

APPENDIX A



Report to: General Committee

Date Report Authored: October 16, 2009

SUBJECT: Sponsorship Marketing
PREPARED BY: Janet Carnegie x 4723

RECOMMENDATION:

- 1) That the tendering process be waived in accordance with Purchasing By-Law 2004-341, as amended, Part II, Section 7 Non-Competitive Procurement, item 1 (c) when the extension of an existing contract would prove more cost-effective or beneficial:
- 2) That contract 2005-I-08 awarded to Wakeham & Associates Sponsorship Marketing Inc. be extended to undertake the development and negotiation of sponsorship opportunities for the Town of Markham at a cost of \$7,500 per month for 6 months plus commissions, as follows:
 - a. 15% commission on cash and in-kind sponsorships would be payable on the Town's receipt of cash or in-kind materials or services.
 - b. 12.5% commission on successful referrals from the Town of Markham
 - c. For "properties" valued in excess of \$1 million, Wakeham & Associates would receive 10% on the first \$500,000; 12.5% on the next \$500,000; 15% on the next \$500,000 and 17.5% on anything over \$1.5 million.
- 3) That the sponsorship opportunities to be pursued include interior and, where appropriate, exterior venue naming; official "category" sponsorships and; presenting sponsors for key Town events and/or programs:
- 4) That any potential sponsors complement the values and goals of the Town of Markham and that any potential naming agreements are sensitive to Markham's heritage, history, traditions and to the Markham brand:
- 5) That potential sponsor contracts will be reported to Council for approval for the first 6 months:
- 6) That following the first 6 months, staff develop a policy for Council approval, which sets out delegated approval authority levels to staff for sponsorship opportunities:
- 7) And that Staff be authorized and directed to do all things necessary to give effect to this resolution.

PURPOSE:

The purpose of this report is to pursue significant revenue for the Town of Markham through multi-year sponsorship marketing agreements with suitable corporate organizations.

BACKGROUND:

In 2008, the Town of Markham solicited Expressions of Interest from professional

fundraising/sponsorship firms to work with the Town of Markham to identify possible Town-wide sponsorship revenue opportunities and to act on behalf of the Town in the initial development and negotiation of appropriate sponsorship arrangements.

Wakeham & Associates was selected through the EOI process based on their experience with municipal, provincial and federal government clients; their rigorous approach to assessing sponsorship values; their large database of corporate sponsors and their demonstrated success in the development of creative approaches that benefit all parties in the sponsorship arrangement.

The first phase of the project was a three-month sponsorship marketing assessment of Town of Markham facilities, programs and events conducted by Wakeham & Associates in the spring of 2009. The results of this assessment were presented to the Communications Committee in July and to Council in September 2009.

The second phase of the project is the identification of key target opportunities and the negotiation of mutually beneficial arrangements with appropriate corporate sponsors. Staff are recommending that the contract awarded to Wakeham & Associates be extended, based on their performance on phase one, and their demonstrated success in this field. The commission rates requested by Wakeham & Associates are consistent with those identified by other firms responding to the Request for Proposal (15% to 22.5%).

OPTIONS/ DISCUSSION:

During their assessment, Wakeham & Associates identified 18 current potential sponsorship opportunities. As this assessment did not consider potential sponsorship value associated with planned new facilities or significant refurbishments, the total potential sponsorship value would be greater than the total \$15.3 million identified in the Assessment Report.

While only a few of the identified opportunities would be pursued, the Assessment Report confirms that significant annual revenue may be achieved through the development of unique marketing sponsorships. In their Assessment Summary Report, Wakeham & Associates projected the possibility of securing in 2010: one 10-year naming sponsorship valued at approximately \$1,000,000.00; one 3-year official designation for a total value of approximately \$1,000,000.00 and; three 3-year program or event sponsorships with a total estimated value of \$54,000. As shown in Appendix 1 this could result in \$463,000.00 gross (\$415,800 net after commission) revenue in the first year. In addition, the net revenue to the Town would be further reduced by the monthly fee of \$7,500. Following the 6 month sales campaign, specific opportunities to be pursued will be considered, and a revised projection will be prepared.

Although Town staff has negotiated some significant sponsorship arrangements in the past, the full potential of marketing sponsorships has not been achieved. This is a highly specialized field that requires a sound knowledge of the corporate marketing strategies of organizations seeking sponsorship opportunities; the ability to structure and negotiate unique creative arrangements that meet the needs, interests and values of the organizations involved; and an overall, coordinated approach that can result in maximum revenue from a limited number of agreements rather than many agreements of a lesser value.

Wakeham & Associates proposes undertaking a 6-month sales campaign on behalf of the Town of Markham. The deliverables would be to:

- Prioritize Corporate Sponsorship opportunities, in collaboration with Town staff and the Communication Committee
- Confirm strategic direction and identify priorities for cash, in-kind and services participation
- Work with staff to develop innovative sponsorship packages incorporating Town assets
- Develop tactics for targeted sales packages and activities

- Present opportunities to targeted companies
- Negotiate and execute agreements (following Council approval) in collaboration with the Town of Markham
- Provide weekly status reports and holding monthly in-person meetings with the Town of Markham to review the status of the campaign
- Provide on-going account management

The first month of the contract will be allocated to working in conjunction with the Town to confirm the specific assets to be offered during the campaign and preparing sales materials for targeted sales calls. The remaining five months would be allocated to conducting the sales campaign. During the first 6 month period, sponsorship opportunities will be brought to Council for approval. At the end of the 6 month pilot period, staff will develop a policy which will set out the delegated authority levels for staff to approval of sponsorship opportunities. This policy would be brought to Council for approval.

After three months of the sales campaign, Wakeham & Associates will report on the overall status and anticipated success rate of the campaign and will recommend whether or not to continue with the remaining two months of the campaign.

FINANCIAL CONSIDERATIONS AND TEMPLATE: ([external link](#))

Wakeham & Associates requests a monthly retainer fee of \$7,500.00 for a maximum of 6 months (representing 50% of the cost of sales personnel dedicated to the assignment). A 15% commission on cash and in-kind sponsorships would be payable on the Town's receipt of cash or in-kind materials or services. The goal would be that the \$7,500 monthly fee would be also be offset by sponsorship revenues.

Wakeham proposes a sliding commission based on results under the following circumstances:

- If a referral comes from the Town of Markham and, after being followed up by Wakeham & Associates, results in a sponsorship commitment managed by Wakeham & Associates, the normal 15% commission would be reduced to 12.5%
- For "properties" valued in excess of \$1 million, Wakeham & Associates would receive 10% on the first \$500,000; 12.5% on the next \$500,000; 15% on the next \$500,000 and 17.5% on anything over \$1.5 million.
 - Using this formula the commission on a \$2 million sponsorship would be \$275,000 paid over the 10-year period of the sponsorship – a savings of \$25,000 over the standard 15% commission. If the sponsorship was for \$1.5 million over 10 years, the Town would save \$37,500 using this sliding commission approach.

Based on Wakeman & Associates' intention to report back with a recommendation to continue or not, after the one month allocation to confirming specific assets, and the three month sales campaign, the potential budget impact at risk of no offsetting sponsorship revenues, is \$30,000 (\$7,500 X 4 months). In the event that there are no sponsorship revenues, the \$30,000 cost would be funded within the Corporate Contingency account.

HUMAN RESOURCES CONSIDERATIONS

No additional staff will be required.

The Town will work closely with Wakeham & Associates in determining the specific assets to be offered to potential sponsors; participate when appropriate in sales/negotiation meetings and; oversee the fulfillment of sponsorship obligations.

ALIGNMENT WITH STRATEGIC PRIORITIES:

Developing sponsorship opportunities that are aligned to the Town's strategic priorities will be an important focus in determining assets to be offered and considering potential opportunities.

BUSINESS UNITS CONSULTED AND AFFECTED:

The Director of Economic Development, Commissioners of Community & Fire Services and Corporate Services, and the Purchasing and Finance Departments participated in the review of the initial proposal. All Business Units could be beneficiaries of the potential sponsorship opportunities. This has been identified as a cross-organization project.

RECOMMENDED

BY:

Janet Carnegie

Director, Communications &
Community Relations

Andy Taylor

Commissioner, Corporate Services

ATTACHMENTS:

Appendix 1: Sponsorship Marketing - Projections