

FUNDRAISING WITH BUSINESSES YOUR QUESTIONS ANSWERED



Heather Newell, CFRE, provides practical answers to sponsorship questions. As one of New Zealand's leading consultants and commentators on sponsorship, Heather is happy to answer our readers' questions.

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I've been asked to present my credentials to a non profit organisation that wants to raise \$1.5m from a corporate, per year for three years. Should I pitch for the job? I know all about the corporate sector and the organisation is really worthy. I love the people and their vision for their organisation. How hard can it be to find one single sponsor?

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I ran this funding target by a senior sponsorship manager in one of New Zealand's leading corporates to gauge his response. Predictably he responded that the target was hopelessly overinflated.

In my twenty year career in sponsorship I have not heard of a sponsor paying anywhere near that much for a sponsorship that does not promise television coverage or high returns from sales. The only real million dollar sponsorships in New Zealand are for the highest profile and internationally relevant sports events that promise international tv audiences, television advertising space, sales promotion opportunities, merchandise and lots of public exposure.

Charities, arts organisations, environmental groups, and animal protectors cannot promise that level of benefit to the corporate sector. It is simply impossible to justify six figure sponsorships (let alone million dollar sponsorships) to shareholders unless there is some exceptional media support or a special request from government.



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We're planning a new special event next year and we're budgeting income and expenditure. When should we start finding a sponsor? How much effort should we put into this?

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If your event is new and unproven I might suggest that you don't spend any time

at all seeking a naming rights sponsor. What do you have to offer except a good idea? At this stage your offering is risky, unproven and may not even be feasible. Any sponsor who comes on at this stage is sharing a risky proposition with you and, as such, will not want to pay much for the privilege. Imagine the value difference if you wait until year two when you can prove the numbers, demonstrate community support, show your facts and figures and demonstrate to the potential sponsor that you can deliver a good event.

Before you bring in a naming rights sponsor you will want to sign up some smaller supporting sponsors who provide goods and services. Always sign up a media partner first because their contribution will add value to your package. Try to completely fund your event from other sources so you can show the sponsor a working budget, with plenty of funds for promotion and marketing (because that's the bit they benefit from).

Don't sell your naming rights to a funder, unless you absolutely have to. This is not the pathway to sustainability. If you want to truly make profit from your event you have use all your fundraising options, including funding and sponsorship. Mix up those two streams and you lose opportunities – and before you know it, your event is a loss rather than a profit.





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Was the investment in the America's Cup worth it? Should we be continuing with something that won't now return any kind of local benefit for at least the next five years?

A

The jury is certainly still out on this one. Despite government's commitment to it, I think the crunch will come when we find out whether Team New Zealand's key commercial sponsor, Emirates, will continue. Negotiations are currently underway. The other aspect we have to consider is that the major international sponsors do not want New Zealand to win. Louis Vuitton and others indicated that it is simply too far and expensive to bring key customers to New Zealand for hospitality opportunities. Even before the race was lost, we were being softened up to the possibility that part of the next event would be held in Dubai and part in New Zealand consequently reducing New Zealand's opportunities by half.

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Are corporates really bothered about the sponsorship awards? Who nominates them?

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If you are the non profit organisation you should be looking for every opportunity to get your sponsor's name recognised. And if you are one of those organisations who have not been successful in getting your sponsor's name into the news media, then an award nomination could be just what you need to resolve your key performance indicators. There are awards for arts, sports and welfare, etc.

If the award nomination is too hard, you could always profile your sponsor's name with a case study. Case studies could be published in any number of publications including Sponsorship Profile, Fundraising in New Zealand and through sector publications. The Fundraising Institute, the PR Institute, the Society of Accountants even, may accept your articles. A little further afield there is the Australasian Sponsorship Marketing Association, Sport and Sponsorship News Australia and Fundraising and Philanthropy Australasia.

You could also present a case study at a conference. Maybe it's in conjunction with an award ceremony, or a national conference or at a training event. By inviting your sponsor along to jointly present the workshop you are cementing your relationship and demonstrating its value to your organisation. It's also good for your own professional development and makes great content for your professional portfolio.



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We know it's the recession but what do we do when our principal sponsor is looking to reduce their involvement or pay us less? Do we just have to swallow it?

A

The first thing is to check your sponsorship contract. It's your bible in dealing with relationships. It should outline the conditions and exit clauses. It should also have some rules about dispute resolution. You may not need to resort to this but it's wise just to have all your facts on hand.

The second task is to identify their real concerns which might not be what they seem. Is this a genuine financial crisis, a simple budget cut or a feeling that the sponsorship isn't returning sufficient benefits? A genuine conversation, perhaps away from the workplace, might uncover the real story. In a more casual conversation your colleague may reveal his or her opinion, and whether they have any influence or not.

If it's a real financial crisis then there is absolutely nothing you can do. No contract in the world is going to save you if they are about to go bust. If it's a budget cut, then perhaps the contract length could be extended over two years instead of one. You could negotiate a payment plan over two or even three years. If it's about the value of the benefits, you could possibly renegotiate what you are offering. If the sponsor genuinely wants to pay less for whatever reason then perhaps it's worth creating a new category for them. We noticed recently that a particular naming sponsor had moved down a notch to a supporting partner. They still got some recognition for their involvement but you could see they had obviously reduced their investment. In announcing the change, the organisation thanked the sponsor for their significant investment in the past and explained how they would still be involved, albeit at a lower level. The way it was done clearly signalled the change but without any rancour or bitterness. (We give ten points for keeping the sponsor happy.) For all we know this is a well planned exit strategy. Maybe in another year the sponsor will pull out altogether in a nice quiet manner, having allowed someone else the opportunity of taking on the naming rights.

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I've been taken on board as the Fundraising Manager fairly recently and I find that we have a one year sponsorship contract with Telecom. I think I need to bring someone on board to manage the sponsorship – I'm sure that's not my area of expertise.

A

Building relationships is a key component of fundraising. It doesn't matter whether it's with a major donor, or a corporate sponsorship manager – it's still a personal relationship.

If you have the role of Fundraising Manager, I see no reason why you cannot be the person that manages the relationship with Telecom. You may not know the marketing jargon, you may not know about the objectives of the company, but now the deal has been signed, you can at least ask those questions—particularly if you are new to the role.

The most important thing is to pick up the phone and call today. That one year contract can move through very quickly and if you've taken a few months to get to grips with the job and haven't phoned all ready, then you must call today. Don't leave it any longer. Telecom has a number of organisations that it supports on a regular basis. There is huge competition for these sponsorship relationships. Once you have one signed up, you should be moving heaven and earth to meet regularly, build friendships and provide a service to your sponsor. Frankly you don't have time to employ someone else to do it!



**Would you like to contact Heather Newell,
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We're trying to make sure that the price we charge sponsors for our event is actually worth our while. I'm worried that we aren't charging enough. How much servicing should we include in our budget?

A

Whatever you decide to include in your own budget, make sure you include the time and the travel costs for servicing the sponsor. All too often we know that we need a certain amount of money to add to the budget for our special event or activity. It's usually based on a shortfall associated with the activity that the sponsor is going to put their name on. We should try to get away from this kind of thinking. Always put the sponsor's name on the most marketable activity you do – the thing that gets the most publicity and is the highest profile. Don't worry that it's already fully funded and you are going to make a profit if you get a sponsorship contract. Use that extra money to apply to the activity that needs it most. Don't bother to offer a sponsor naming association with something that isn't going to get media attention.

So in your budget, where you need to make sure you can service the sponsor with the money they give you, what do you need to include? What are your sponsorship servicing costs going to be?

1. Your time and your internal resources; allow for meeting with sponsor at least quarterly
2. Evaluation, research, monitoring, anything the sponsor may require
3. Travel, at least quarterly meetings with sponsor (you may not be able to source cheap fares for day time meetings)
4. The contract; legal assistance may be required. Fees will depend on which of you prepares the contract
5. Media support, media kits, media training if necessary, photography, launch event
6. Branding and signage, design, production, printing, construction, installation, cherry picker, storage
7. Advertising, to the sponsor's expectations; may need an agency to purchase media, design
8. Hospitality, VIP tickets, invitations, catering, parking, travel, transport and accommodation, clothing, gifts
9. Sundry costs like celebrity appearance fees, travel and hosting, prize money, competitions, and contingency.



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Our new sponsor has asked us to provide some evaluation for their sponsorship. How can we provide something meaningful without spending a fortune on a research company?

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Deciding on a form of evaluation is something that should be done well in advance of your event or early on in the delivery of your programme. It may have budget implications and you may need to establish some benchmarking right at the beginning.

To evaluate the sponsorship you might ask your supporters about their awareness of the sponsor's products or services and whether they would buy the sponsor's products.

If you are trying to assess whether your supporters are a valid target market before the sponsorship starts, you might then compare those initial results with a growing awareness as the sponsorship develops.

An easy question to ask your supporters is "would you be in the market to buy a new widget in the next 12 months? A year later you might ask "did you buy the widget from our sponsor?" And if not, why not?

- To survey your supporters during an event you might ask them:
- To list the names of the sponsors
- To identify whether they would buy the product of the sponsor
- Whether they would be more likely to buy from a sponsor than from a non sponsor
- How they might feel towards sponsors or non sponsors
- Would they like more information about the sponsor's products
- Whether they would sign up to the sponsor's website

One of the best stories I ever heard was of the Chamber of Commerce who asked all its members whether they would be in the market for a new car in the coming year. Based on their results they prepared a sponsorship proposal to one of the best local car sales companies in town. Of course they got the sponsorship!

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We run a special event, and we produce the standard contract that we give to our sponsors to sign. We had this standard contract drawn up by our lawyers and we use the same document with all 30 of our sponsors. The contract has the usual standard clauses, one of which allows the sponsor to have the first right of refusal on any new sponsorship that comes up in association with the event. Now I realise that we cannot offer this to 30 sponsors – even though it is in all their contracts. Has our lawyer made a mistake on this?

A

You cannot offer first right of refusal on any new sponsorships to any more than one sponsor. **Only one can be the first!** First right of refusal is usually something that a sponsor would demand. It's not something that would be in your interests to offer, unless the sponsor particularly asked for it. Sometimes this is sought by a sponsor when they want to protect their exclusivity or maybe they want a greater involvement with you than the current sponsorship allows. Sometimes it's simply there because the sponsor always asks for it!

You need to understand that this is not actually a benefit to you. Although it certainly sounds good, unless the sponsor is genuine in seeking new opportunities, the decision making process can be drawn out and there is no guarantee that they will take up the new sponsorship. Months could go by while they sit on their hands, and in the meantime you may have a new sponsor in mind.

As to the question about your lawyer. In fairness perhaps they did not understand that you would be using this sample contract for more than one sponsor. In many cases it is the sponsor who provides the contract, not the "sponsee", so perhaps the lawyer misunderstood your needs. You will certainly need to address this issue in your next round of renewals and I would suggest that you seek your lawyer's input into how you should best resolve this conflict. In the meantime you are slightly hamstrung if you develop any new sponsorship products as you have promised 30 companies that they have first right to say no!

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Is the recessionary economy going to make any difference to sponsorship?

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At the recent Fundraising Institute Conference, Richard Woodward, presenter extraordinaire, suggested that a tight economic climate would make no difference to sponsorship. Those who prepared a good proposal that met the sponsor's needs would still be considered at the top of the pile.

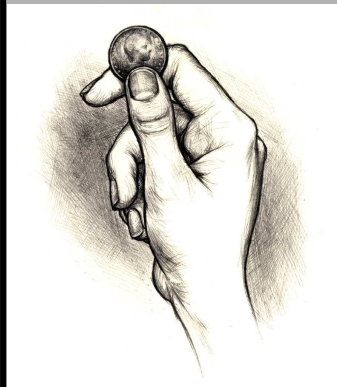
What might be an issue though is sponsorship budget. When times are tight our potential sponsors may be tightening their own budgets and possibly returning to traditional promotional avenues that return short term benefits. We are also finding that philanthropic funders, who sometimes undertake sponsorships too, are commenting on their loss of income from investments. The impact of that will obviously flow onto all areas of fundraising.

In this issue we give you some hints and tips about how to add value to your sponsorship package to ensure your existing relationships can be retained and grown.

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Was there anything in the budget relevant to sponsorship?

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There certainly was! Previously a closely held company could not make donations to non profits. That meant that if a business was going to contribute to the community it would have to do so through a sponsorship contract. All that has now changed. In the next financial year the limits on charitable donations will be removed so any business or individual can make donations (up to the limit of their income) and claim back the tax. This may mean that some businesses who previously gave to community organisations through sponsorship may now give through donations. Who knows what the long term implications of this may be but there will be further blurring of the lines between donations and sponsorship.

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Heather, we are a non profit organisation with a few small sponsorships. One of those sponsors has come to us with great enthusiasm, offering us a team of volunteers to spend a day with us. It sounds great but we're having difficulty figuring out how to use a team of people, how to supervise them and what's in it for us. We only have a few paid staff and they're all flat tack.

A

While volunteering has its benefits for business, it adds significantly to the economic contribution of the non profit sector, with its value set at \$3.3 billion. Volunteer labour represents 134,000 full time equivalent workers which in turn is 6.4% of the total economically active population. According to Statistics New Zealand, over one million people or 31 percent of the population are engaged in some kind of volunteer work. They fill about 1.7 million positions; 46 percent of them volunteering for more than one organisation. Ninety percent of non profits in New Zealand rely exclusively on volunteers.

But corporate volunteering can come with its difficulties. Massey University's Dr Louise Lee's 2008 report on volunteering highlights the sense of obligation that can arise when a volunteering programme is added to an existing sponsorship.

In these cases, non profit managers can feel pressured to ensure the success of team building activities. One respondent commented that "because we have a sponsorship relationship I feel that there is a higher expectation that we will more readily be able to incorporate corporate volunteering into our way of doing things. I don't think that's necessarily the case. In fact I think it makes it more difficult because there is conflicting pressures. We must do everything we can to ensure (the success) of our sponsorship relationship."

Some organisations have chosen to say no. Others have set up internal forums to specifically discuss employee volunteering opportunities, and what would benefit both parties. Some organisations have proactively developed written policies and guidelines around employee volunteering. Others specifically encourage volunteering as starting point for bigger relationships such as donations, community partnerships and sponsorships.

Despite these proactive responses, Dr Lee's research found that few of the smallest non profits had the capacity to supervise or the management to support volunteers. None had established specific goals or written policies yet they were increasingly becoming engaged with business through volunteering. One answer to this dilemma may be the involvement and support of Volunteer Centres or United Way, which include volunteer brokerage in their activities. Both organisations can broker team volunteering projects and match individual volunteers with organisations. Some Volunteer Centres employ managers with specific expertise in business/non profit

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Our organisation provides scholarships for students to enrol for courses at our local polytechnic. If someone gives us a scholarship for a student, it's been our policy to apply all that money to the student. We fund our administration from other sources. Over the last couple of years we've had a scholarship from a bank. There has been a change of personnel and suddenly we're being asked "what is in it for us?" What have we got to offer? And how should we give some profile to the bank?

A

This question is really about the difference between a sponsorship and a donation. If someone simply gives you the money for a scholarship, and asks for nothing in return, it is a donation (freely given). But when they ask, "what's in it for me?" (WIFM) it becomes a sponsorship. Before the last Labour Government changed the legislation around donations there was an important tax difference, but that's not relevant any more so I won't go into that. Suffice to say that now, the key difference is that a donation is freely given, with no requirements for promotion. When it is a sponsorship, there is definitely a need for you to undertake some promotion which recognises the sponsor's name. The difficulty for you at the moment is that you have no specific budget for promotion. To address this, you will have to allow some of the bank's scholarship fee to be applied to promotional activities. I would suggest a very clear and upfront approach on this. Your proposal document may offer both options so there is a conscious decision to be made. Think carefully about which is your preferred option. If you prefer a sponsorship you will have to do some advertising, some media releases, some reporting and plenty of liaison. Make sure you don't undercharge for this. Depending on the price you are seeking, you might offer any or all of the following benefits to the sponsor:

- Naming rights to a scholarship
- Logo used on all promotional material
- A number of tickets to the awards ceremony
- A seat on the awards panel
- Name mentioned in a media release
- Advertising in internal or external publications
- Ability to offer promotions to the scholarship recipient
- Display space at the awards ceremony
- The right to distribute promotional material to all attendees at the awards ceremony
- First right of refusal
- Exclusivity in sector

Q

I'm wanting to persuade my boss that we should have a sponsorship budget for our business. What sort of information should I be putting together to justify a budget?

A

You would want to think firstly about your objectives. What do you want to achieve from sponsorship that you are not already achieving from your current marketing spend? Do you want to motivate staff, build a client base, sell products or influence community leaders? Maybe you want a more intimate opportunity to sell products face to face?

The second question is about the value of what is to be gained. What are the returns expected to be? If it costs \$5,000 to recruit and train a new employee, then how much investment would be required to retain your existing employees for longer?

I think you should also consider evaluation. Conducting a trial is always a good starting point, and choose something that can be evaluated at the end of the financial year. Think carefully about evaluation first, and you'll be in a better position to win budget for year two. Make sure your budget covers the rights fee, the leverage campaign and the evaluation.

Finally, you might consider picking a sponsorship that fits with the interests of your boss. If you want people to give up their leisure time to attend events, prize givings, and functions, you want to make it a positive experience. Why shouldn't it be something that fits with their own interests – so long as there is a business payoff as well!

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How important is it to identify the difference between csr, sponsorship, cause related marketing etc?

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I think it's important to understand the jargon used by different organisations and to mirror what they believe. Why pick an argument over terminology when you have a good concept and your idea is right. If you are unsure whether it's a sponsorship or a corporate social responsibility idea, simply call it a partnership and leave it over to the company to decide what budget to slot it into. In our Honda example, someone has managed to integrate a great idea across many departments of the company. Surely that tells us that a good idea can cross the boundaries.



Q

I'm the sponsorship manager for my organisation. What, if anything, do I need to know about our membership list?

A

You definitely want to know all about your membership list. Your members, supporters, fans, donors, players, stakeholders, subscribers etc are all of interest to your potential sponsors. The people on your database hold the key to your success with a business partner. These people are your lifeblood, your raving and loyal fans and the very audience that your sponsor wants to communicate with. What should you know about your database? Obviously, you want to know their demographic details – where they live, what they do, what gender, what age range, and how much they earn. You want to know how loyal they are to you – how long they've been supporting you and in what ways they support you. You may want to create a composite of an average supporter. If you have a large database you may want to find more information about your supporters and you can achieve this by "datamining". This process compares your information with other standard data offered by companies like Quotable Value New Zealand, enabling you to provide more information about your supporters based on their addresses and neighbourhoods. valuable your sponsorship is. You don't have to give them the database but they will want to communicate with the people on it. Make sure you allow for the cost of this in your sponsorship price. The sponsor will expect you to endorse them by writing about their products and/or services, and their involvement in the sponsorship.

Q

There seems to be so many terms, ways and means for businesses to be involved with the non profit sector. There is sponsorship, partnerships, cause related marketing, social responsibility, ethics and sustainability, pro bono, volunteering, corporate donations, corporate foundations, even budgets for mitigation (to mitigate the effects of their business on the environment). Then there are sponsorship managers, relationship managers, cause managers, human resources managers, corporate relations manager, marketing managers, product and brand managers. How do we know where we should be targeting our effort and who do we talk to?

A

I'm sorry to say that there is no "one size fits all" answer to this question. Every company, local or multinational, will have its own internal structure, its own motivations and its own needs, which means every approach needs to be tailored.

The web is the best starting point for conducting your research and you are going to be looking for sponsorship policy and guidelines as a starting point. Then you will dig deeper with attached documents like the annual report, the statement of corporate intent or maybe the corporate responsibility reports. You may attempt to find information about volunteering, human resources or research reports that outline company policy. Look out for international policy which may be reflected in how the New Zealand branch conducts its operations.

Having found out about the company, ask yourself what is the easiest way for the company to support you? Cash through sponsorship is an obvious relationship but actually it may be easier to ask the staff social club to help with fundraising. Perhaps product donations might be useful, staff volunteering or asking the company to help fix the problem you are trying to resolve. Don't forget why you are fundraising or what the purpose of a partnership might be. Maybe the cash you think you need is not your end goal and maybe the company could really help in more productive ways.

If you are pitching for a commercial sponsorship because you have brand or consumer targets relevant to the corporate, don't forget to be very marketing focused. Find out who the advertising agency or the PR company is and enlist their support. Find out where your audience fits with their target markets. Introduce yourself to the right brand manager and excite them about your offering. If necessary send them some of your products to excite their interest and enlist their own staff in creating an interest in your activity. But don't jump to conclusions about why they might be interested. Contact Energy has formed a relationship with Tri New Zealand to motivate and enthuse its own staff members about healthy lifestyle choices – no need to publicise to stakeholders or the general public.

Remember this is all about building relationships and you can't sign a contract without a willing partner. Get on the phone, ask some questions and meet some people – you can't go wrong with that!

Q

Heather, how far will a sponsor go to ensure their contract conditions are being met? Surely this is a trust based system?

A

Anyone who thinks a sponsor is in this for altruistic reasons will be surprised to learn that the sponsorship assets are valuable, and that the promises made to them are taken very seriously. A contract is a contract, whether it was made on a handshake or a verbal agreement or a document that went to the lawyers for explanation. If you say you are going to deliver a concert, or an exclusive deal, or an endorsement of a product, or exclusive rights, then you must be serious!

There are two obvious examples I've heard recently – one being where a professional sports franchise reports that its sponsor is fining them for breaches of contract which it proved by taking photographs of the breaches in the players' changing rooms. I understand that players were seen drinking a product from a rival company.

In another instance the chief executive of the rights holder (or "sponsee") considers himself and the chairman of his board to be "brand protectors" for the sponsor. His demonstration of that role is to drink the sponsor's product in public, show the sponsor's product in public situations actively endorse the brand and the product and to speak well of the sponsor and their brand at all opportunities. With that proactive attitude do you imagine their sponsor would be sneaking into the locker room to catch them out?

That's the value of the relationship! Be proactive and you will have the best, long lasting partnership. If you can't deliver on your promises, you are going to be on the back foot without the trust of your sponsor.