



\$10 Billion in Sports and Entertainment Sponsorship Value Gap Will Need to be Made Up *Sponsors and properties have differing views on value recovery, make goods and refunds*

IEG, the sponsorship authority, estimates \$10 Billion in sponsorship value in the U.S. will need to be made up due to the sports and entertainment shutdown caused by the COVID-19 pandemic. Nearly 20,000 sports and entertainment properties have canceled, postponed events or temporarily closed their doors to date, impacting 120,000 active sponsorship agreements. More than 5,000 brands are faced with decisions on how to recoup lost value.

The *IEG Outlook 2020: Forecasting the Future of the Sponsorship Industry* shows decision makers expect spending will be re-evaluated or decrease in the near future; however, sponsors and properties don't necessarily agree on how the industry will recover. Properties are more optimistic than the brands investing in sponsorship.

Sponsorship Spending

Sponsors

62% Re-evaluate
20% Decrease spending
15% No change

Properties

60% Re-evaluate
28% Decrease spending
5% No change

Value Reconciliation

“The sponsorship market has reached the point of no return for fully capturing lost value based solely on the length of the ongoing stoppage, said Peter Laatz, Global Managing Director, IEG. “There are three likely scenarios for sponsorship reconciliation which include value forgiveness, value forbearance and value foreclosure. We expect to see all three of these scenarios play out.”

Properties are slightly more bullish on the opportunity to make up lost sponsor value. The disconnect comes in where brands are expecting refunds, while properties seem to favor extensions of term lengths.

- **64%** of properties believe they are going to make up ALL lost exposure, but only **45%** of sponsors agree
- **31%** of sponsors expect prorated agreements and refunds, but only **11%** of properties indicate this a likely scenario
- **20%** of properties believe sponsorship agreement term lengths will be extended, **21%** of sponsors agree

Sponsorship in the Post COVID-19 World

The COVID-19 pandemic will also change future sponsor/property partnerships, according to the *IEG Outlook 2020* survey.

- **79% of sponsors** will approach their marketing mix differently
- **60% of properties** will change sponsorship structures and sales

“The COVID-19 crisis is casting a light on an existing problem in how brands and rights holders were working together,” said Brian Gordon, CEO, Engine Shop. “Both sides have been too reliant on assets like signage and media that exist around the live event itself; instead the focus should be on how the two can work together to engage and add value to the community and fan base outside of a game day. If that partnership strategy is already in place, there’s no need to pivot when the play stops, only the need to develop new tactics and messaging.”

Sponsors and properties agree that digital and social media content is a way to help capture some lost value, regardless of whether sports and events are back on. Sponsors also placed a high priority on more tangible, quantifiable value elements such as traditional advertising and activation funds from properties versus an expected influx in player/celebrity appearances or esports extensions.

Top concerns of sponsorship decision makers surveyed by IEG included: consumer comfort of attending events in the future, lost revenue and budget cuts, messaging sensitivity, the length of down time due to COVID-19, scheduling conflicts, and industry job loss.

IEG Outlook 2020: Forecasting the Future of the Sponsorship Industry was a survey of sponsorship decision makers across the U.S. and includes responses from the nation’s top sponsorship spenders and a cross-section of major rightsholders across sports, entertainment, arts and social causes between March 26 and April 8, 2020.

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About IEG: IEG delivers proprietary market intelligence, thought leadership and strategic counsel that empowers our clients to make more informed sponsorship decisions. For nearly 40 years, IEG has delivered expert counsel across a full spectrum of partnerships. The world’s most recognized sports and entertainment rightsholders and best-known brands, along with start-ups, social-driven organizations and public-sector operators, all turn to IEG to access the company’s unmatched depth of expertise. Engine Shop acquired IEG in 2018, building on Engine Shop’s modern approach of connecting brands to consumers through multi-channel engagement marketing.