,000</b>	<b>\$192,000</b>	<b>\$812,000</b>
<b>Net Revenue</b>		<b>(\$27,000)</b>	<b>\$82,000</b>	<b>\$175,000</b>	<b>\$265,000</b>	<b>\$350,425</b>	<b>\$845,425</b>

Notes:

- Projected revenue is based on achieving sales on a percentage of the total identified inventory. This is because it is expected that the City will always have more inventory than what will be sold and companies will drop in and out of the program as their needs and financial capacity changes.
- Year 1 would be mostly devoted to naming rights sales;
- Web advertising would not be implemented until Year 3 to allow exclusive sponsor visibility on the appropriate webpages;
- In-kind contributions represent actual budget savings in the City’s budget.

## 7.0 IMPLICATIONS

### 7.1 Revenue Allocation

How the City allocates the dollars generated through sponsorships can have an impact on the program. These are some of the key factors that should be considered:

<p><i>Public Acceptance</i> – The public are likely to have more acceptance of the City’s sponsorship efforts if they see the funds being used to improve and or offset costs of programs and services offered to residents.</p>	<p><i>Sponsor Appeal</i> – Even though potential sponsors should be receiving marketing-oriented benefits as part of their participation package, they are likely to be more receptive if they know that their investment is also directly benefiting programs, services and facilities of the community; taxpayers</p>
<p><i>Staff Support</i> – The City will see the benefit of investing in and supporting sponsorships that offset expenses or increase the benefits to their programs or facilities from the increased sponsorship dollars.</p>	<p><i>City Council Support</i> – The program aligns with an opportunity for corporate partners to play an active role in contributing to the quality of life for its residents.</p>

It is recommended that sponsorship funds generated stay with the program, facility or division to improve the level of service provided to residents. Advertising revenues, such as for Transit, typically offset operating expenses and have a potentially significant impact on City Council approved budget performance targets.

The following are specific recommendations related to the allocation of revenue:

- a) A portion or all of the sponsorship revenues should stay within the Division that oversees the sponsorship asset (i.e. Recreation and Community Development);
- b) A portion of the revenue generated should be allocated towards agreement deliverables as determined when the sponsorship is negotiated; and
- c) Where feasible, a portion of the funds should be directed towards improving the sponsored facility, program and/or service for which the sponsorship is directed. This will ensure that the City is able to continue to enhance its programs and services without undue burden on the taxpayer. Additionally, participants will realize the value-add, and the City will be able to demonstrate to sponsors that their investment is being put to good use.



Table 13 illustrates how revenue could be allocated to factor in the above considerations.

**Table 13: Proposed Revenue Allocation**

Expense or Allocation Consideration	Estimated % of Gross Revenue
Servicing costs to meet the City’s obligations (fulfillment) as it relates to each agreement. Includes signage, special printing costs, distribution of materials, etc. (To be negotiated as part of each agreement)	5% - 10%
Dollars to offset the costs of operating the sponsorship program including potential future contract staff and promotion of the program (Dollars to stay within the Division from which the sponsorship is generated)	20% - 25%
Revenue allocated towards general revenue (at City or Division level) that could be used to improve facilities or programs, offset costs and/or help fund future priorities (Determined by City Council)	65% - 75%

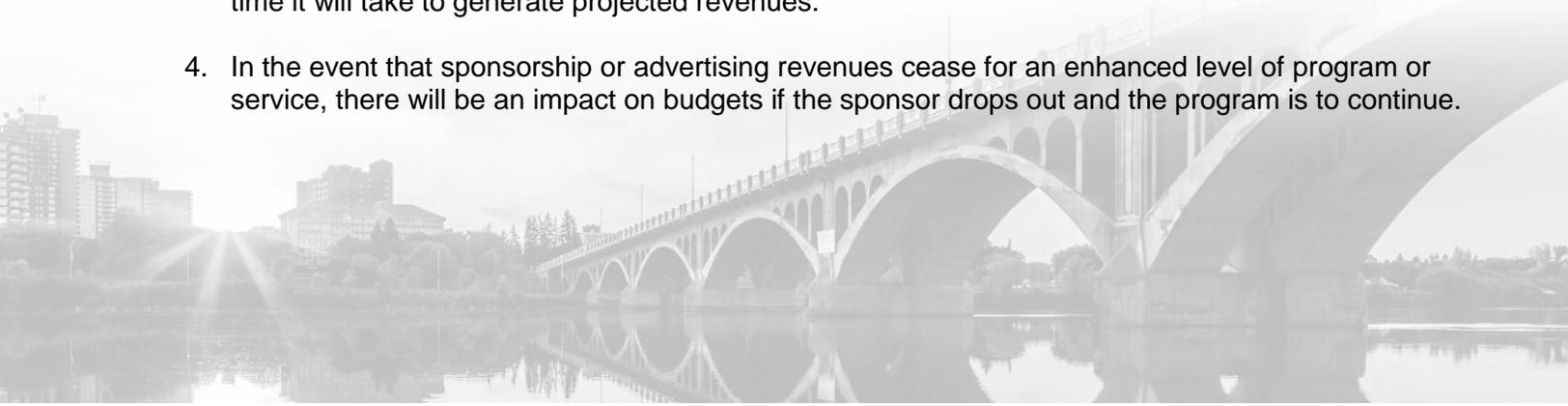
**7.2 Issues and Risks**

The establishment and reliance on revenue from an enhanced sponsorship and advertising program is not without its issues and risks.

1. One of the major risks is whether there will be uptake on the opportunities being presented by the City. In order to get a better sense on the degree of potential participation by local and national companies of these opportunities, some selected market testing of the program should be completed in the first planning year. The purpose of the market testing will be to gather industry feedback on the overall program as well as specific opportunities. The results of the business intelligence will allow the City to:
  - Gauge overall potential response to the program;
  - Determine what types of opportunities and benefits will carry the most weight with potential sponsors and advertisers;
  - Gather industry intelligence as it relates to competitive factors as well as obstacles to take-up;
  - Provide staff with business intelligence that supports the overall project (due diligence).

Initial market testing should be completed in advance. While the overall reaction is expected to be positive, it is anticipated that the feedback received will provide the City with useful information to fine-tune the program prior to launching the full initiative.

2. The revenue projections are based on the programs and services currently being provided by the City. If there are program changes (new or cancelled programs, new facilities), print publication volumes change or there is a change in the method of communicating to the targets audiences, or assets no longer available, revenues will be affected. If, for example, community facilities are no longer available for naming rights because they have been selected for a commemorative naming or there is no community and City Council support for a proposed naming agreement, the ability to achieve the revenue targets from this valuable type of opportunity is lost.
3. Resourcing will play a major factor in the revenues that can be generated as well as the length of time it will take to generate projected revenues.
4. In the event that sponsorship or advertising revenues cease for an enhanced level of program or service, there will be an impact on budgets if the sponsor drops out and the program is to continue.



## 8.0 CEPSM (CONSULTANT) RECOMMENDATIONS

That a coordinated approach (centralized function) be used to oversee City's overall efforts in sponsorship and advertising and when directed by City Council and that the function be facilitated through a corporate department for the first 3-5 years at which time it should be reviewed to ensure that it continues to meet the needs of the City.

- A coordinated function within City will result in a more professional approach for marketing the City's sponsorship and advertising opportunities, servicing existing sponsors and provide a consistent approach as it relates to valuating and packaging assets, identifying and contacting prospects, negotiating agreements, maintaining a database of contacts and sponsors and delivering on sponsor fulfillment obligations.

That the City contract a full-time staff person or consultant (contractor) to implement the program and to market its high value assets.

- In order to effectively market City's sponsorship and advertising assets, the sponsorship program will need to be resourced with a full-time staff person or contractor to coordinate the City's existing efforts, market its high value assets and serve as a resource to other City staff. This position would report to the Director of whichever department which it resides.

That the municipal assets recommended for inclusion in the City's sponsorship, advertising and naming rights program be approved on an annual basis by City Council.

- That prioritized assets be approved for marketing to the private sector. That priority be placed on renewing those sponsors whose agreements have a sponsorship or commercial element attached to them and those agreements that are coming up for renewal in the next 1-3 years.

That divisions retain the revenues generated through the program and that a portion of the revenue be allocated towards improving the sponsored program, service, facility or audience/participant experience.

- Divisions shall retain revenues related to their programs, including sponsorship and advertising (where appropriate).

That a sponsorship program be implemented over a 6 year period including up to one-half (1/2) year of pre-launch planning.

- It is envisioned that it will take up to 5 years for the program to reach its full revenue potential and there is much ground work to be laid for a successful launch. This includes establishing resources and processes to deliver and manage the program, further refinement of opportunities to be marketed, establishing policies, procedures and template agreements and developing communication materials.

That changes be approved to the existing sponsorship policy so that it aligns with the expanded direction of the program.

- Some changes are recommended to make the policy more flexible when dealing with corporate sponsors and at the same time, offer more protection to the City when it comes to protecting its assets.

## 9.0 GLOSSARY OF TERMS

The following definitions provide a context for the research and analysis conducted by the consultants in the completion of this project and may be referenced throughout this report.

**Activation:** Refers to what a sponsor does to leverage a sponsorship agreement to their advantage; can be as simple as supporting their sponsorship by advertising in a publication to manning an exhibit at a sponsored facility during a busy period.

**Advertising:** A commercial message directed at a specific audience, usually paid for by the advertiser and with no implied association between the advertiser and the organization offering the advertising opportunity.

**Benefits/Assets:** Those visibility or promotional benefits that are owned by a property and are of worth to a sponsor that the property can sell in the way of a sponsor benefits package to help them achieve their goals and objectives.

**Donation:** A voluntary transfer of cash or property such as securities, gifts, or services in-kind that is made without acceptance of any benefit of any kind accruing to the donor or any individual or organization designated by the donor. A donation is eligible for an official charitable donation receipt. Also referred to as *Corporate Giving*.

**Engagement (Marketing):** An arrangement to do something together or implies a certain level of interaction. In marketing and sponsorship, companies are seeking to engage with their customers.

**Exclusivity Agreement:** An agreement whereby the supplier has an exclusive right to supply goods and/or services to the City for the time period of the agreement.

**Facility Naming Rights Agreement:** The sale of the right to name or re-name a City-owned facility that is evidenced in a written contract, with a specified end date to the contractual obligations. All such agreements will be approved by City Council prior to finalization.

**Fulfillment:** The delivery of benefits promised to the sponsor in the contract.

**In-Kind:** A transaction involving a good or service that is provided to a project where no money is exchanged between the two organizations. In-kind services may be in the form of a sponsorship or a donation.

**Naming Rights:** A physical property, event or other initiative where a sponsor's name is added as a prefix to the name of the property or activity for a defined term.

**Pouring Rights:** The exclusive rights of a beverage maker or distributor to have its products sold at a particular venue, event, or institution.

**ROI:** Return on investment.

**Right of First Refusal:** A contractual right granting a sponsor the right to match any offer the property receives during a specific period of time in the sponsor's defined product category.

**Sponsorship:** A marketing oriented, contracted arrangement that involves the payment of a fee or payment in-kind by a company in return for the rights to a public association with an activity, item, person or property for mutual commercial benefit. Sponsorships can come in the form of financial assistance, non-cash goods or a contribution of skills or resources. Sponsorships are not eligible for charitable income tax receipts.

**Sponsorship Property:** Any physical property, event, cause or other activity for which a sponsor can be associated and receive pre-determined benefits as defined through the sponsorship.

**Strategic Philanthropy (Cause Marketing):** Cause marketing or cause-related marketing refers broadly to a type of marketing involving the cooperative efforts of a for-profit business and non-profit organization for mutual benefit. Cause marketing differs from corporate giving (philanthropy) as the latter generally involves a specific donation that is tax deductible while cause marketing is a marketing relationship generally not based on a donation. Through these arrangements, the partner enhances their institutional image and benefits as a result of their strategic association with the cause. Contributions can come in the form of financial assistance, non-cash goods or a contribution of skills or resources.