

WHAT SPONSORS WANT & WHERE DOLLARS WILL GO IN 2018

ESP | Properties



SIGNS POINT TO HEALTHY SPONSORSHIP SPENDING

RESULTS OF THE ESP PROPERTIES SPONSORSHIP DECISION-MAKERS SURVEY AND OUR ANNUAL SPONSORSHIP SPENDING REVIEW AND FORECAST PROVIDE GUIDANCE ON 2018 PRIORITIES FOR RIGHTSHOLDERS AND BRANDS.

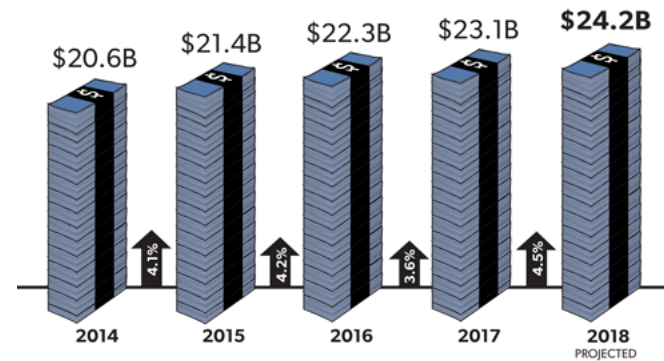
On the heels of a tighter-than-anticipated North American sponsorship market in the year just ended, ESP's 33rd annual year-end industry review and forecast projects a rebound this year alongside continued steady growth globally.

A year ago, ESP projected worldwide growth of 4.5 percent and an increase in North America of 4.1 percent. However, that forecast's caveat that "caution on the part of brand and corporate marketers could grow into concern as the year progresses, thus limiting their willingness to commit additional dollars to partnerships," proved to be the case in North America, as spending increased only 3.6 percent to \$23.1 billion.

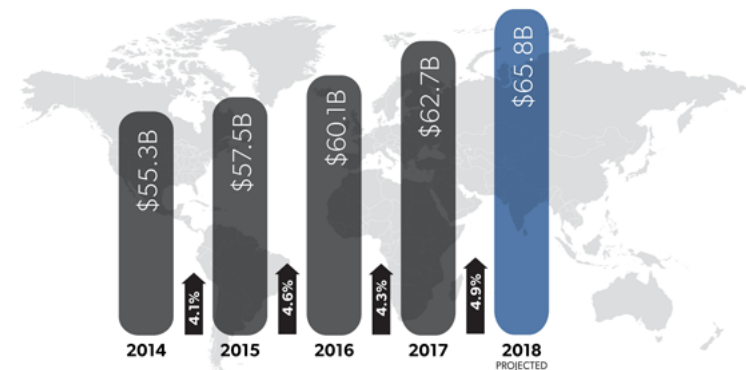
A key factor was continued examination of sponsorship budgets, with an eye to reducing overall spending, by major players in the beverage industry--the largest spending category--including soft drink and beer giants PepsiCo, Coca-Cola, Anheuser-Busch InBev and MillerCoors. Other packaged goods companies also held purse strings tight in the face of flat overall business.

While estimated spending in other regions of the world met projections, the smaller increase in the world's largest sponsorship market dragged worldwide growth down to 4.3 percent and a total of \$62.7 billion.

TOTAL NORTH AMERICAN SPONSORSHIP SPENDING



TOTAL GLOBAL SPONSORSHIP SPENDING



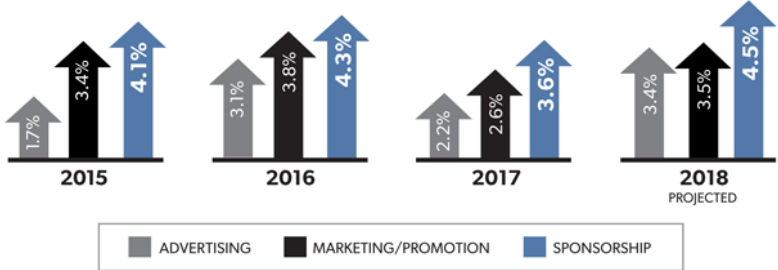
COMPARISON TO OTHER MARKETING ELEMENTS

Despite lingering concerns over national and geopolitical matters, improving sales outlooks and overall economic indicators indicate higher corporate confidence heading into 2018, which should see brands more willing to spend on marketing, advertising and sponsorship. With that in mind, sponsorship spending is projected to grow 4.5 percent in North America this year--to \$24.2 billion--and 4.9 percent globally, to \$65.8 billion.

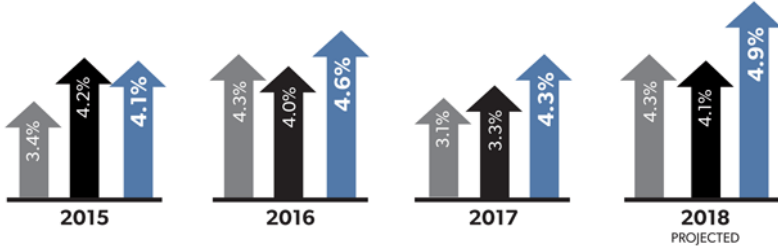
A similar outlook is expected across the broader marketing spectrum, according to the *This Year Next Year* worldwide media and marketing forecast produced by ESP parent organization GroupM—the global media investment management company of WPP Group plc.

While 2017 growth rates for advertising and other forms of marketing—including public relations, direct marketing and promotions--were just above two percent in North America and three percent globally, both are expected to rebound by about a percentage point or more this year.

ANNUAL GROWTH OF ADVERTISING, MARKETING/PROMOTION AND SPONSORSHIP- NORTH AMERICA



ANNUAL GROWTH OF ADVERTISING, MARKETING/PROMOTION AND SPONSORSHIP- GLOBAL



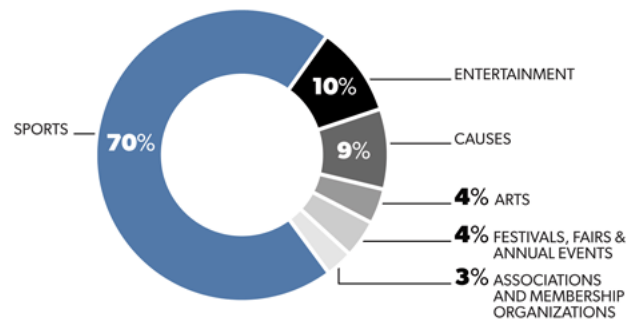
WHERE SPONSORSHIP DOLLARS WILL GO

In North America, all six property types should see significantly higher sponsorship growth in 2018 versus 2017. In what has become a familiar pattern, growth rates are expected to correlate to size, with the largest segment, sports, once again commanding 70 percent of the market and the highest projected spending increase at 4.9 percent.

NORTH AMERICAN SPONSORSHIP SPENDING BY PROPERTY TYPE

	2016 SPENDING	2017 SPENDING	INCREASE FROM 2016	2018 SPENDING Projected	INCREASE FROM 2017 Projected
SPORTS	\$15.7 BILLION	\$16.26 BILLION	3.6%	\$17.05 BILLION	4.9%
ENTERTAINMENT	\$2.22 BILLION	\$2.29 BILLION	3.2%	\$2.4 BILLION	4.8%
CAUSES	\$1.99 BILLION	\$2.05 BILLION	3.0%	\$2.14 BILLION	4.4%
ARTS	\$962 MILLION	\$993 MILLION	3.2%	\$1.03 BILLION	3.7%
FESTIVALS, FAIRS AND ANNUAL EVENTS	\$878 MILLION	\$903 MILLION	2.8%	\$936 MILLION	3.7%
ASSOCIATIONS AND MEMBERSHIP ORGANIZATIONS	\$604 MILLION	\$616 MILLION	2.0%	\$635 MILLION	3.1%

PROJECTED 2018 SHARES OF NORTH AMERICAN SPONSORSHIP



European sponsorship spending is projected to grow by more than five percent in 2018, which will still be behind the 5.7 percent growth anticipated for the Asia Pacific region. While still strong, APAC growth is expected to be slightly lower than it was in 2017 as the once rapidly expanding marketplace begins to mature.

GLOBAL SPONSORSHIP SPENDING BY REGION

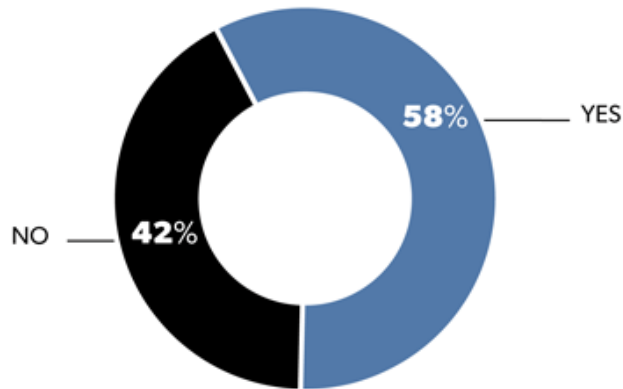
	2016 SPENDING	2017 SPENDING	INCREASE FROM 2016	2018 SPENDING Projected	INCREASE FROM 2017 Projected
EUROPE	\$16 BILLION	\$16.7 BILLION	4.5%	\$17.6 BILLION	5.1%
ASIA PACIFIC	\$14.8 BILLION	\$15.7 BILLION	5.8%	\$16.6 BILLION	5.7%
CENTRAL/SOUTH AMERICA	\$4.4 BILLION	\$4.5 BILLION	3.4%	\$4.6 BILLION	3.3%
ALL OTHER COUNTRIES	\$2.6 BILLION	\$2.7 BILLION	3.3%	\$2.8 BILLION	3.5%

SPONSOR SURVEY REVEALS DISSATISFACTION WITH PROPERTY PARTNERS

Nearly six out of 10 sponsors report they are looking for an early exit to at least one of their sponsorships. That statistic was the most remarkable finding from the 17th annual ESP Properties Sponsorship Decision-Makers Survey.

In typical years, less than half of sponsors say they are looking to drop a sponsorship prior to its being up for renewal. In 2016, 45 percent of those surveyed said they were seeking to end a sponsorship prior to the contract term, a number that rose to 58 percent this year.

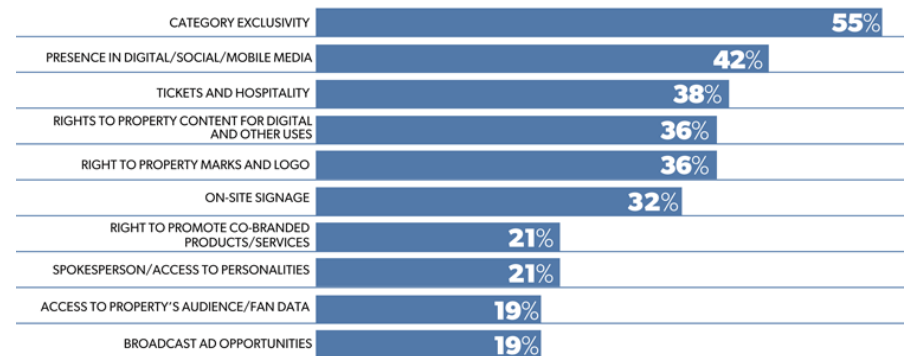
IS YOUR COMPANY SEEKING TO DROP OUT OF ANY CURRENT SPONSORSHIPS?



A possible explanation: Sponsors may be dissatisfied with rightsholders that are not keeping up with changing priorities in terms of the benefits they offer their partners.

Properties may still be focused on benefits such as on-site signage--which fell from second to sixth this year among survey respondents when asked to identify the most valuable sponsorship benefits--instead of presence in rightsholders' digital, social and mobile media--which rose from sixth to second.

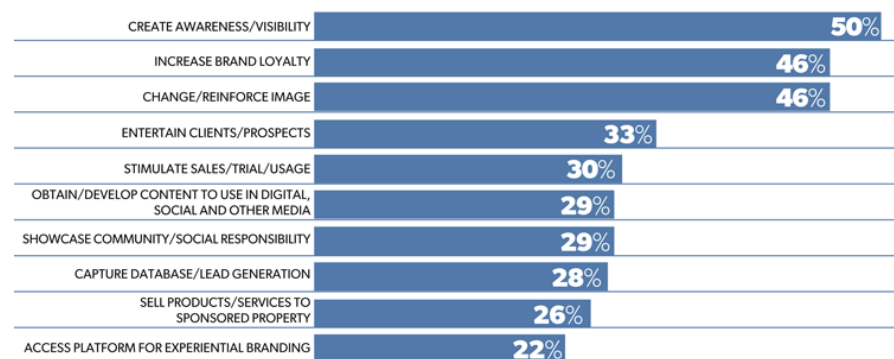
HOW VALUABLE ARE THE FOLLOWING BENEFITS TO YOU?



Percent of respondents who ranked the factor a 9 or a 10 on a 10-point scale, where 10 is extremely valuable
Source: ESP Properties 2017 Sponsorship Decision-Makers Survey

Brand marketers also reported changes in the importance of various objectives for sponsorship. Among the most significant, the ability to stimulate sale, trial and/or usage of products and services is now the fifth most important goal for sponsorship, with 30 percent of decision-makers rating it a 9 or 10 on a 10-point scale of importance. In 2016, it was tenth in importance, with only 21 percent rating it a 9 or 10.

HOW IMPORTANT ARE THESE OBJECTIVES WHEN EVALUATING PROPERTIES?



Percent of respondents who ranked the factor a 9 or a 10 on a 10-point scale, where 10 is extremely important
Source: ESP Properties 2017 Sponsorship Decision-Makers Survey

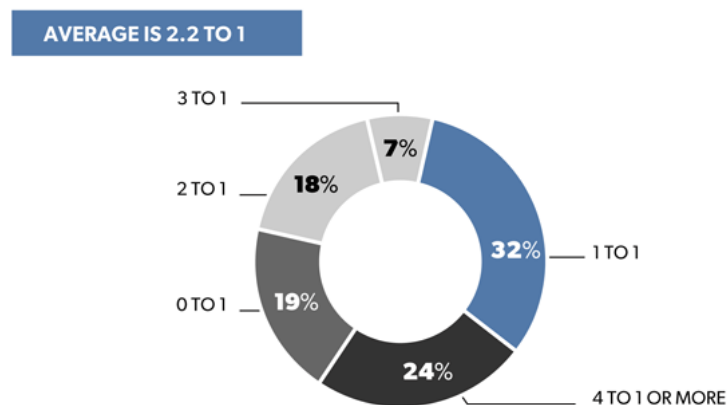
The objectives of showcasing community or social responsibility, as well as accessing a platform for experiential marketing, were both lower in importance compared to last year, falling from third to seventh and sixth to tenth, respectively.

SPENDING INDICATORS

For the most part, sponsors will continue to invest in activation to achieve their objectives.

Respondents said they will spend an average of \$2.20 on activating sponsorships for every \$1 spent on rights fees, matching 2016's ratio, which was a high-water mark in the survey's history. That was despite the fact that the number of sponsors who said they spent no money on activation increased from 12 percent to 19 percent.

WHAT IS YOUR COMPANY'S TYPICAL PROMOTIONAL SPENDING RATIO?

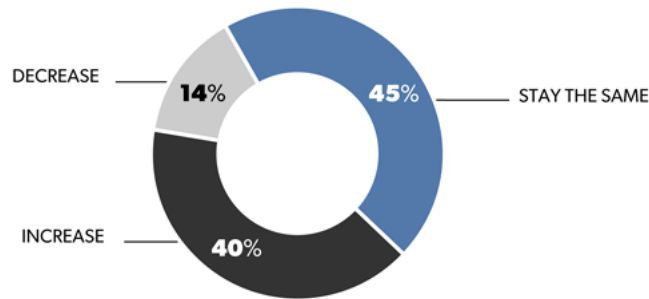


Source: ESP Properties 2017 Sponsorship Decision-Makers Survey

Four out of 10 sponsors said they would increase their budgets for activation spending in 2018, compared to just 35 percent who planned to spend more last year. Although 14 percent said they would lower the amount they spent on activation--up six percentage points from last year--45 percent indicated they will spend the same promoting their sponsorships in 2018 as they did in 2017.

HOW WILL YOUR 2018 LEVERAGING AND ACTIVATION SPENDING COMPARE TO 2017

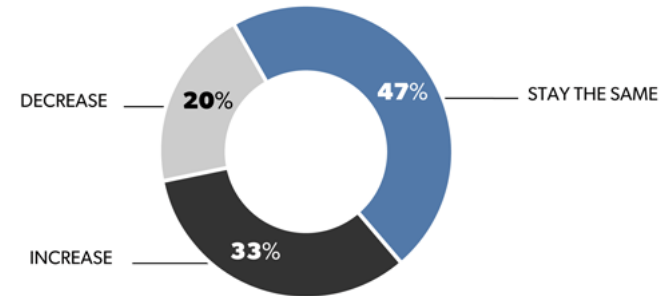
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Percentages do not total 100 due to rounding
Source: ESP Properties 2017 Sponsorship Decision-Makers Survey

The picture is not quite as rosy for the dollars going directly to properties to acquire sponsorship rights. Although nearly half (47 percent) of sponsors plan to allocate the same amount of money for sponsorship in the upcoming year as the one just ending, one out of five intend to cut sponsorship spending and only one-third plan to increase it. In last year's survey, only 12 percent planned cuts and 39 percent looked to boost spending.

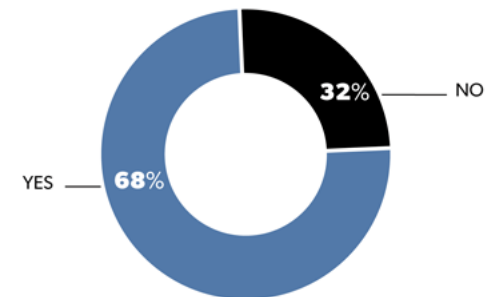
HOW WILL YOUR 2018 SPONSORSHIP SPENDING COMPARE TO 2017?



Percentages do not total 100 due to rounding
Source: ESP Properties 2017 Sponsorship Decision-Makers Survey

Whether they plan to grow, shrink or hold the line on sponsorship spending, 68 percent of sponsors said they will be in the market for new deals in 2018. That two-thirds figure compares to three-fourths of respondents who said they would be considering new sponsorships in last year's survey.

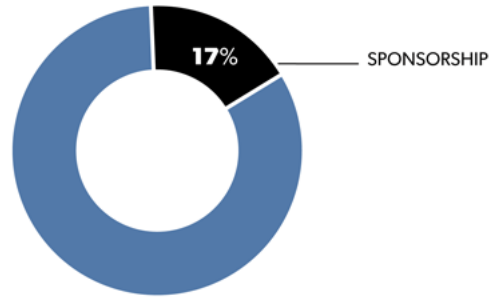
IS YOUR COMPANY CONSIDERING NEW SPONSORSHIPS IN 2018?



Source: ESP Source: ESP Properties 2017 Sponsorship Decision-Makers Survey

Sponsorship accounted for 17 percent of respondent's marketing/advertising/promotion spending this year, down two percentage points from 2016.

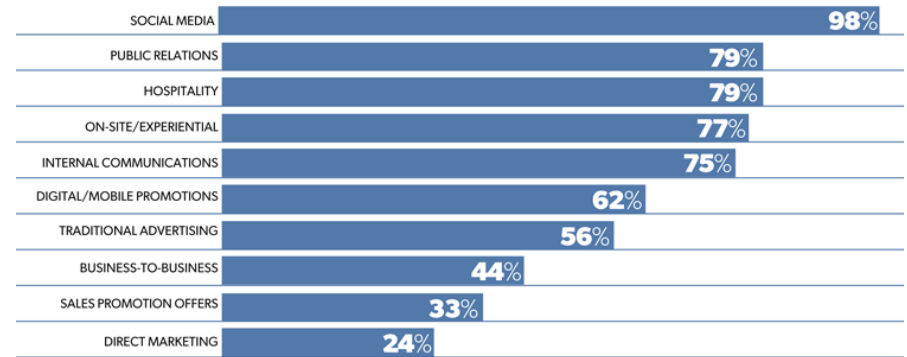
WHAT PORTION OF YOUR MARKETING BUDGET IS SPENT ON SPONSORSHIP RIGHTS FEES?



Source: ESP Source: ESP Properties 2017 Sponsorship Decision-Makers Survey

Once again, social media topped the list of activation channels, with 98 percent of sponsors using the medium to promote their sponsorships.

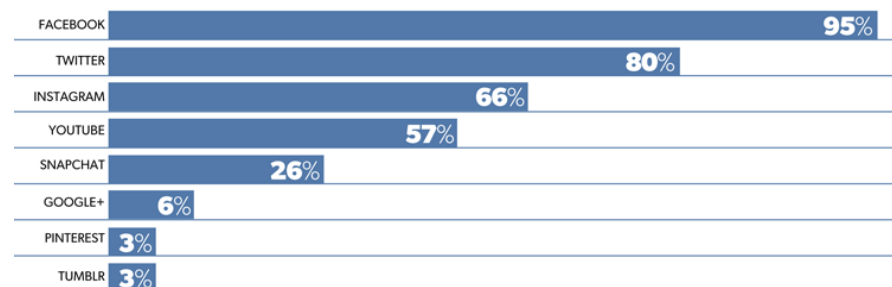
WHAT CHANNELS DO YOU USE TO LEVERAGE YOUR SPONSORSHIPS?



Source: ESP Properties 2017 Sponsorship Decision-Makers Survey

Facebook remained the social platform that more sponsors turned to for activation than any other, with 95 percent of respondents touting their partnerships on its pages. While Twitter was again the second most relied upon social channel, the number of sponsors utilizing it dropped from 90 percent to 80 percent over the past year. Although Snapchat is not yet a go-to social platform for most sponsors, it saw significant growth in the number of sponsors using it—from 17 percent in 2016 to 26 percent in 2017.

WHICH SOCIAL MEDIA CHANNELS DO YOU USE TO PROMOTE YOUR SPONSORSHIPS?

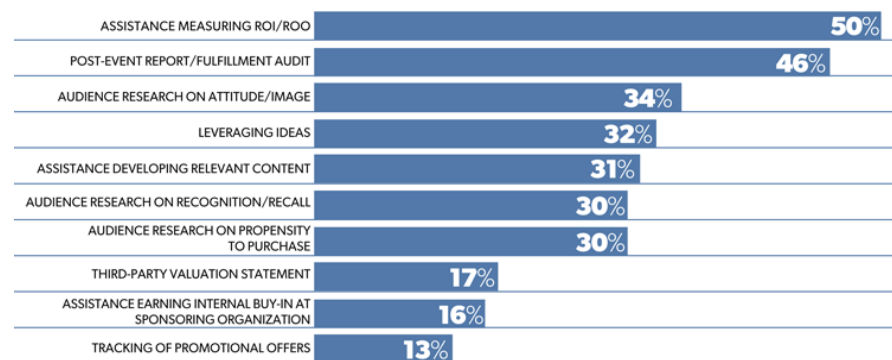


Source: ESP Properties 2017 Sponsorship Decision-Makers Survey

SPONSORS CONTINUE TO LOOK TO PROPERTIES FOR PERFORMANCE MEASUREMENT

The most valuable service properties can provide to their partners is help in evaluating whether the sponsorship is meeting its goals, according to survey respondents. Half rated such assistance a 9 or a 10 on a 10-point scale of value, with nearly the same number (46 percent) rating fulfillment reports equally valuable.

HOW VALUABLE ARE THE FOLLOWING PROPERTY-PROVIDED SERVICES?



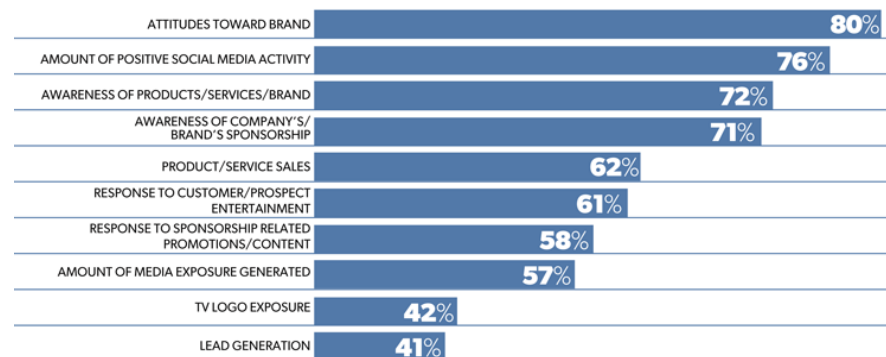
Percent of respondents who ranked the factor a 9 or a 10 on a 10-point scale, where 10 is extremely valuable

Source: ESP Properties 2017 Sponsorship Decision-Makers Survey

Sponsors also showed increased interest in activation and leveraging ideas based on properties' knowledge of their audiences, with the number of respondents rating such a service as highly valuable growing from 23 percent in 2016 to 32 percent this year.

Properties who want to help their sponsors with measurement should note the shift in which metrics were deemed most valuable. The amount of positive social media activity was the second most valuable consideration, with more than three-fourths of sponsors rating it a 4 or 5 on a 5-point value scale. Measuring sales of products and services resulting from a sponsorship rose to the fifth most valuable metric from eighth place last year.

HOW VALUABLE ARE THESE METRICS IN EVALUATING SPONSORSHIPS?



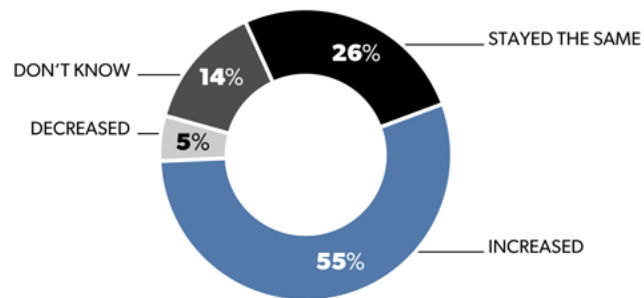
Percent of respondents who ranked the factor a 4 or a 5 on a 5-point scale, where 5 is extremely valuable

Source: ESP Properties 2017 Sponsorship Decision-Makers Survey

Conversely, measuring awareness of a sponsorship dropped from second to fourth on the list of most valuable metrics, while the amount of media exposure generated dropped from fourth to eighth.

On a bright note, the number of sponsors who did not know how their return from sponsorship was trending dropped to 14 percent in 2017 from 22 percent in 2016.

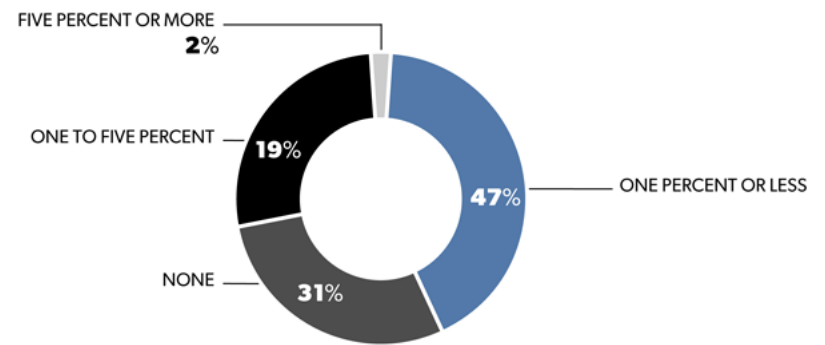
HAS YOUR ROI INCREASED, DECREASED OR STAYED THE SAME?



Source: ESP Properties 2017 Sponsorship Decision-Makers Survey

However, the number who reported they spent nothing on measuring their return increased from 27 percent to 31 percent and the percentage allocating more than one percent of a sponsorship's budget to measurement dropped 10 percentage points to 21 percent.

WHAT PERCENTAGE OF A SPONSORSHIP'S BUDGET IS SPENT ON MEASURING RETURN?



Percentages do not total 100 due to rounding

Source: ESP Properties 2017 Sponsorship Decision-Makers Survey

The survey was conducted online in December 2017 and received 100 responses.

ABOUT ESP PROPERTIES

Building on the 35-year legacy of sponsorship pioneer IEG, ESP Properties—a WPP Company—was founded in 2015 as a new type of agency dedicated to helping properties unlock more value from their audiences, media and brand partnerships.

While continuing to provide thought leadership across the industry through the annual conference, publications, webinars, etc., ESP Properties works directly with rightsholder clients to grow revenue from their commercial programs by taking advantage of digital and data-driven changes in the media landscape.

In addition to providing partnership valuation and packaging strategies, our consulting team works with clients in the areas of data, digital content and fan engagement to better understand audiences and create more relevant ways to connect with them. This provides brand partners more meaningful engagement with fans and followers.

With extensive contacts and deep insights into what it takes to create successful partnerships, our sales team provides rightsholders with partnership strategy and sales representation to the world's most active sponsors.

For more information about the value of sponsorships and partnerships, as well as ESP services, insights, training and events, please visit www.sponsorship.com, call 312 725 5100, or call Jim Andrews at 312 725 5110.



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