

IEG Sponsorship Report

The latest on sports, arts, cause and entertainment marketing



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IN DEPTH

Sponsorship Spending: 2010 Proves Better Than Expected; Bigger Gains Set For 2011

Industry has rebounded quickly from historic low point of 2009.

Happy New Year indeed. The dawn of 2011 marks the sponsorship industry's return to full health.

A year ago, sponsors, properties, agencies and others in the business were lamenting the fact that less money was spent on corporate partnerships in 2009 than in the previous year, a never-before-seen circumstance.

And while we can't say it will never happen again, '09's contraction in annual spending remains for now an anomaly. The 26th annual year-end industry review and forecast from *IEG SR* shows that sponsorship expenditures by North American companies grew 3.9 percent in 2010 to \$17.2 billion. Spending globally grew 5.2 percent to \$46.3 billion.



Both sets of figures were ahead of *IEG SR*'s projections made a year ago. At the end of 2009, North American spending was forecast to rise 3.4 percent and worldwide budgets were predicted to grow 4.5 percent.

Based on the slightly accelerated pace of deal-making experienced in 2010 and conversations with sponsors and properties about prospects for the coming year, *IEG SR* forecasts significant increases in spending for 2011.

North American sponsors should increase partnership outlays by 5.9 percent to \$18.2 billion in 2011, while globally spending should increase at the same rate it did in 2010—5.2 percent—bringing worldwide spending to \$48.7 billion.

Total North American Sponsorship Spending 2007-2011



Total Global Sponsorship Spending 2007-2011



As it has in most years over the past two-plus decades, sponsorship's growth rate will be ahead of the pace experienced by advertising and sales promotion.

North American media spending, which rose two percent in 2010, is projected to increase 3.9% in 2011, according to the worldwide media and marketing forecast produced by GroupM, the global media investment management operation of WPP Group plc. (GroupM is the parent company of IEG SR publisher IEG, LLC.)

Consumer and business-to-business promotional spending did not increase in 2010, declining for the second year in a row—although the drop of 3.3 percent was an improvement from the decrease of 7.1 percent in 2009, according to the *Communications Industry Forecast 2010-2014* published by private equity firm Veronis Suhler Stevenson. VSS projects that promotion spending will be flat in 2011 compared to 2010.

Annual Growth Of Advertising, Sales Promotion And Sponsorship



Breaking Down North American Spending By Category

As forecast, North American corporate spending on cause sponsorships grew at the highest rate of the six major property sectors in 2010—6.7 percent—as marketers sought to earn goodwill from consumers and other stakeholders still recovering from the recessionary economy.

The largest segment—sports—grew 3.4 percent in 2010, as a 7.6 percent jump in spending on the four major U.S. pro sports leagues and their teams (“A-B Lawsuit Illustrates Value Of Pro Sports Sponsorships; Sector Grows 7.6 Percent,” 11/15/10) was dragged down by little or no growth among other types of sports, including auto racing.

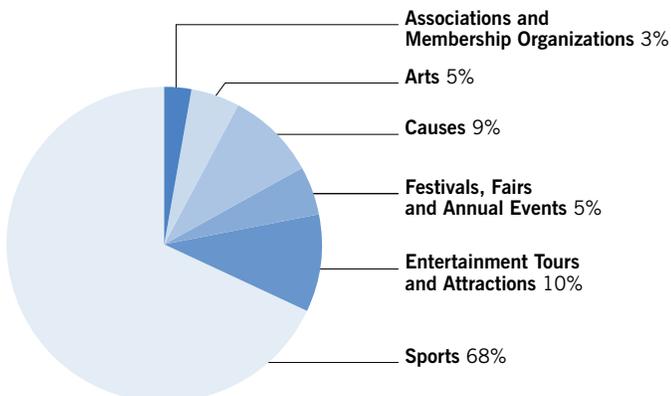
For 2011, continued interest in major sports properties should drive category spending enough to make it the fastest-growing segment, as cause spending cools down to a still respectable growth rate of five percent.

The category that grew the least in 2010, the arts at just 2.7 percent—should improve in 2011 to a 5.1 percent increase, as its two largest sponsor categories—automotive and financial services—continue to see improved overall fortunes and turn the sponsorship spigot back on.

| North American Sponsorship Spending By Property Type | | | | | |
|--|-----------------|-----------------|--------------------|---------------------------|--------------------------------|
| | 2009 spending | 2010 spending | Increase from 2009 | 2011 spending (projected) | Increase from 2010 (projected) |
| Sports | \$11.28 billion | \$11.66 billion | 3.4% | \$12.38 billion | 6.1% |
| Entertainment Tours And Attractions | \$1.64 billion | \$1.75 billion | 6.3% | \$1.85 billion | 5.9% |
| Causes | \$1.51 billion | \$1.62 billion | 6.7% | \$1.7 billion | 5% |
| Arts | \$820 million | \$842 million | 2.7% | \$885 million | 5.1% |
| Festivals, Fairs and Annual Events | \$756 million | \$782 million | 3.4% | \$820 million | 4.9% |
| Associations and Membership Organizations | \$496 million | \$514 million | 3.6% | \$543 million | 5.6% |

Each of the six property categories are projected to earn the same share of total North American sponsorship spending in 2011 as they did in 2010.

Projected 2011 Shares Of North American Sponsorship Market



How The Worldwide Sponsorship Market Shakes Out

Subtracting expenditures by North American companies, the rest of the world's sponsors spent \$29.1 billion on partnerships in 2010 and are projected to increase that amount 4.8 percent to \$30.5 billion in 2011.

Europe will remain the largest source of sponsorship spending apart from North America, followed by the Asia Pacific region.

Growth in Central and South America during 2010 did not materialize to the extent projected—3.8 percent versus a forecast of 5.7 percent—despite the upcoming FIFA World Cup and Olympic Games in Brazil in 2014 and 2016, respectively.

With the 2010 World Cup concluded, sponsorship activity should begin to heat up, thus the region is projected to be the fastest-growing source of sponsorship dollars outside North America, with a forecast growth rate of 5.6 percent for 2011.

| Global Sponsorship Spending By Region | | | | | |
|--|--------------------------|--------------------------|-------------------------------|--|---|
| | 2009 spending | 2010 spending | Increase from 2009 | 2011 spending (projected) | Increase from 2010 (projected) |
| Europe | \$12.1 billion | \$12.9 billion | 5.8% | \$13.6 billion | 5.4% |
| Asia Pacific | \$10 billion | \$10.6 billion | 5% | \$11.1 billion | 4.7% |
| Central/South America | \$3.5 billion | \$3.6 billion | 3.8% | \$3.7 billion | 5.6% |
| All Other countries | \$1.9 billion | \$2 billion | 5.1% | \$2.1 billion | 5.1% |