

CHAPTER TWENTY SEVEN: SPONSORSHIP¹

1. Introduction

Names and reputations are valuable. Your name and reputation are directly linked to your ability to make money from sponsorship and endorsements.

One of the features of modern marketing and advertising is the exploitation of a celebrity's reputation to promote a third party's products or services. Sometimes the celebrity is an individual; other times it may be an organisation, collection or exhibition. This takes two different forms: sponsorship and endorsement.

Sponsorship usually involves the sponsor doing or providing something (usually old-fashioned money but often goods or services) to assist an organisation, event or activity and, in return, getting some corporate benefit. By contrast, endorsement usually requires a more positive association of the institution's reputation (or notoriety) to advance the company's business or product.

Sponsorship is increasingly an important source of income for most collecting institutions. The encouragement being given to such organisations to seek corporate sponsorship is consistent with the recent trends towards a privatisation of support for the arts, sciences and also other social projects. So, the pursuit of sponsorship should not be undertaken uncritically and before embarking upon the quest for corporate assistance, it is important to consider why, from whom and how you are going to do it.

While sponsorship of the arts represents only a small proportion of overall sponsorship expenditure in Australia, it none the less represents a significant injection of funds into the sector. More importantly, businesses recognise the benefits of sponsorship as going beyond signage and free tickets, to encompass broader ideas about contributions to the public good and community enhancement.

Many major exhibitions can take place only because a company has agreed to sponsor the event. This is a comparatively new phenomenon in the world of collecting institutions, but it has been commonplace in sport and the theatre for many years. It is important to realise that for the most part, large companies do not involve themselves in sponsorships because they think that the objects of the event are worthwhile. They do so because they have a product or service to promote and to sell and the opportunity to do so will be enhanced by an association with the event or institution. For this reason, it is not difficult to see why most corporate sponsorships in the collection sector have concentrated upon major exhibitions and the sponsorship of competitions or prizes. It is simply a way of maximising corporate exposure. These are events that have an inherent publicity value; events that will need to be advertised and promoted widely to be successful. Promotion of the event means promotion of the sponsor's public profile that in turn promotes the corporation's products or services.

Nowadays, however, corporate sponsors can also get very good value by directly supporting the creation of particular works. Such sponsorship is usually given "in kind rather than in cash, but this can be just as valuable to the artist or

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organisation. For the company, it is preferable to supply goods or services rather than cash. Moreover, backing one-off projects does not involve the long-term commitment or risk that would be involved in supporting individual artists, and does not involve the large outlay of cash that is inherent in sponsoring major exhibitions. Instead, the company is able to pick small projects of high quality that have a good potential for public exposure.

Perhaps the easiest type of cultural event to attract sponsorship for is an exhibition or one-off project, such as the design and construction of a public artwork. But the planning principles for seeking sponsorship remain the same, even when seeking long-term sponsorship for an organisation. The information below can be used in either context, whether the exhibition planned is a major international exhibition, a local exhibition, or the ongoing support of an organisation. The principles are just as relevant to all forms or scales of sponsorship but the specific details do need to be targeted according to the project.

2. Why companies become sponsors

It is important to realise that companies do not usually involve themselves in sponsorships and endorsements because they think that the institution or event is worthwhile. More commonly, they do so because they have a product or service to promote and to sell or have a specific corporate objective to achieve.² The longest lasting sponsorships are those that are most likely to enhance corporate objectives. Regrettably, philanthropy rarely has anything to do with it.

A company that is interested in providing sponsorship has a number of reasons for doing so:

2.1 Relationships

For the company, sponsorship is not just about money. It is about relationships. Every successful sponsorship develops links between the humans behind the company and the humans associated with the collection, exhibition or project. Through those relationships, the personal and corporate profits that make for a successful sponsorship will develop.

2.2 Image establishment

Companies are often keen to be involved in a sponsorship either when they are new and still establishing their profile in the marketplace, or when they have a new product or service that can be promoted by association with particular events, performances or broadcasts.

The classic example of this in the 1990s was been the launch of the Optus telecommunications company and its competition to attract customers from Telstra. Its sponsorship of events (particularly those which have wide television audiences) was a spectacular exercise. The company is reputed to have spent approximately \$65,000,000 just promoting public recognition of its name.

2.3 Image definition and brand development

Associating its brand name products with your institution's name and reputation gives the brand a certain image, one that clearly places it in a particular market and at the same time distinguishes it from its rivals. All experts in marketing emphasise that it is important that the image of the brand name must be clearly defined if the brand is to be marketed successfully. The sponsor company is using the institution's image to identify more clearly its own image and brands in the minds of potential purchasers. An insurance company might sponsor an exhibition because it wants to be associated with the aspiration of the target audience. On the other hand, Coca-Cola uses a star such as Elton John to endorse its product because his popularity crosses so many age groups. Anyone who likes Elton John (no matter what age) is a potential Coca-Cola buyer. In contrast, a computer company is likely to sponsor a project that is associated with innovation and excellence.

2.4 Image improvement

Some of the biggest corporate sponsors have supported cultural institutions because this helps to improve their level of acceptance and the character of their profile in the community. The classic examples of this are the tobacco and

² Examples of the latter include companies who support an institution or project to facilitate a corporate-to-corporate or a corporate-to-government relationship.

mining companies, which, each year, spend many millions of dollars sponsoring sporting and cultural events. For the last 10 years, certain oil companies have been among the largest corporate sponsors of cultural and scientific organisations and this has helped change the community's general perception of them from rapacious multinationals to companies concerned for Australia and its quality of life.³

2.5 Association with excellence

The Coca Cola – Elton John endorsement also provides an insight into another reason companies sponsor cultural institutions; they benefit from association with excellence. Even if particular listeners don't like the music performed, if the artist has a proven record of popularity it can be assumed that it is, within its own genre, excellent. It is similar with exhibitions: the corporate sponsor seeks to be associated with an organisation with a public reputation for excellence.

2.6 Client networking and staff relations

Never ever underestimate the importance that the company will attach to the opportunity that the sponsorship provides for entertaining and networking. Exhibition openings and specially organised sponsor events all provide valuable opportunities for networking. Providing the opportunity to meet movers and shakers is important for both for ego and business needs. For example, the boards and patrons of collecting organisations include many of the most powerful figures in the community, and a major sponsorship will be attractive if it ensures social access (and thus potential business access) to this social circle, which is otherwise so hard to penetrate.

The company that sponsors an institution or a project will also be looking for opportunities to improve staff or client relations by inviting them to exhibitions and even 'behind the scenes' opportunities. This is the exciting and personal part of the pay back.

3. How a company decides "how much"

The detail that corporations insist upon when entering sponsorship and endorsement deals is not familiar to many in the cultural sector. The corporation will only spend its money on your institution or project if, after analysing the sorts of issues raised above, it thinks that by spending that money it will better achieve its corporate goals.

The amount of money that a sponsorship is worth to the company is influenced by:

- the degree of exclusivity;
- whether the endorsement will be direct or indirect (or in other words the level of artist activity in company promotion).
- the means of identification that will be permitted.
- the value that the company perceives in the association.

Once this is understood it is obvious that any proposal must spell out what the institution will physically permit or provide for the company, for example:

- the right to hang banners and other signage bearing the corporate name, logo or product identification;
- the permitted areas of such signage (including the institution's website);
- the inclusion of company name, logo and advertising in any program, educational materials, tickets;
- the placement of such inclusions;
- the provision of tickets at reduced or no cost to company personnel or clients;
- the right to produce merchandise which will identify the event or institution with the corporate sponsor;
- availability and preparedness of 'stars' to acknowledge the sponsorship;

³ Who said, "*Can't buy me love*"?

- the right to use the name and image of the institution or project in its own advertising and promotional material.

4. A moment's reflection

Sponsorship is so hard to find that we often don't ask ourselves whether the particular corporate association will be good for the reputation of the institution or project. Remember that you are lending your institution's reputation and image to the company; the association might benefit the company, but will it benefit the organisation in the long term?

The power of social media campaigns and grass-roots activism has made more important than ever to vet the companies, organisations and families from which you accept sponsorship. Witness the 2014 controversy faced by the Sydney Biennale arising from its association with Transfield Services (which ran some aspects of immigration detention operations), or the sponsorship of the British Museum and the National Portrait Gallery in London by BP (targeted by activists concerned over the use of fossil fuels) and the targeting of museums and galleries sponsored by the Sackler family (related to the manufacture of opioids).

Indeed, many of the issues discussed above as to why companies seek to sponsor are also directly relevant to the question of whether or not an institution should accept their sponsorship. This is not to say that institutions should avoid any sponsor that may possibly have something scandalous in the cupboard or that is involved in any business that is in the least bit controversial, but at the very least, the matter must be considered carefully. It is a matter of risk evaluation and management. Accordingly, good governance requires one to ask:

- how do the values of the company sit with our values?
- is this a company an organisation with which we want to be associated? and
- how might the corporate association affect our institutional brand and image?
- how will this play in the media, and what spins might be put on the sponsorship that put us in a bad light?
- what exactly are the ethical issues?
- if we go ahead, how do we articulate – to ourselves, to our “stakeholders”, to government, to the media and to the public – why we are comfortable accepting the sponsorship, despite any identified negatives.

4.1 The 'known unknowns'

In entering a sponsorship agreement, the institution must consider what will happen and what it can do, if something scandalous arises after the ink on the sponsorship deal has dried.

Assume, for example, that you have a three-year sponsorship deal and in year two, your sponsor is publicly associated with products that are made by children and women in Asia under appalling conditions or which cause brain tumours or birth defects. What if criminal charges are brought against the senior management of the company? All of these sorts of occurrences are likely to alienate the institution's public because the association is a two-way street.

Because of this, you should always have an exit clause in case the company's reputation deteriorates in a way that may damage your own organisation's reputation. Companies always include such parachute clauses; so should you. Image exchange and association are sometimes unforeseeable and not always favourable.

5. Planning the sponsorship arrangement

5.1 Doing the research

One of the most crucial aspects of planning a sponsorship arrangement is allowing enough lead-time. Many companies will allocate funds to projects a considerable time in advance. There is no point turning up with a proposal that needs funds tomorrow and expecting a sponsor to be won over by the urgency. Take the time to identify the companies or sponsors that might be suitable for your organisation and project.

When you have identified a number of “targets”, contact those potential sponsors to find out how they make decisions about sponsorship, ask to make an appointment to discuss your project, but do not try to sell it to them over the phone or by letter. If you obtain an appointment, make sure you can go the first meeting with a concrete proposal and a specified amount of funds (or equivalent goods or services) that you are requesting. Sponsors are much more likely to respond to a targeted and concrete proposal. Vague requests for support get neither party anywhere.

(a) *What will be the benefits for the organisation?*

What most collecting institutions are looking for is money. This may seem to be stating the obvious but in fact it is so obvious that many less experienced organisations look no further.

Obviously, money is nice. However, it is not necessary for the sponsorship agreement to be limited to cash. Indeed, non-cash support is often easier to obtain and more valuable in the establishment of a working relationship. Accordingly, consider whether the sponsor has specific skills or resources that could be useful to the organisation. For example, a company might offer the use of the resources of one of its departments, such as a marketing department, for a specified amount of time or for a particular project. Or a building supplies company or audio-visual company could be asked to supply specific materials or services for an installation or an exhibition opening.

Similarly, when radio stations sponsor an event, they get their name over everything but, in return, provide the event with hugely expensive airtime that few exhibition organisers can afford. Similar deals have been done with airlines, car companies, freight companies, communications companies, and even advertising agencies. These are all straightforward sponsorship deals, but no money changes hands. Both parties benefit from the association.

Sometimes the benefit that the institution seeks is not even so directly linked to the product of the sponsor. For example, if the group needs administrative resources, a large company with these capabilities already on staff may provide company staff, computer time, printing facilities and so on, in lieu of cash. Look at the need and how best to fill it. Money is not necessarily the only or the best solution.

If the deal is to be ‘in-kind’, make sure you set an appropriate value on the goods or services received and factor that in when considering what you offer the sponsor in return. The sponsor will still expect to see value in the association. It is not philanthropy.

(b) *What will be the drawbacks for the organisation?*

It is important to consider whether and how a sponsorship may disadvantage the organisation. It is important to ensure that the sponsorship arrangement will not compromise the independence of the organisation. Similarly, is the company’s profile compatible with the aims, objectives or intended audience of the collection or project? What is the reputation of the sponsor? How financially stable is the sponsor?⁴ How much time, realistically, will need to be spent maintaining the sponsorship arrangement? What will be the cost of providing the promised signage, hospitality, free tickets?

While it may be true to say that when seeking sponsorship the primary focus will be what the relationship will deliver to the *sponsor*, organisations looking for sponsorship should not be blind to the costs of the proposed arrangement to themselves. For this reason, it is appropriate to develop a sponsorship policy that outlines the organisation’s principles and objectives so as to identify potential conflicts and concerns within the organisation, *before* beginning the process of seeking sponsorship.⁵

6. Preparation of the proposal

In analysing the attractiveness of a proposition for sponsorship, a company will look at a number of different factors. These include the type of event they are being asked to sponsor; the projected audience; the tangible and intangible

⁴ This might well include an appraisal of the likely financial stability of the company – perhaps hard to do, but important if you are making major decisions based on long-term sponsorship. Several famous Australians lent their faces to Ansett’s ‘Absolutely’ campaign – just weeks before the company went to the wall, and a number of organisations were sponsored by “Froggy.com” before it went into administration and its principal sent to jail.

⁵ See Anne-Marie Grey & Kim Skildum-Reid, *The Sponsorship Seeker’s Toolkit* (McGraw-Hill Australia: Sydney 1999) at 5ff.

benefits that the sponsorship can offer to the company. When planning the proposal, it is important to look at the project from the point of view of the sponsor and target your proposal accordingly.

6.1 Quality of the event or project

No-one wishes to be associated with inferior projects or events that are dreary and unexciting. Sponsors seek to improve their corporate image and that of their products by an association with excellence. The company that manufactures ill-designed, physically dangerous or merely boring products finds no attraction in sponsoring art events that have similar characteristics.

6.2 Reputation and prestige of the institution, venue or associated individuals

Large public institutions can use the reputation that they have developed over the years. (Properly handled, this reputation is something as valuable to the company as the money is to the institution). If instead, the organiser is a small local collection, one may make an effort to show the importance of its purpose, the acceptance it has achieved from its own community and accolades it has earned. No potential sponsor is going to risk reputation or money on a project in trouble.

6.3 Number of people expected to view the event or work

These sorts of statistics impress marketing people. The surveys show that in Australia more people go to museums and galleries in a year than go to the football. This extraordinary fact underlies the potential attractiveness of cultural institutions to corporate sponsors. After all, a basis of advertising is market exposure.

6.4 Demographic profile of the expected viewers

Careful consideration will be given to the type of viewer who is likely to attend the proposed event in comparison with those of the company's target market. Organisations seeking sponsorship should expect to conduct some of their own research identifying the demographics of their past audiences.

6.5 Standard of management of organisers

The corporate decision makers are going to need assurance that the project that they are backing will run smoothly and that their corporate goals will be thus achieved. It is one thing to promise and another to deliver. Sponsoring corporations will expect delivery as promised.

6.6 Cost and timing of the sponsorship

It will be no surprise that cost is an important factor in any sponsorship decision. Large sponsorships require companies with large marketing budgets. The direct costs are important but so too are the indirect costs such as associated food and beverage costs, printing, personnel expenses and paid advertising support.

Just as important, is the timing of the request. Many large corporations make such commitments at least one financial year ahead. Although there are lucky times when a company reaches the end of its financial year with a budget surplus that it is looking to spend, it is dangerous to rely on serendipity. Planning must be long-term, and companies usually require quite long lead times to plan how they might fully take advantage of their sponsorship relation with your organisation or project.

6.7 Budget for and methods of publicity

Sponsors will want to see properly considered and constructed budgets. If the budget is non-existent or indefensible, you will be lucky to get even a cup of tea from the company.

Those working in the cultural sector can be excellent at devising novel forms of publicity. Often though, the group does not have the resources for proper marketing. However, this is something for which big companies are both geared and adept. Sometimes groups should consider approaching companies, not for money, but for help in promotion and publicity. This is expensive for small fry to obtain but simple, cheap and interesting for companies with an already established marketing machine.

6.8 Degree of exclusivity as sponsor

If a company can obtain naming rights for an event (such as 'The Mobil Modern Masters') the sponsorship will be more attractive than if the company is only one of many on the list of contributors. The more individual publicity is given to the company, the more there is in it for the company. On the other hand, the greater the exclusivity, the greater the reward.

6.9 Product identification permitted

Is the company allowed to use the event, the institution, the work or the individual, in its advertising? If so, in what ways?

The right to hang banners and other signage bearing the corporate name, logo or product identification; the permitted areas of such signage; the inclusion of company name, logo and advertising in the catalogue and on all printed material such as tickets; the placement of such inclusions, the right to produce merchandise which will identify the event or the work with the corporate sponsor; the availability and preparedness of the event organiser or featured guests to publicly acknowledge the sponsorship and thus associate the event, institution or individual with the company.

Thanks in the opening speech is one thing, but an acknowledgment in television advertising is quite another.

6.10 Degree of product endorsement involved

Identification and endorsement are related but different. Many people and institutions are happy to be generally associated with certain products or companies but would shy away from endorsing them. Some may see this distinction as somewhat naive, but the fact remains that endorsement is more expensive than mere association. Endorsements differ from sponsorships only in the degree of association. As the old saying goes, "when it comes to bacon and eggs, the hen is involved but the pig is committed".

When Beyoncé sings for Pepsi or Taylor Swift sings for Coca-Cola, each is directly affixing her name and reputation to the product. She is endorsing it. Saying it is a Good Thing. The association with the company's product is direct and the amount of money paid to such artists reflects the perceived benefit of that association. In the GLAM sector, endorsement contracts are rare because the institutions are rightly wary of positively endorsing third party products and services.

In recent years, the complexity of endorsement contracts has increased in direct proportion to their importance as forms of product promotion and the monetary value of the deals – and in direct proportion to the increased legal liability of those making the endorsement.

Endorsement contracts must be negotiated and drafted with care. There is no standard deal. As with all other important legal commitments entered, the contract should be read and negotiated by a lawyer who is familiar with such deals. You must be assured that the needs of the institution will be protected and that the corporate advantage sought by the company will be compatible with the institution's ethics and image.

6.11 Benefits to employees and clients

These will include things such as the provision of entry at reduced or no cost to the sponsor's personnel; the use of the venue for a special company function or other ways in which the sponsorship can be used to benefit either the sponsor's staff or client relations.

6.12 Other factors

To the list may be added the personal interest of the company's chief executive, but that usually is a factor that will only enable the person seeking the sponsorship to get a foot in the door; it is not likely to result in a major sponsorship unless the commercial value is also apparent.

7. The sponsorship contract

In recent years, the complexity of sponsorship contracts has increased in direct proportion to its importance as a form of product promotion and the monetary value of the sponsorships. Those seeking sponsorship can be certain that

the sponsorship contract will be drafted by the company's lawyer and that its terms will be calculated to further the interests of the company. It is not the sponsor's obligation to be even-handed. As with all other important legal commitments, the institution must ensure that a lawyer who is familiar with such deals reads the contract. The institution must be assured that its needs will be protected and that the corporate advantage sought by the company will be compatible with its own ethics, image and public purpose.

All sponsorship contracts must be negotiated and drafted with care. The checklist below indicates the essential issues that must be considered in a sponsorship agreement:⁶

- the parties (including, if necessary, contact details for day-to-day contact for matters involving the sponsorship);
- how long the sponsorship will last (or whether it is for a single event);
- the obligations of the sponsor (including whether the sponsorship is by way of a payment of money or the provision of goods or services);
- the rights of the sponsor (for example, whether it has naming rights, how it can publicise its sponsorship, and whether it gets a certain number of free tickets or other benefits);
- the obligations of the sponsored organisation (including detailed information in relation to how the organisation will acknowledge the sponsor in publicity, programs and other publications, in banners or bunting and on its website);
- how the agreement may be terminated by one party or the other (for example, if one party fails to carry out its obligations and fails to remedy the breach after, say 14 days of being given notice of the failure or if one party or the other becomes an object of scandal);
- how disputes will be handled (for example, through a commercial mediation service or through the mediation service offered by the Arts Law Centre of Australia); and
- how GST is to be handled.

In relation to GST, note that the tax system presumes that both parties are either receiving goods or a "service" as a result of the agreement unless the sponsored organisation is under no obligation at all to provide anything to the sponsor (in which case the agreement is better characterised as a donation). However, if the sponsored organisation has any obligations under the agreement, GST will be payable. This applies whether the sponsorship is in kind or in cash. No collecting organisation wants to be left with an obligation to pay GST that eats into their valuable sponsorship dollars while, for the sponsor, the payment of the GST is merely a matter of cash flow and timing. For this reason, the practice is that sponsorships are usually described on a "sponsorship amount plus GST" basis.

If the transaction is to remain GST neutral:

- if the sponsorship is "in cash": the services that the sponsored organisation is providing (advertising, signage, tickets to opening night) need to be accorded a value that is reasonably equivalent to the amount being paid by the sponsor, and
- if the sponsorship is "in kind": the same type of valuation of the transaction needs to occur for the agreement.

8. Resources and further reading

There are a number of publications that can assist collecting organisations to identify and target their proposals more effectively. Some are written specifically for the cultural sector; others focus on sporting sponsorships but may offer

⁶ Anne-Marie Grey & Kim Skildum-Reid, *The Sponsorship Seeker's Toolkit*, 4th edition (McGraw-Hill Professional: Sydney 2014) contains a sample sponsorship agreement that can be adapted and used as the basis for a specific sponsorship contract, though the authors stress that this agreement is not a substitute for specialised advice.

general guidance; many are old but are still useful insofar as they state or explore fundamental principles and considerations.

- Ragnar Lund and Stephen A Greyser, “Corporate Sponsorship in Culture – A Case of Partnership in Relationship Building and Collaborative Marketing by a Global Financial Institution and a Major Art Museum”, (2015, Harvard Business School, Working Paper 16-041, available at https://www.hbs.edu/faculty/Publication%20Files/16-041_0a81dd11-2e2f-459c-8eca-008f24bb313e.pdf)
- Sharon Dickman, *What's My Plan? A Guide to Developing Arts Marketing Plans* (Australia Council for the Arts: Sydney 2000)
- Sharon Dickman, *Arts marketing: the Pocket Guide* (Australia Council for the Arts and the Centre for Professional Development: 1997)
- Museum of New Zealand Te Papa Tongarewa, “Making Sponsorship Work for You” (2003, https://www.tepapa.govt.nz/sites/default/files/15-making-sponsorship-work-for-you_0.pdf).
- Anne-Marie Grey & Kim Skildum-Reid, *The Sponsorship Seeker's Toolkit*, 4th edition (McGraw-Hill Professional: Sydney 2014)
- Craig Richards, *Structuring Effective Sponsorships* (LBC Information Services: Sydney 1999)
- Arts Law Centre of Australia, *Sponsorship Agreements Guide*
- Creative Partnerships Australia, “Sponsorship 101”, March 2017, available at <https://www.creativepartnershipsaustralia.org.au/for-artists-and-arts-organisations/resources/guides-and-factsheets/sponsorship/>
- Nicole Newman, “Preparing a sponsorship pitch”, 5 March 2017, available at <https://www.creativepartnershipsaustralia.org.au/news-blog/preparing-sponsorship-pitch/>.