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Projection 2007: Sponsorship Growth To Increase For Fifth Straight Year

Continuing a pattern begun in post-recession '03, sponsorship spending will grow at a faster rate in '07 than it did this year. Spending by North American companies should rise 11.7 percent next year, reaching \$14.93 billion, according to IEG SR's 22nd annual industry forecast.

That growth comes on the heels of a 10.5 percent spending increase in '06, slightly lower than the projection of 10.6 percent made a year ago. U.S. and Canadian companies spent \$13.37 billion on sponsorship rights fees this year.

Among the reasons for the rosy outlook: the emergence of new funding sources and the continued expansion of what is defined as "sponsorship."

Such factors account for the seeming discrepancy between double-digit growth projections and sponsors reporting they are holding the line on spending.

Increasingly, dollars not under the control of a designated sponsorship department or budget are being spent with traditional properties or allocated to partnerships that do not fit a narrow interpretation of what constitutes a sponsorship, thus they are not taken into consideration by sponsorship managers who may not even be aware of the new spending.

In addition, the IEG SR projections account for spending by North American companies in their home countries as well as around the globe. Unless the source is someone with knowledge of international budgets, the company's spending growth will likely be under-reported, especially since sponsorship opportunities are rapidly multiplying in parts of the world where the industry is less mature.

Growth Of Advertising And Sales Promotion Spending Remains Slow

Expenditures for traditional media advertising in North America are predicted to grow only 2.4 percent in '07, down from the 2.9 percent growth experienced this year, according to the worldwide media and marketing forecast produced by GroupM, the global media investment management operation of WPP Group plc.

U.S. spending on consumer and business-to-business promotions is projected to rise 3.8 percent in '07, the same rate as in '06, according to the annual communications industry forecast from merchant bank Veronis Suhler Stevenson. (For a comparison of sponsorship, advertising and promotions growth over the past four years, see Chart 1).

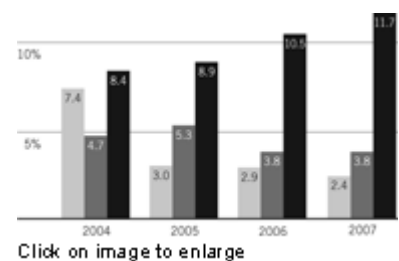
AT ISSUE

IEG SR's annual forecast and review of sponsorship spending

TAKEAWAY

Nontraditional partnerships and funding sources combine with high interest in international properties to boost North American companies' spending by nearly 12 percent.

Chart 1: Annual Growth Of Advertising, Sales Promotion And Sponsorship

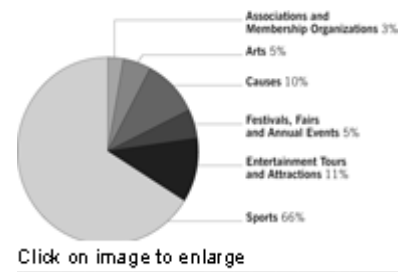


All Property Types To Experience Double-digit Growth In '07

While entertainment tours and attractions, associations and membership organizations, and festivals, fairs and annual events are projected to do slightly better than their counterparts in sports, causes and the arts, all six categories should experience strong overall revenue increases next year. The percentage of total sponsorship spending claimed by each category should remain unchanged from '06 (see Chart 2).

Projected dollar amounts by category are sports: \$9.9 billion, up 10.8 percent from \$8.94 billion in '06; entertainment tours and attractions: \$1.6 billion, up 16.2 percent from \$1.38 billion; causes: \$1.44 billion, up 10.5 percent from \$1.3 billion; arts: \$820 million, up 10.4 percent from \$743 million; festivals, fairs and annual events: \$701 million, up 15.1 percent from \$609 million; and associations and membership organizations: \$466 million, up 15.3 percent from \$404 million.

Chart 2: Projected 2007 North American Sponsorship Spending By Property Type



Global Warming To Sponsorship

Led by tremendous interest in and opportunities for sponsorship in Asia, especially China, sponsorship spending by companies based outside North America should grow at rates even higher than for their U.S. and Canadian counterparts.

Overall, including North American spending, '07 global expenditures on sponsorship should hit \$37.7 billion, an 11.9 percent increase over this year's \$33.7 billion. Excluding North American companies, spending should rise 12.3 percent from \$20.3 billion to \$22.8 billion. Global spending including North America rose 10.5 percent in '06, just under IEG SR's projection of 10.8 percent. Taking out North American companies, spending rose 10.3 percent, which was less than the 11 percent prediction.

Specifically, European companies will raise sponsorship spending by 11.6 percent from \$9.5 billion in '06 to \$10.6 billion next year; Asia Pacific companies will hike budgets 15.6 percent from \$6.4 billion to \$7.4 billion; Central and South American companies will see an 11.1 percent jump from \$2.7 billion to \$3 billion; and companies based in all other regions will grow expenditures 5.9 percent from \$1.7 billion to \$1.8 billion.

Top Sponsors List Nearly Becomes "IEG SR 100"

The number of U.S.-based companies spending more than \$15 million on sponsorship grew from 85 in '05 to 96 in '06 (see table). Fifteen sponsors are new to the rankings, while four that appeared last year are no longer on the list.

- For many of the newcomers—such as Diageo, ALLTEL, Texas Instruments, Lucas Oil, Brown-Forman, Caterpillar and Interstate Batteries—the bulk of their spending is for primary sponsorship of a NASCAR Nextel Cup entry. For most of those companies NASCAR deals were not new in '06, but spending on other, smaller deals tipped them over the \$15 million mark.

- Of the four who disappeared from the rankings, two were the result of mergers. MCI, formerly number 48, was acquired by Verizon (number 19), while MBNA, number 78 in '05, was bought by Bank of America (number 15). The other two were John Hancock Financial Services, Inc. (formerly number 25)—which dropped its MLB tie and had its TOP sponsorship officially taken over by its parent, Manulife Financial Corp., which as a Canadian company is not on the list—and Xerox Corp. (formerly number 83) which has not signed new deals to replace the TOP deal it ended in '04.

- The nine largest spenders all maintained their positions, while Visa joined the top 10 thanks mostly to the expiration of former number 10 McDonald's deal with Disney.

- Toyota Motor Sales made the largest leap of any of the existing companies in the rankings, moving from number 42 to number 22 after it doubled sponsorship spending this year on behalf of its various Toyota models, especially its Tundra trucks. On the other hand, Ameritrust had the largest fall of any company still on the list, dropping from number 34 to number 91 as it let go of many pro sports deals while maintaining its NASCAR team ties and title of the MLB Texas Rangers ballpark.
- Newcomer Adidas North America joined sibling Reebok on the list this year. Even though the two companies are under the same ownership, their parent, Adidas AG, is based in Germany and not eligible for the list. Because the two U.S. entities are managed independently, they appear separately in the rankings.

Top U.S. Sponsors: Companies Spending More Than \$15 Million			
AMOUNT	COMPANY	2006 Rank	2005 Rank
\$330M-\$335M	Anheuser-Busch Cos.	1	1
\$305M-\$310M	PepsiCo, Inc.	2	2
\$230M-\$235M	General Motors Corp.	3	3
\$225M-\$230M	The Coca-Cola Co.	4	4
	Nike, Inc.	5	5
\$175M-\$180M	Miller Brewing Co.	6	6
\$150M-\$155M	Daimler Chrysler Corp.	7	7
\$140M-\$145M	Ford Motor Co.	8	8
\$135M-\$140M	Sprint Nextel Corp.	9	9
\$120M-\$125M	Visa	10	11
\$115M-\$120M	McDonald's Corp.	11	10
\$110M-\$115M	MasterCard Int'l, Inc.	12	14
	The Procter & Gamble Co.	13	13
\$105M-\$110M	FedEx Corp.	14	15
\$100M-\$105M	Bank of America Corp.	15	17
\$95M-\$100M	AT&T, Inc.	16	18
	IBM Corp.	17	16
\$85M-\$90M	Eastman Kodak Co.	18	12
\$80M-\$85M	Verizon Communications, Inc.	19	23
\$60M-\$65M	Motorola, Inc.	20	19
	Molson Coors Brewing Co.	21	20
	Toyota Motor Sales U.S.A., Inc.	22	42
\$55M-\$60M	The Home Depot, Inc.	23	21
\$50M-\$55M	J.P. Morgan Chase & Co.	24	22
	Shell Oil Co.	25	24
	Reebok Int'l Ltd.	26	35
\$40M-\$45M	Altria Group, Inc.	27	26
	American Airlines	28	27
	DuPont Co.	29	28
	ChevronTexaco Corp.	30	30
	Cingular Wireless, LLC	31	32

	Time Warner Inc.	32	31
\$35M-\$40M	American Express Co.	33	37
	Kellogg Co.	34	33
	Qwest Communications Int'l, Inc.	35	36
\$30M-\$35M	Sony Corp. of America	36	41
	Yum Brands, Inc.	37	44
	Delta Air Lines, Inc.	38	39
	Target Corp.	39	40
	American Honda Motor Co.	40	56
	United Parcel Service	41	43
	U.S. Army	42	38
	Diageo North America, Inc.	43	-
\$25M-\$30M	Microsoft Corp.	44	46
	Accenture Ltd.	45	47
	Cadbury Schweppes Americas Beverages	46	50
	Lowe's Cos.	47	51
	Wachovia Corp.	48	45
	Mars, Inc.	49	52
	General Mills, Inc.	50	53
	\$20M-\$25M	The Allstate Corp.	51
Pfizer Inc.		52	49
Johnson & Johnson		53	-
Nestlé USA, Inc.		54	55
Wells Fargo & Co.		55	-
United Airlines		56	57
Sears Holdings Corp.		57	58
Exxon Mobil Corp.		58	60
ALLTEL Corp.		59	-
Subway Restaurants		60	62
Hewlett-Packard Co.		61	29
Samsung Electronics America, Inc.		62	68
\$15M-\$20M	Sirius Satellite Radio, Inc.	63	63
	Nissan North America, Inc.	64	64
	Intel Corp.	65	72
	Georgia-Pacific Corp.	66	65
	General Electric Co.	67	66
	DHL Holdings (USA), Inc.	68	-
	Canon U.S.A., Inc.	69	74
	Texas Instruments Inc.	70	-
	Sara Lee Corp.	71	59
	Yahoo! Inc.	72	61
	ConAgra Foods, Inc.	73	54

	Hershey Foods Corp.	74	70
	Ashland Inc.	75	71
	Lucas Oil Products Inc.	76	–
	Continental Airlines, Inc.	77	73
	Charles Schwab & Co.	78	67
	Office Depot, Inc.	79	69
	Nationwide Financial Services, Inc.	80	75
	Lenovo Group Ltd.	81	76
	ADT Security Services, Inc.	82	77
	Unilever United States, Inc.	83	82
	Sunoco, Inc.	84	81
	BellSouth Corp.	85	79
	Black & Decker Corp.	86	80
	Burger King Corp.	87	–
	Adidas North America Inc.	88	–
	Advance Auto Parts, Inc.	89	84
	XM Satellite Radio, Inc.	90	85
	Ameriquest Capital Corp.	91	34
	Sharp Electronics Corp.	92	–
	Best Buy Co.	93	–
	Brown-Forman Corp.	94	–
	Caterpillar, Inc.	95	–
	Interstate Battery System of America, Inc.	96	–

Editor's Note:

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