The Institute of Outdoor Theatre

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Corporate Sponsorships

The field of corporate sponsorships is quite different from other types of fundraising, with the main distinction being that a sponsorship is not a gift but a *quid pro quo* business deal. Both parties have to believe that the benefit which each receives is a good value. For the arts organization, that value is usually money, exposure and/or goods and services. For the corporation it can be media exposure, brand identity, customer identification or a variety of other benefits best known to the company. Determining whether there is a fit between an organization and a sponsor can be a difficult process and is almost always a complicated negotiation.

When calculating the value of a proposed sponsorship, both parties must weigh both the *financial cost* and the *fulfillment cost* of the deal. Fulfillment cost is what it may cost either party to provide the benefits conveyed by the sponsorship. For instance, the theatre may be asked to provide free tickets to the sponsor's staff or customers. The value of those tickets is a fulfillment cost. A car company may plan to display a vehicle at the theatre site: the expense of the vehicle and, less obviously, what can be the substantial cost the mounting platform are fulfillment costs. The theatre's staff time in servicing the needs of the sponsor is also a fulfillment cost, and both parties should be constantly calculating these factors to see if the arrangement is actually to their advantage.

The value to a corporation of a sponsorship or naming gift for a theatre or performing arts center depends on a number of factors which can be quantified by careful analysis. The location of the property, strength of the media market, size of the potential audience, design and prominence of the facility and the types of programming all contribute value. How that value may coincide with the goals of the corporation can obviously only be determined on a case by case basis.

Whereas naming gifts coming from a private donor are frequently defined as being "in perpetuity," corporate naming gifts typically have a fixed term which rarely exceeds 10 years after which the company decides whether to renew. Because of this, the cost of signage and other branding costs resulting from a corporate sponsorship should be borne by the company in addition to whatever financial benefit accrues to the theatre. These costs can be very considerable and, if a naming sponsor bows out at the end of the term, they will be incurred again with the next sponsor. For this reason, it is advisable to include a provision in the contract that the building will be restored to its original condition at the sponsor's cost whenever it decides not to renew.

There are several risks for a theatre seeking a major corporate sponsor:

1. That it fails to realistically assess the fulfillment costs, including time. A sponsorship which costs more to service than its monetary value will not only be a bad business deal, but inevitably become a source of irritation and, eventually, friction between the theatre and the company.
2. Fulfillment demands (on either side) can be subject to "creep," i.e. expectations of service continue to expand until the deal which may have initially been balanced becomes too one-sided, and the relationship breaks down.
3. One party's assumption of its "value" may be unrealistic and difficult to substantiate, making an effective negotiation impossible.
4. The arts organization may be inexperienced in major corporate sponsorships and settle for much less value than they are worth

For all of these reasons, it is a good idea for the theatre to meet with one of the major national firms who specialize in sponsorship valuation. One example is Chicago's **IEG** which specializes in all aspects of sponsorship including valuation, research and consulting. IEG's clients include a wide variety of corporations, associations, sports organizations and arts and entertainment properties such as the Kennedy Center, Chicago Symphony and Grand Ole Opry. The purpose of this exploratory meeting should be to determine whether the property in question is likely to have significant potential for sponsorship. If so, the parties can determine how a consulting relationship might be beneficial and what its costs and scope of work would be. Typically the company specializing in sponsorship valuation will prepare a proposal for the theatre's consideration. An alternative approach can be for the theatre and a specific potential corporate sponsor to undertake such a valuation together. And, finally, a corporation may unilaterally contract with a sponsorship evaluator and receive its findings without disclosing them to the theatre. This gives the corporation an advantage in the subsequent negotiation.

In the process of identifying and negotiating with a potential sponsor, it may that a board member of the theatre with significant business and legal experience can be of great assistance to the theatre, bringing a level of gravitas and influence to the negotiations which may otherwise be difficult to muster.