



Interview with Jim Andrews, Senior Vice President, IEG, Inc.

Jim Andrews

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SR Can you tell me about your background, how you came to work in the sponsorship industry and what brought you to IEG?

JA I have spent almost my entire professional career with IEG, having joined in 1987, five years after its founding by Lesa Ukman. I came to IEG after earning bachelor and master degrees in journalism from Northwestern University and having worked briefly as a daily newspaper reporter.

In nearly seventeen years with the company I have worked in almost every department, including our consulting, conferences and new product development areas. Throughout my career at IEG I have maintained the role of editorial director, responsible for the content of IEG's publications. My responsibilities currently include serving as the managing editor of the bi-weekly newsletter IEG Sponsorship Report, our flagship product.

SR Most people in the sponsorship industry around the world have heard of IEG, but among those who do not know the company well there is some confusion about its status and role. Some people, for example, think that IEG is a trade association. Can you explain the exact status of the organisation?

JA IEG is a privately owned for-profit business whose mission is to provide intelligence and counsel to those in the sponsorship industry. In addition to publishing, we provide consulting, training and research services for sponsors and properties.

We developed the IEG Valuation Service, which uses proprietary methodology to determine objectively the fair market value of any sponsorship. We are also involved in the running of training and educational programmes in sponsorship, such as the annual sponsorship conference in Chicago in March, as well as one-day seminars and customised training for individual clients. IEG also has research and database information such as competitive intelligence and sponsor prospect reports.

SR Given the wide range of products and services you mention, what role do you see IEG playing in the industry and how is that role changing?

JA IEG sees itself as playing a crucial role as a non-biased provider of information and guidance. We do not represent any properties or sponsors, and we maintain the highest journalistic standards for our publications, conferences and seminars. Therefore, the information we provide to consulting clients, subscribers and attendees has only their best interests at heart.

In an industry in which sales agents also play the role of corporate consultants, and publications allow advertisers to control editorial content, our independence is our unique value proposition. As for the



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future, we intend to expand our role. We plan to be able to offer more products and services aimed at helping sponsors and properties solve specific issues, including, but not limited to, measurement, sales and activation.

SR Given the growth of arts sponsorship and cause-related marketing in recent years, how important is sport to both IEG and the US sponsorship industry?

JA Sports is the predominant sponsorship vehicle, thus it is of critical importance to IEG. In terms of numbers, our annual industry analysis projects that North American companies will spend \$7.69 billion on sports sponsorship this year, accounting for 69 percent of total spending. As the pre-eminent sponsorship vehicle, many of the trends and issues in sponsorship begin in the sports category.

SR Many people talk about there being a difference between how regions around the world approach sponsorship. Do you think this is true or do you believe that the industry has matured to a point where regional variations have disappeared?

JA With the exception that for the most part North American and Northern European countries have a more evolved and sophisticated sponsorship marketplace, comparisons among different regions of the world do not yield significant lessons. It is more productive to look individually at companies and properties to see what can be learned. Success stories and creation of new approaches and improvements can come from anywhere.

SR Can you give me an example of any of the new approaches that you mention?

JA One development that we have been following is the increasing role of procurement or purchasing departments in the sponsorship acquisition process. Traditionally the role of these departments has been limited to sourcing hard goods and monitoring fixed costs, however the trend toward strategic sourcing has led a growing number of companies to involve procurement in the evaluation and negotiation of sponsorship agreements. This approach is taking hold in US-based companies such as ChevronTexaco and Eli Lilly, as well as in UK and European sponsors such as Diageo and Morgan Stanley Europe.

SR What are the major issues facing the US sponsorship industry? Are they the industry specific issues that have caused or are beginning to cause problems for the industry in Europe - regulatory issues such as tobacco sponsorship, promoting to children, alcohol, junk food and so on?

JA Because the regulatory environment for sponsorship – indeed for marketing and advertising in general – is much less restrictive in the US than in Europe, there are not nearly as many of those types of issues to be dealt with.

The limitations on tobacco have been in place for a number of years now, with minimal long-term effect on the industry as a whole. For the most part, properties that could no longer rely on tobacco money have been able to replace those funds – for example, Nextel succeeding Winston as NASCAR's largest sponsor.

There have been no substantial changes to controls on liquor marketing, and while there is constant discussion in the media about junk food marketing and marketing to children, there is no serious attempt at this time to regulate them further.

SR What industries are emerging as new champions of sponsorship in the US?



JA Findings from our annual industry survey show that the automotive sector significantly grew its sponsorship activity last year, making it the second most active non-media category behind non-alcoholic beverage. Overall, the five dominant categories are non-alcoholic beverage, automotive, bank, beer and telecommunications.

Thus far in 2004, we have seen a great deal of activity in the telecommunications sector. This has been spurred by the many changes the industry is seeing in the areas of bundled wireline and wireless services, Internet calling and the convergence of cable TV and telephony services.

SR How does sponsorship compare to advertising in the US? In many countries it has certainly struggled and is seen to play second fiddle. Obviously IEG is one of the main promoters of the discipline in the US, but are there any trade associations that are also working to boost the profile of sponsorship?

JA In terms of spending, the approximately \$11 billion that will be spent on sponsorship by North American companies is a drop in the bucket to the hundreds of billions of dollars spent on advertising. However, traditional advertising – particularly television – is currently the whipping boy of many in business and the media. There has been a barrage of coverage on the ‘death of the 30-second spot’ and much of the discussion today is about viable alternatives to TV advertising as the proliferation of channels and the advent of DVRs is rendering TV commercial messages obsolete.

Sponsorship is reasonably well positioned to take advantage of this situation, and the fact that spending has increased every year, even during the depth of the recent recession, shows the industry to be in relatively good health. That said, since sponsorship is still a young medium, there remain some who do not fully realise what it can achieve in terms of business-building objectives and so marginalise it to second-class status. Although there is not a trade association per se promoting sponsorship in the US, the

Association of National Advertisers has a sponsorship and event marketing committee that is helping to build sponsorship's status among major corporations.

SR Is sponsorship being used in new imaginative ways? Is it, for example, still mainly a marketing tool? Or has it been used more as a business platform and been leveraged in B2B and internal communications than it has been in the past?

JA Sponsorship is being used more than ever to achieve multiple objectives in addition to product marketing. It is being used to influence B2B audiences, employees and potential employees, community members, government officials, potential business partners and so on.

SR Are you seeing the different departments within companies signing sponsorship contracts, or even decisions being made at a board level? Or does it tend to be a case of the marketing department signing the deal and then telling personnel and sales that the company has some rights they can use?

JA Although some larger and more sophisticated sponsors have internal structures that involve multiple departments or business units in sponsorship selection and management, it remains primarily the responsibility of the marketing department. In many cases this means that the marketing department must solicit buy-in, and often funding, from other departments, but marketing still plays the lead role. Top management and boards typically become involved only with the largest of sponsorship deals, and then strictly as a final sign off on the expenditure.

SR How important is research to the sponsorship industry in the US and have you analysed the level of use of evaluation among US sponsors?

JA Research in all its many guises – pre-sponsorship evaluation, post-sponsorship measurement, valuation of a deal's worth and so on – is one of the most fun-



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damentally important components of the sponsorship equation. However, while much lip service is paid to this fact, our industry studies reveal a woeful lack of commitment to research on the part of sponsors. Findings from the IEG/Performance Research Sponsorship Decision-makers Survey show that only 17 percent of sponsors had a discrete budget for sponsorship research. Eighty-six percent dedicate nothing or a maximum of one percent of a sponsorship programme's total budget to measuring results. Thirty-five percent said they spend nothing to evaluate prospective property partners; another 36 percent spend less than \$5,000.

SR Why do you think the use of evaluation is so low? And how can sponsors continue to justify increasing levels of expenditure without demonstrating that they are getting a good return on their investment?

JA Unfortunately, there are still a number of people in the industry who subscribe to and promulgate the idea that sponsorship cannot be measured. This is part of the issue mentioned earlier that as a still relatively young medium, sponsorship has not done a good enough job of promoting the ways in which it can be measured. The good news is that the tide is turning, albeit slowly. There is increased pressure on sponsorship managers to prove the value of their investments and I don't believe they will be able to avoid measuring their ROI for much longer.

SR What do you see as the role of the academic community in relation to sponsorship research?

JA Both sponsors and properties would benefit greatly from more academic research into how to increase sponsorship effectiveness. IEG Sponsorship Report is always very happy to share findings from such research with our subscribers. I think there is a great deal of cooperation and collaboration that could and should take place between academia and practitioners. From the practitioner point of view, research that is less theoretical or hypothetical in nature will of course be more useful.

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Biography

Jim Andrews, a 16-year company veteran, is currently responsible for the editorial direction of IEG publications, including its flagship biweekly newsletter IEG Sponsorship Report (SR). Often referred to as the 'industry bible', IEG SR has delivered the latest news, trends and expert analysis to sponsorship practitioners since 1982. Previously, Andrews developed IEG's expertise in the area of buying and selling online sponsorship. He has also served as managing director of IEG Europe and vice president of IEG Consulting.

Andrews lectures at Northwestern University's Kellogg Graduate School of Management, New York University and other schools, and is a member of the advisory board for the Center for Sports Sponsorship & Sales of the Hankamer School of Business at Baylor University. He is a well known speaker and makes regular appearances on the international sponsorship conference circuit.

Prior to joining IEG, Andrews had a "short-lived but highly successful" career as a newspaper reporter. A native of New York, he earned bachelor and master degrees in journalism from Northwestern's Medill School of Journalism. Now a resident of Chicago, Andrews is chairman of the board of directors of About Face Theatre.