WHAT SPONSORS WANT

AND WHERE DOLLARS WILL GO IN 2017

ieg.

RESULTS OF THE IEG/ESP PROPERTIES SPONSORSHIP DECISION-MAKERS SURVEY AND OUR ANNUAL SPONSORSHIP SPENDING REVIEW AND FORECAST PROVIDE GUIDANCE ON 2017 PRIORITIES FOR RIGHTSHOLDERS AND BRANDS.

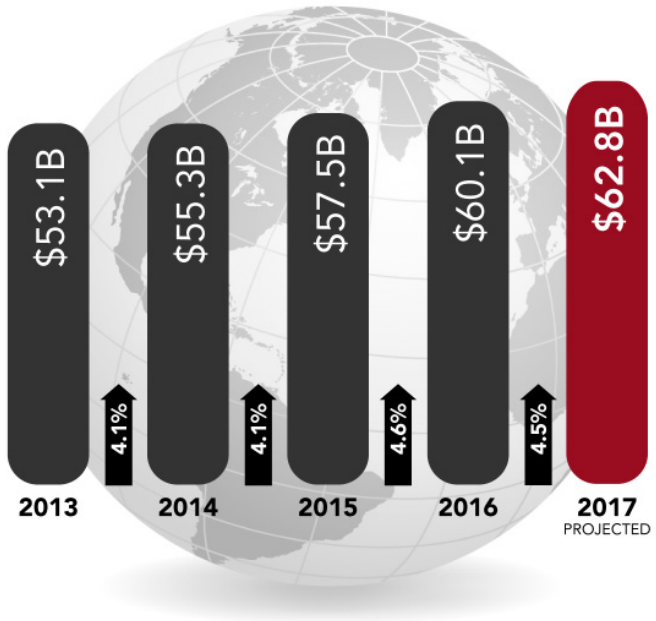
IEG's 32nd annual year-end industry review and forecast sees steady sponsorship spending growth in 2017, with the caveat that caution on the part of brand and corporate marketers could grow into concern as the year progresses, thus limiting their willingness to commit additional dollars to partnerships.

For now, global sponsorship spending is projected to rise 4.5 percent in 2017 to $62.8 billion from the $60.1 billion spent in 2016. That growth rate is nearly equal to last year's 4.6 percent, which was slightly below the forecast of 4.7 percent.

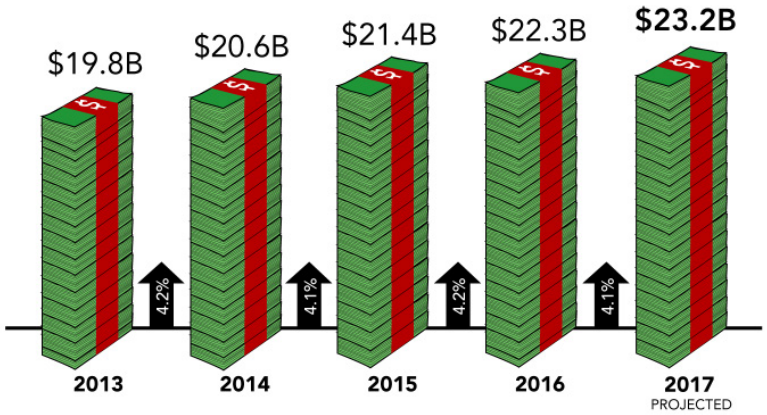
In North America, the world's largest sponsorship market, growth is expected to lag behind the global rate, increasing 4.1 percent in 2017 following 4.2 percent growth last year.

Spending of $22.3 billion in 2016 was below projected growth of 4.5 percent. North American sponsorship spending should reach $23.2 billion this year.

TOTAL GLOBAL SPONSORSHIP SPENDING



TOTAL NORTH AMERICAN SPONSORSHIP SPENDING



GLOBAL SPONSORSHIP SPENDING BY REGION					
	2015 SPENDING	2016 SPENDING	INCREASE FROM 2015	2017 SPENDING (PROJECTED)	INCREASE FROM 2016 (PROJECTED)
EUROPE	$15.3 BILLION	$16 BILLION	4.6%	$16.7 BILLION	4.5%
ASIA PACIFIC	$14 BILLION	$14.8 BILLION	5.7%	$15.7 BILLION	5.8%
CENTRAL/SOUTH AMERICA	$4.3 BILLION	$4.4 BILLION	3.5%	$4.5 BILLION	3.4%
ALL OTHER COUNTRIES	$2.5 BILLION	$2.6 BILLION	3.4%	$2.7 BILLION	3.3%

One factor that could prove to be a drag on spending is the lingering gap between sponsor expectations and properties' ability to deliver when it comes to both personalized marketing opportunities based on audience data, and valuable digital content and platforms

Another potential cloud on the horizon is uncertainty over global and local economic conditions in the wake of Brexit, the Trump election and other geopolitical matters, and its impact on marketing spending, including sponsorships and partnerships.

According to the *This Year Next Year* worldwide media and marketing forecast produced by IEG parent organization GroupM—the global media investment management operation of WPP Group plc.—"Corporates are even more reluctant to make big investment decisions. Some of this is transitory (energy prices), some more enduring (China's structural adjustment), some political (Brexit, European populism) and some simply because CFOs despair this grinding global recovery will ever reach 'escape velocity.'"

Spending by Chinese enterprises, both locally and abroad, will be the driving factor behind the Asia Pacific region's strong sponsorship growth—anticipated to again be the highest of any region at 5.8 percent in 2017 on the heels of 5.7 percent growth in 2016.

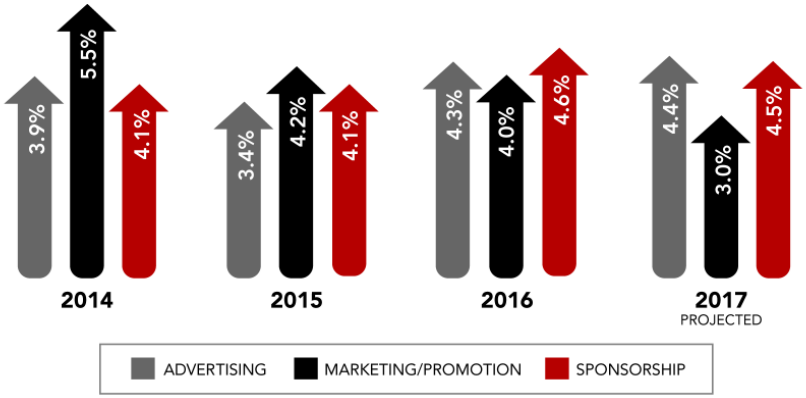
SPONSORSHIP GROWTH COMPARED TO ADVERTISING AND OTHER MARKETING MIX COMPONENTS

SPONSORSHIP'S GLOBAL SPENDING WILL GROW AT A SIMILAR RATE TO ADVERTISING, WHILE EXCEEDING THE PROJECTED INCREASE ON OTHER FORMS OF MARKETING—INCLUDING PUBLIC RELATIONS, DIRECT MARKETING AND PROMOTIONS—ACCORDING TO *THIS YEAR NEXT YEAR.*

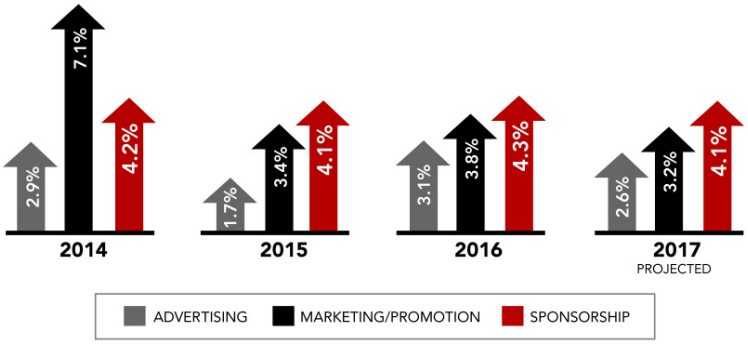
Global ad spending is expected to increase 4.4 percent in 2017, while spending on other marketing services is expected to grow by just three percent.

In North America, sponsorship growth should outpace the other forms of marketing, with ad spending expected to grow just 2.6 percent and other marketing spending up 3.2 percent, according to the GroupM report.

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



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



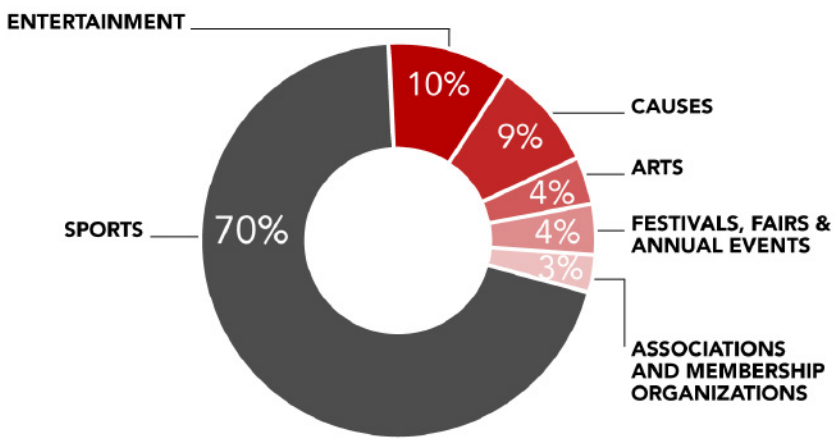
SPENDING ACROSS NORTH AMERICAN PROPERTY TYPES

The song remains the same in terms of the breakdown in North American sponsorship spending among the six property types. Although growth in sports spending is expected to slow from 4.7 percent last year to 4.3 percent this year, at $16.37 billion, the segment will continue to command seven out of every ten dollars spent and will grow at a higher rate than each of the other property types.

NORTH AMERICAN SPONSORSHIP SPENDING BY PROPERTY TYPE

	2015 SPENDING	2016 SPENDING	INCREASE FROM 2015	2017 SPENDING (PROJECTED)	INCREASE FROM 2016 (PROJECTED)
SPORTS	$14.99 BILLION	$15.7 BILLION	4.7%	$16.37 BILLION	4.3%
ENTERTAINMENT	$2.13 BILLION	$2.22 BILLION	3.8%	$2.3 BILLION	3.9%
CAUSES	$1.92 BILLION	$1.99 BILLION	3.3%	$2.06 BILLION	3.6%
ARTS	$939 MILLION	$962 MILLION	2.4%	$994 MILLION	3.3%
FESTIVALS, FAIRS AND ANNUAL EVENTS	$860 MILLION	$878 MILLION	2.1%	$904 MILLION	3.0%
ASSOCIATIONS AND MEMBERSHIP ORGANIZATIONS	$591 MILLION	$604 MILLION	2.2%	$612 MILLION	3.6%

PROJECTED 2017 SHARES OF NORTH AMERICAN SPONSORSHIP MARKET



AVERAGE ACTIVATION-TO-FEE RATIO PASSES TWO-TO-ONE FOR FIRST TIME

Respondents to the 16th annual IEG/ESP Properties Sponsorship Decision-Makers Survey said they spend an average of $2.20 on activating sponsorships for every $1 spent on rights fees.

That ratio is the highest in the survey's history, surpassing the previous high-water mark of $1.90-to-$1 in 2007. Half of the survey's respondents spent two activation dollars or more for every dollar spent on fees, with nearly a quarter of sponsors reporting they spent $4 or more on activating and leveraging for every $1 spent to acquire sponsorship rights. dollars or more for every dollar spent on fees, with nearly a quarter of sponsors reporting they spent $4 or more on activating and leveraging for every $1 spent to acquire sponsorship rights.

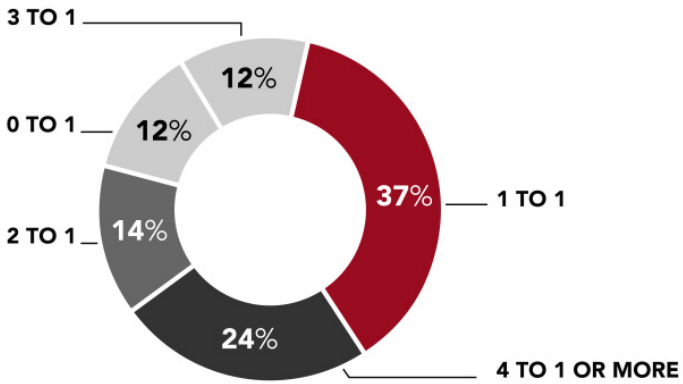
TOP BENEFITS AND OBJECTIVES

As a growing number of properties pursue data-driven audience engagement plans—and the potential they bring for personalized marketing—sponsors rated access to audience data as one of the most important benefits their rightsholder partners can offer.

About one-third of sponsors rated the benefit a 9 or 10 on a 10-point scale of value, ranking it the seventh most valuable benefit.

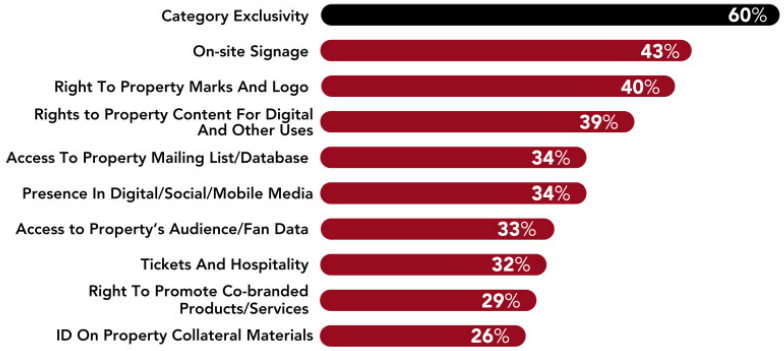
WHAT IS YOUR COMPANY'S TYPICAL PROMOTIONAL SPENDING RATIO?

AVERAGE IS 2.2 TO 1



Source: IEG/ESP Properties 2016 Sponsorship Decision-Makers Survey

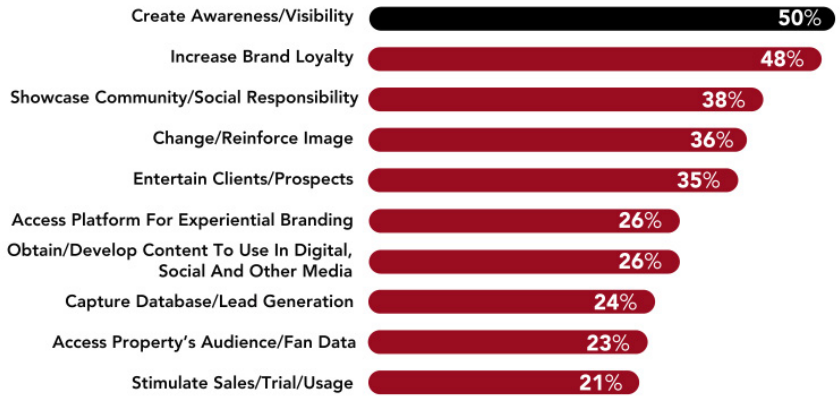
HOW VALUABLE ARE THE FOLLOWING BENEFITS TO YOU?



Percent of respondents who ranked the factor a 9 or a 10 on a 10-point scale, where 10 is extremely valuable. Source: IEG/ESP Properties 2016 Sponsorship Decision-Makers Survey

As a sponsorship objective, the goal of accessing audience data ranked ninth in importance, with 23 percent of sponsors scoring it a 9 or a 10.

HOW IMPORTANT ARE THESE OBJECTIVES WHEN EVALUATING PROPERTIES?

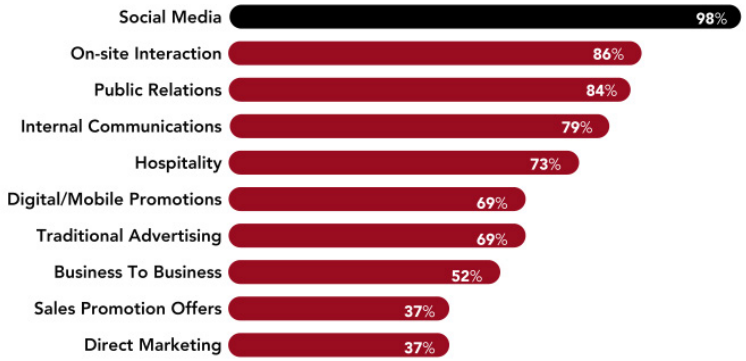


Percent of respondents who ranked the factor a 9 or a 10 on a 10-point scale, where 10 is extremely valuable.
Source: IEG/ESP Properties 2016 Sponsorship Decision-Makers Survey

The objective of showcasing community and/or social responsibility, which did not appear among sponsors' top 10 objectives in last year's survey, was ranked as the third most important goal in 2016, with 38 percent of sponsors giving it a 9 or 10. Similarly, the objective of entertaining clients and/or prospects rose from the tenth position in the 2015 survey to fifth this year, with a 9 or 10 score from 35 percent of survey respondents.

Perhaps related to the increased importance placed on entertaining business customers was the rise in usage of business-to-business marketing channels. In 2015, only 43 percent of sponsors used B2B channels to leverage their partnerships, a number that rose to 52 percent this year.

WHAT CHANNELS DO YOU USE TO LEVERAGE YOUR SPONSORSHIPS?

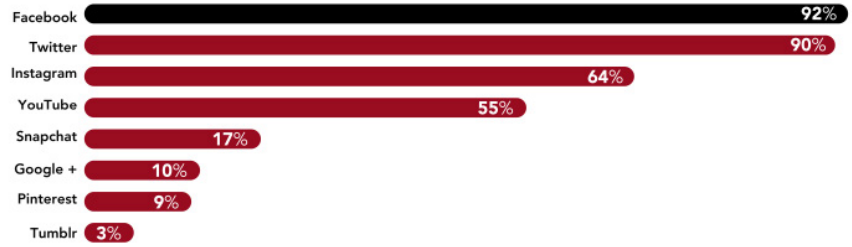


Source: IEG/ESP Properties 2016 Sponsorship Decision-Makers Survey

Only two percent of sponsors do not use social media to activate their partnerships, making it the most popular leveraging channel for the third year in a row.

For the first time, the survey asked sponsors which channels they used for sponsorship activation, with Facebook and Twitter coming out on top and Instagram and YouTube also being used by a majority of marketers. Despite the buzz around Snapchat in 2016, only 17 percent of sponsors reported using the messaging app as an activation tool.

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



Source: IEG/ESP Properties 2016 Sponsorship Decision-Makers Survey

OF COURSE, CONTENT IS KING IN SOCIAL MEDIA AND SURVEY RESULTS REFLECTED THE CONTINUED IMPORTANCE OF DIGITAL AND OTHER CONTENT TO SPONSORS.

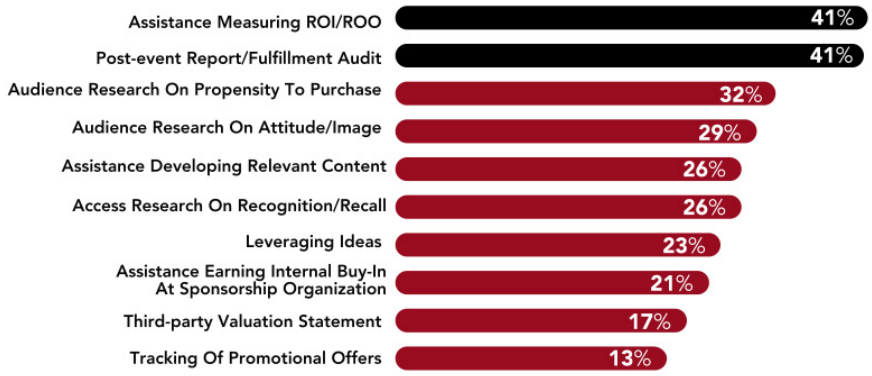
For example, assistance developing relevant content was rated a 9 or a 10 in value of property-provided services by 26 percent of sponsors, making it the fifth most valuable service along with audience research on recognition and recall of partners.

Signs Point To A Bright 2017

Sponsors were bullish when asked to project sponsorship-related activity in the coming year.

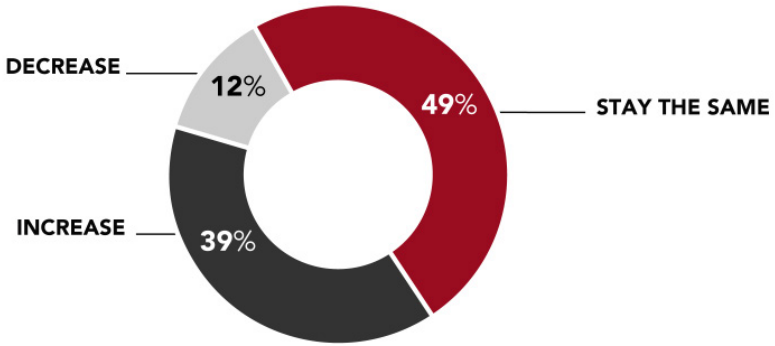
Nearly four out of 10 sponsors said they planned to increase sponsorship spending in 2017—significantly higher than the 28 percent who planned to boost budgets a year ago—while only 12 percent said they would lower spending, a much smaller number than the 23 percent who expected cuts going into 2016.

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: IEG/ESP Properties 2016 Sponsorship Decision-Makers Survey

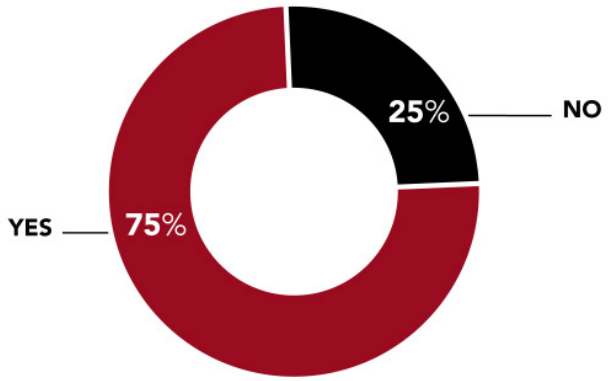
HOW WILL YOUR 2017 SPONSORSHIP SPENDING COMPARE TO 2016?



Percent of respondents who ranked the factor a 9 or a 10 on a 10-point scale, where 10 is extremely valuable. Source: IEG/ESP Properties 2016 Sponsorship Decision-Makers Survey

In addition, 75 percent of sponsors in this year's survey said they were considering deals with new property partners for 2017, up from 70 percent of last year's respondents.

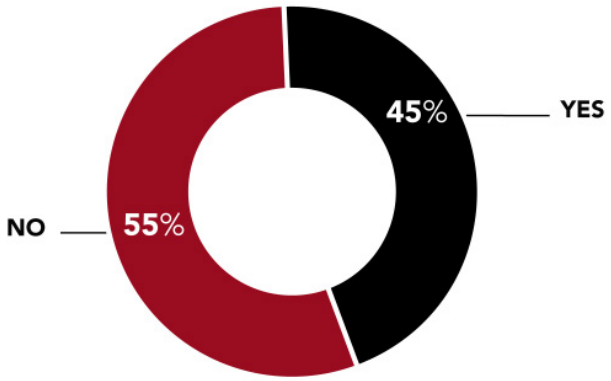
IS YOUR COMPANY CONSIDERING NEW SPONSORSHIPS IN 2017?



Source: IEG/ESP Properties 2016 Sponsorship Decision-Makers Survey

Sponsors considering dropping out of any of their current deals accounted for only 45 percent of total respondents, down two points from 2015.

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

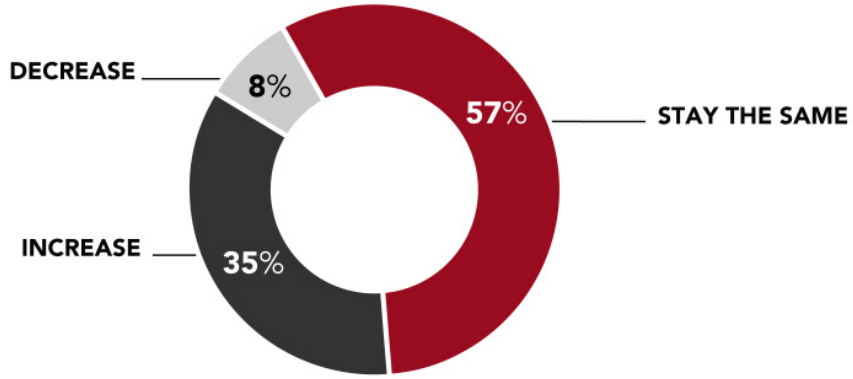


Source: IEG/ESP Properties 2016 Sponsorship Decision-Makers Survey

Sponsors were not as prepared to increase activation budgets as they were for sponsorship rights fee spending. Fifty-seven percent said they would hold the line on activation spending in 2017, while only 35 percent planned to allocate more for leveraging.

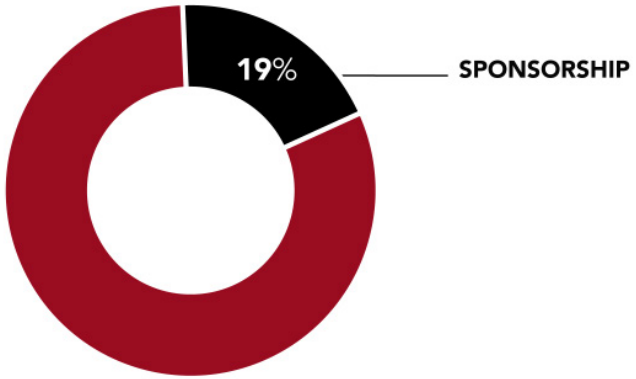
As a portion of overall marketing/advertising/promotion spending, sponsorship claimed 19 percent, according to the survey responses, up one point from 2015.

HOW WILL YOUR 2017 LEVERAGING AND ACTIVATION SPENDING COMPARE TO 2016?



Source: IEG/ESP Properties 2016 Sponsorship Decision-Makers Survey

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

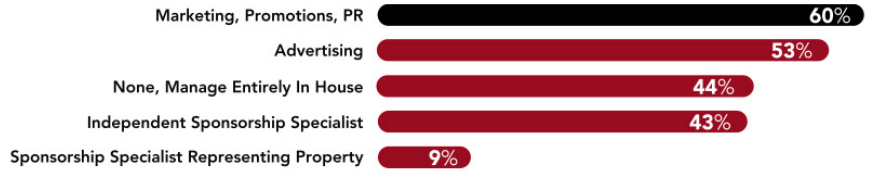


Source: IEG/ESP Properties 2016 Sponsorship Decision-Makers Survey

In terms of agency relationships, sponsors reported more reliance on sponsorship specialist firms, with 43 percent saying they use that type of agency to support sponsorships, up 10 points from last year's findings. Conversely, use of a marketing, PR or promotion agency dropped 10 points to 60 percent of respondents, while those who use ad agencies to work on sponsorship declined from 66 percent to 53 percent.

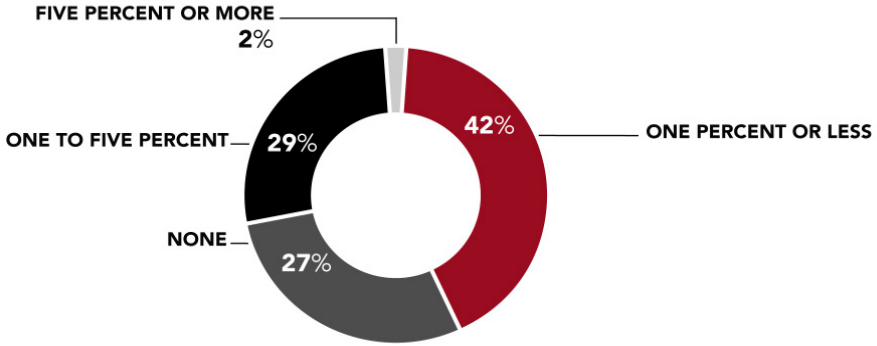
Survey results show some positive movement in the amount sponsors are investing in measurement of their partnerships, with the number spending more than one percent of a sponsorship's budget on evaluating its return growing from 26 percent in 2015 to 31 percent this year. However, the number of sponsors reporting they spent nothing on measurement also increased, from 23 percent to 27 percent.

WHICH TYPES OF AGENCIES DO YOU USE TO SUPPORT YOUR SPONSORSHIPS?



Source: IEG/ESP Properties 2016 Sponsorship Decision-Makers Survey

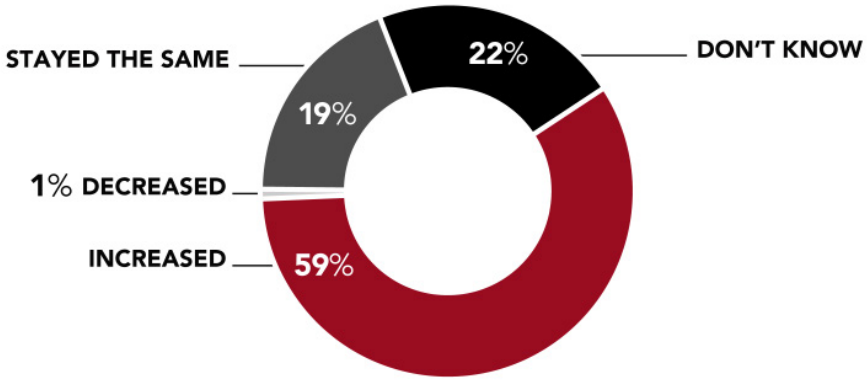
WHAT PERCENTAGE OF A SPONSORSHIP'S BUDGET IS SPENT ON MEASURING RETURN?



Source: IEG/ESP Properties 2016 Sponsorship Decision-Makers Survey

It is likely some of those sponsors without a budget for measurement are among the 22 percent of sponsors who said they did not know if their return from sponsorship had increased, decreased or stayed the same.

HAS YOUR ROI INCREASED, DECREASED OR STAYED THE SAME?



Source: IEG/ESP Properties 2016 Sponsorship Decision-Makers Survey

The survey was conducted online in December 2016 and received 102 responses.

ABOUT IEG AND ESP PROPERTIES

IEG has shaped and defined sponsorship over three decades. It is the globally recognized source for industry insights, trends, training and events via sponsorship.com, its annual conference, online publications, trend reports, surveys and webinars.

IEG is part of ESP Properties, a WPP company. As a commercial and creative advisor for rightsholders, ESP Properties helps organizations unlock greater value from their audiences and brand partnerships.

Our consulting team assesses and advises how to grow the value of rightsholders' commercial programs. We do this through a full range of services across data, digital and content development to better understand audiences and create more relevant ways to engage with them. This provides brand partners with new ways to connect with communities of fans and followers, growing the potential value of commercial partnerships.

Our sales team provides rightsholders with partnership strategy and sales representation to the world's most active sponsors, within and beyond the WPP network of brand clients. Through WPP we have extensive contacts and deep insights into what it takes to create successful partnerships.

For more information about the value of sponsorships and partnerships, IEG and ESP Properties, please visit www.sponsorship.com, www.espglobal.com, or call Jim Andrews at 312/725-5110.

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