ATTACHMENT C
CITY OF NANAIMO
SPONSORSHIP STRATEGY REPORT

Sponsorship, Advertising and Naming Rights Revenue Monetization Strategy

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Introduction

This report will provide the City of Nanaimo with the necessary strategy to move forwards with a corporate sponsorship, advertising and naming rights program for both the short and long term. As noted, this strategy report is aligned with the Advertising, Naming Rights and Sponsorship Policy which is being presented in tandem with this report and the IAV deliverables.

It is recommended that that the City of Nanaimo outsource the sales process of their sponsorship program to a third party or parties for initial start up. This would be a person or company, or companies dedicated to prospect development, cultivation and closing of agreements for naming rights of key assets. The goal would be to engage this company or companies on a term of 24 months to sell as many of the approved naming right opportunities from this list below:

i. Nanaimo Ice Centre
ii. Nanaimo Ice Centre Rink One
iii. Nanaimo Ice Centre Rink Two
iv. Nanaimo Ice Centre Lobby
v. Nanaimo Ice Centre Dressing Rooms
vi. Nanaimo Aquatic Centre
vii. Nanaimo Aquatic Centre Pool
viii. Nanaimo Aquatic Centre Slide
ix. Nanaimo Aquatic Centre Fitness Centre
x. Nanaimo Aquatic Centre Lazy River
xi. Nanaimo Aquatic Centre – key features
xii. Frank Crane Arena*
xiii. Cliff McNabb Arena*
xiv. Rotary Bowl*
xv. Stadium District Overall
xvi. Mariner Field
xvii. VICC and all expired room naming's
xviii. Main Turf at Stadium District
xix. Beban Park*
xx. Beban Pool*
xxi. Beban Park Social Center*
xxii. Harewood Centennial Park and two artificial fields
xxiii. South End Community Wellness Centre
xxiv. Oliver Woods Centre

xxv. Harewood Activity Centre

**Consideration of these features will need to take into account the naming of these after individuals and families and those families will need to be consulted before any decision to rename is undertaken.*

The City of Nanaimo will also need to hire / engage a .5 FTE to 1.0 FTE to manage fulfilment as naming right deals are finalized. This person will be responsible for making sure all the promises made in the agreement are fulfilled.

After the two-year term by the third party the City will have better capacity (with additional revenues being achieved) to hire a .75 to full time sponsorship salesperson who can do sales of remaining naming rights and lower level sponsorship opportunities associate to events and within facilities and programming while also managing fulfilment.

By undertaking this outsourced approach, the City of Nanaimo will be able to attain actual contractual agreements quicker than if they build internal sales capacity from the outset. Furthermore, the outsourced model will ensure that there are no additional actual staff hired and all revenues will ultimately be based against revenues. Though their will be an initial up-front investment for the outsourced contractor it will be substantially less than the upfront costs of capacity building. And that upfront cost will be earned back quicker through the outsourced model than the internal capacity approach.

There are really three approaches to compensating this sales process. They are as follows:

1) Utilize the same process you are presently using for the Serauxmen Stadium Field Naming Right whereby you have hired a third-party contractor (us, Partnership Group – Sponsorship Specialists®) to initiate discussion with support for City Staff, work with the prospects and City staff directly to come to terms on needs, assets and budgets and then work as a go-between to bring the deal to fruition. This is billed out at $450 per hour plus expenses and applicable taxes. (To date the Serauxmen Project has utilized 27 hours and the deal is still not done and will probably take a total of 35 hours to finish.) If we look at 10 such naming rights to be secured over two years, remembering that the Serauxmen Project was led by the prospect, it will probably take 500 hours over two year or an annual investment of $125,000 ($250,000 over two years) with no guarantee of success. Based on an average of $300,000 in annual revenue from this format with each dela having an average of term of 7 years your gross income would be $2.1M. Your net new revenue (consulting fees of $250,000) over that same term would be $1,850,000 over 7 years or about $264,000 per year.

2) Utilize a commission-based format along with retainer. It would be suggested that such a format would include a base retainer format of $5,000 per month for 24 months ($60,000 annual investment for two years – total $120,000 over two years with no guarantee of a sale plus a sales commission of 15% of all sales to be paid out as the client pays be that upfront or over a term of the naming. In such a case if the sales agency was to generate $300,000 in annual revenues all on average on 7 year deals that is a total $2.1M in gross new revenue less the $120,000 in retainer and less the 15% in commissions of $2.1M or $315,000. So, your full investment is greater (now $435,000 versus Option 1 at $250,000) but your only "out of pocket" expense is less than half of Option 1 at $120,000. The remaining $315,000 would only be paid out based on sales. Your net new revenue (less fulfillment costs) over that same term would be $1,665,000 over 7 years or about $238,000 per year.

3) The third option is 100% commission which is rare to find. Very few (if any) agencies will do 100% commission because they invest a great deal of their time in the sales process. Hence why 100% commission rate deals are very high commission rates, sometimes as much as 50%. In this case we would propose a 25% commission rate. This ensures the City only pays if a deal is done (there would be elements to protect the seller and the City in the agreement) but would pay 25% on all sales. Using the same scenario of $300,000 in annual revenues all on average on 7-year deals that is a total $2.1M in new gross revenue, your commission payment would be $525,000 with a net revenue at the end of the 7 years of 1,575,000 or $225,000 per year. Though this option pays out the least amount it minimizes the City's financial risk. With this program you have no upfront cost investment.

Your fulfilment costs initially with a .6 FTE coordinator would be about $30,000 per year from year two forward. As more deals are done you would need to increase this capacity to .75 or one FTE.

The goal here is to focus on key properties and sell them in a short timeline. Then generate the rest of the revenues of the $750,000 annual expected revenue target though in-house staff and selling of the balance of the naming rights and smaller deals.

Contracts

The agreements will be between the City of Nanaimo and the sponsors and facilitated by the sales agency.

Fulfilment Management

The work is not done when the contract is signed. This is when the operational work begins. The next stage of the process is to ensure that everything that is promised in every contract is delivered. The City of Nanaimo will need to be able to work collaboratively with the outsourced sales agency and the sponsors to ensure this happens through the Fulfillment Coordinator. This will also begin to develop the relationship between the City and the partner.

Fulfilment is the transition of what was conceptually developed and brining it to life. Fulfilment includes but not limited to all of the following areas:

- Ensuring all the details from the contractual agreement (itemized assets) and specifics around them are transferred to the Fulfilment Management Tracking document for each sponsor for the third party
- Ongoing review and tracking of deliverables from the Fulfilment Management Tracking document for each sponsor
- Maintaining ongoing communication with the third-party sales partner / the sponsor about fulfilment deliverables
- Maintaining ongoing communication with internal City of Nanaimo staff in regard to fulfilment deliverables and communicating such updates with the third-party partner
- Work with third party / sponsor, and applicable City of Nanaimo staff on activation ideation and deliverables

Fund Allocation

Since this is an annual payment and set fee, this net revenue can be allocated to general operating funds for the City of Nanaimo. It clearly **could not be** "allocated back to specific venues and programs".

Shared and Non-Shared Facilities – Sponsorship Revenues

In the City of Nanaimo there are several properties like arenas and ball parks and such that are owned by the City, operated and managed by the City, but the user groups (community non-profits) such as Baseball, Softball, Minor Hockey, Football, Lacrosse etc. have "ownership" rights from a sponsorship and advertising and even possibly naming right perspective. In some situations, the buildings and arenas are singular user groups inside a facility. As such sponsorship revenue goes directly to the user group. For these properties a negotiated deal would need to be considered in the blanket agreement between the outsourced sales firm and the City of Nanaimo around these assets. (This has been effectively done to date with the Serauxmen Stadium Field Naming to date.)

Where a facility is solely occupied by a user group (community non-profit) and that user group generates revenues through sponsorship and advertising within the facility to offset operating costs for the building at the present time (such as with the Clippers or Buccaneers) , those revenues should continue to be retained by the tenant organization (community non-profit) and the existing lease agreements should so reflect.

Community Engagement

As in most communities, there may be push back from local community groups who feel the Municipality's foray (even through a third-party sales agency) into sponsorship is infringing upon their revenue opportunities. Nothing could be further from the truth. In each market we have worked in, the Municipality's entry into the market has raised the bar for revenue across the community.

In many municipalities it is determined that there needs to be a series of professional development opportunities be undertaken to support the City of Nanaimo partners and ultimately the community non-profits and charities. The concept is to provide them with the tools to be successful themselves in sponsorship.

The following workshops are recommended to be delivered for Municipal Partners and community non-profits and charities as professional development to assist them in generating revenues more effectively and efficiently as well as garner additional community feedback.

1. Workshop: How to Identify Assets and Value the Assets in Real Market Terms
2. Workshop: Prospect Development – Getting Meetings and Discovery Sessions
3. Workshop: Building Proposals that Close / Negotiating for Win-Win
4. Workshop: Getting Sponsors to Activate / Sponsor Fulfilment and Sponsor Summits

These could be delivered as four (workshops over determined period based on feedback from the Partners and community non-profits) separate workshops or a mix. This may be all four over two days back-to-back or two full days sessions two months apart of four half day sessions over a 12-month period.) These are the core professional development that will help the participants to thrive.

The model for this undertaking would be to have the City of Nanaimo operate / manage these workshops and provide the venue and food and beverage as well as handle registration and marketing. The sessions will be developed and delivered by the Partnership Group – Sponsorship Specialists® and could be part of your consulting hours. This would be similar to the training events delivered in 2013-2015.

Local sponsorship should be generated in part for partial cost recovery and also all registrants should be charged a nominal fee.

Projections and Budget for 5 Year Outsourced Sales and Fulfilment Project

Based on these noted considerations as well as the projected revenues for an External Sales program the City of Nanaimo will generate ***net income in excess of $1M*** over the five-year term including all the "start up" costs.

Sponsorship Program 5 Year Projections for Operating Costs - External Sales Approach #2

	Year 1 - 2022	Year 2 - 2023	Year 3 - 2024	Year 4 - 2025	Year 5 - 2026	TOTALS
Projected Revenue from new advertising, sponsorship and naming rights external sales approach*	$ 100,000.00	$ 350,000.00	$ 360,500.00	$ 371,315.00	$ 382,454.45	$ 1,564,269.45
Total Gross Revenue	**$ 100,000.00**	**$ 350,000.00**	**$ 360,500.00**	**$ 371,315.00**	**$ 382,454.45**	**$ 1,564,269.45**
Staffing Costs - Outside Sales Service**	$ 60,000.00	$ 60,000.00	$ -	$ -	$ -	$ 120,000.00
Staffing Costs - Fulfilment Person - In House**	$ 30,000.00	$ 30,000.00	$ 50,000.00	$ 51,000.00	$ 52,020.00	$ 213,020.00
Fulfilment Hard Costs****	$ 8,000.00	$ 28,000.00	$ 28,840.00	$ 29,705.20	$ 30,596.36	$ 125,141.56
Operating Costs*****	$ 2,000.00	$ 7,000.00	$ 7,210.00	$ 7,426.30	$ 7,649.09	$ 31,285.39
Consulting Fees*****	$ 15,000.00		$ -	$ -	$ -	$ 15,000.00
Total Gross Costs	**$ 115,000.00**	**$ 125,000.00**	**$ 86,050.00**	**$ 88,131.50**	**$ 90,265.45**	**$ 504,446.95**
Net New Revenue / Loss	**-$ 15,000.00**	**$ 225,000.00**	**$ 274,450.00**	**$ 283,183.50**	**$ 292,189.01**	**$ 1,059,822.51**

* Revenue is based on a contractual sales agreement with a seller with a 3% annual escalator beyond Year 3 - Projecting average of $300,000 per hear revenue ovetr the 5 year term
** Payroll costs are based on an initial 2 year funding for retainer on outsourced services at $60,000 each year
*** Payroll costs are based on a .6 FTE in year one and two and then by year 3 reaching a FTE and then a 2% annual salary increase for balance of the 5 years
**** Fulfilment costs traditionally are about 8% for a municipality.
***** These costs include such elements as hosting and hospitality, travel expenses and any sales production costs - these will be minimal at 2% of sales per year
****** The proposed mentoring hours for year 1 consulting would cover off community workshops and advisory services directly to the City