



Civic-Recreational-Industrial Authority

Special Meeting Agenda
February 16, 2018
3:00 p.m.

Chairman Howard Lim
Board Member David Carmany
Board Member Larry Hartmann
Board Member John Karns
Board Member Danny Molina

Location: City Council Chamber, 15651 East Stafford Street, City of Industry, California

Addressing the Authority:

- ▶ **Agenda Items:** *Members of the public may address the Authority on any matter listed on the Agenda. In order to conduct a timely meeting, there will be a three-minute time limit per person for any matter listed on the Agenda. Anyone wishing to speak to the Authority is asked to complete a Speaker's Card which can be found at the back of the room and at each podium. The completed card should be submitted to the City Clerk prior to the Agenda item being called and prior to the individual being heard by the Authority.*

- ▶ **Public Comments (Agenda Items Only):** *During public comments, if you wish to address the Authority during this Special Meeting, under Government Code Section 54954.3(a), you may only address the Authority concerning any item that has been described in the notice for the Special Meeting.*

Americans with Disabilities Act:

- ▶ *In compliance with the ADA, if you need special assistance to participate in any City meeting (including assisted listening devices), please contact the City Clerk's Office (626) 333-2211. Notification of at least 48 hours prior to the meeting will assist staff in assuring that reasonable arrangements can be made to provide accessibility to the meeting.*

Agendas and other writings:

- ▶ *In compliance with SB 343, staff reports and other public records permissible for disclosure related to open session agenda items are available at City Hall, 15625 East Stafford Street, Suite 100, City of Industry, California, at the office of the City Clerk during regular business hours, Monday through Friday 9:00 a.m. to 5:00 p.m. Any person with a question concerning any agenda item may call the City Clerk's Office at (626) 333-2211.*

-
1. Call to Order

 2. Flag Salute

 3. Roll Call

 4. Public Comments

5. **BOARD MATTERS**

- 5.1 Discussion and direction regarding the report from Bonham/Wills & Associates regarding the Industry Hills Expo Center Naming Rights Analysis.

RECOMMENDED ACTION: Direct staff to prepare a Professional Services Agreement with Bonham/Wills and Associates, and return to the Board for approval.

6. Adjournment. Next regular meeting: Wednesday, March 7, 2018 at 9:00 a.m.

CIVIC-RECREATIONAL-INDUSTRIAL AUTHORITY


ITEM NO. 5.1



CIVIC-RECREATIONAL-INDUSTRIAL AUTHORITY

MEMORANDUM

To: Chairman and Members of the Board of Directors Civic-Recreational-Industrial Authority

From: Paul J. Philips, Executive Director 

Staff: Jeff Cowan, Facilities Director, Industry Hills Expo Center

Date: February 16, 2018

SUBJECT: Presentation, discussion and direction regarding the report from Bonham/Wills & Associates regarding the Industry Hills Expo Center naming rights analysis

On December 13, 2017, CRIA approved a Professional Services Agreement with Bonham/Wills & Associates ("BWA") to conduct a naming rights analysis of operations of the Industry Hills Expo Center ("Expo Center") and prepare a report. BWA completed its naming rights analysis and attached hereto is the report and analysis.

On February 7, 2018, the CRIA Board reviewed the information presented from Bonham/Wills & Associates and requested more time to review the report.

Discussion:

BWA identified the following sponsorship categories as part of their naming analysis which include automobile, banking/financial services, computer, consumer electronics, telecommunications, energy, healthcare, health and fitness products, insurance, packaged foods, packaged goods, soft drinks/beverages, petroleum, pharmaceuticals, and media.

The potential sponsorship will allow the Expo Center to gain local, regional and/or national access to demographic groups consistent with its target audience(s), develop business-to-business relationships with the property and compatible sponsors, and fostering goodwill in the community while reinforcing its reputation.

Report Summary:

BWA believes it could yield substantial revenue for CRIA, while providing a corporate sponsor with valuable exposure and marketing opportunities.

The naming rights of the Expo Center provide premium exposure, interactive opportunities, extensive hospitality benefits, a brand-building platform and a potential business relationship. Additionally, the Expo Center's willingness to create an extraordinary partnership bodes well for a long-term, mutually beneficial relationship, while at the same time, a commercial association with a corporate entity provides the Expo Center with a significant revenue opportunity without over-commercializing the property.

To be successful in selling the Naming Rights to the Center, CRIA will need to capitalize on the prestige and marketing clout of Industry Hills, the Expo Center, and the exposure they deliver. At the same time, CRIA should be creative in forging an agreement that meets the marketing and business needs of the prospective Naming Rights sponsor.

BWA's evaluation process is based on a conservative philosophy whose objective is to arrive at the fair market value for sponsorships. Through our annual marketplace research and from expertise acquired in the course of evaluating hundreds of properties and negotiating sponsorship contracts for property and corporate clients, BWA has developed formulas for determining the value of sponsorships such as the Naming Rights to the Center.

BWA has identified 11 benefits and determined that through these benefits, the Naming Right's able of generating \$291,707 in value for the first year.

Report Recommendation:

BWA proposes that CRIA approach the marketplace via a coordinated sponsorship sales campaign, offering the comprehensive and integrated Naming Rights package outlined in the document. In creating this package, BWA has been sensitive about over-commercialization of the Expo Center. As such, we have incorporated only those benefits we believe are appropriate for a Naming Rights sponsor.

BWA typically advises its property clients to deliver a 1:1 to 1:1.5 cost/value ratio to their sponsors. This means that for each dollar it receives in sponsorship fees, a property should expect to deliver at least \$1.00 to \$1.50 in value. Based on this, a realistic and equitable fee range for our recommended package is \$291,707 for the first year.

Because of several influencing factors that could restrict the marketability of the Naming Rights package, namely the new and unproven nature of this type of sponsorship property, we believe the CRIA will likely need to sell the Naming rights in the middle of our recommended range.

BWA recommends that in addition to the Naming Rights of the Center, you also sell the sponsorships for four Founding Partnerships, one of which can be the sponsorship of the Grand Arena. Each one of these partnerships will be unique, and the BWA team will work with the corporate sponsor to establish the best package to meet the sponsor's marketing objectives. BWA also recommends that before entering into any Founding Partnerships,

the Expo Center first sells and negotiates a meaningful term for the Naming Rights of the Center as a whole.

BWA recommends that CRIA strive to negotiate a 10 to 15-year term (with a 5 to 10-year renewal option), and that they apply a 3% escalator (or regional CPI) to the annual fee, beginning in the second year of the agreement.

However, given that this is a new sponsorship property, unproven to the sponsorship industry, we recommend that if required to do so, the Center enter into a 3 to 5-year Naming Rights term, with the idea of proving value and increasing sponsorship revenue upon renewal.

BWA has made the following recommendations on how CRIA can further enhance the Expo Center's sponsorship potential:

- Offer the Naming Rights sponsor the opportunity for a business relationship with CRIA beyond the Naming Rights agreement.
- Allow the sponsor to incorporate its products and services into the Expo Center, in a mutually agreed upon manner.
- Promote Naming Rights sponsor activation by assisting in developing mutually beneficial joint promotions.
- Offer market research opportunities to the Naming Rights sponsor.
- Convene a summit to facilitate and encourage cross-promotional opportunities among CRIA's vendors and sponsors.
- Where applicable, consider offering the Naming Rights sponsor additional exposure opportunities at other CRIA facilities.
- Consider adding a community relations element to the Naming Rights package.
- Offer the Naming Rights sponsor a detailed annual fulfillment report of the benefits provided by its sponsorship.

Table 1 – Potential Sponsorship Revenue Summary as identified by BWA for the Naming Rights sponsorship and four (4) Founding Partnerships

Year	Annual Fee (Low)	Annual Fee (High)
Expo Center Naming Rights	\$194,471	\$291,707
Founding Partners 1	\$25,000	\$50,000
Founding Partners 2	\$25,000	\$50,000
Founding Partners 3	\$25,000	\$50,000
Founding Partners 4	\$25,000	\$50,000
Totals	\$294,471	\$491,707

Fiscal Impact:

The fiscal impacts of these actions are to be determined, based on the direction provided to staff by the CRIA Board.

Recommendation:

- 1.) It is hereby recommended that CRIA direct staff to prepare a Professional Services Agreement with Bonham/Wills and Associates and return to CRIA for approval.

Exhibit:

- A. Industry Hills Expo Center Naming Rights Analysis dated December 15, 2017
-

PJP/AG:kw

EXHIBIT A

Industry Hills Expo Center Naming Rights Analysis dated December 15, 2017

(Attached)



INDUSTRY HILLS EXPO CENTER NAMING RIGHTS ANALYSIS

PREPARED FOR:

THE CITY OF INDUSTRY

DECEMBER 15, 2017

Bonham
■ Wills



TABLE OF CONTENTS

Executive Summary	2
Overview	6
Methodology & Findings.....	15
Sponsor Strategy	19
Sponsor Categories	33
Additional Recommendations	38
Summary	43

© Bonham/Wills & Associates. This document may not be reproduced, distributed, reprinted, paraphrased or quoted in any way without the prior written approval of Bonham/Wills & Associates.



Executive Summary

The City of Industry (City) has retained Bonham/Wills & Associates (BWA) to analyze the value of the naming rights of the Industry Hills Expo Center (Center). Specifically, BWA has:

- Identified all areas of the Center that present value to a potential Naming Rights sponsor and is available in the City's current inventory;
- Determined the value of the Center as a Naming Rights sponsorship property; and
- Developed a strategy that may be used as a roadmap in implementing a Naming Rights sponsorship campaign.

What follows is our analysis detailing the value of a Naming Rights sponsorship for the Center. The report also includes our proposed pricing strategy for the Naming Rights and an outline of how BWA will execute the Center's Naming Rights sales campaign.

OVERVIEW

Based on our analysis, the Center's Naming Rights sponsorship package is comprehensive and well laid-out. We believe it could yield substantial revenue for the City, while providing a corporate sponsor with valuable exposure and marketing opportunities.

The naming rights of the Center provide premium exposure, interactive opportunities, extensive hospitality benefits, a brand-building platform and a potential business relationship. Additionally, the City's willingness to create an extraordinary partnership bodes well for a long-term, mutually beneficial relationship, while at the same time, a commercial association with a corporate entity provides the City of Industry with a significant revenue opportunity without over-commercializing the property.

To be successful in selling the Naming Rights to the Center, the City will need to capitalize on the prestige and marketing clout of Industry Hills, the Expo Center, and the exposure they deliver. At the same time, the City should be creative in forging an agreement that meets the marketing and business needs of the prospective Naming Rights sponsor.

METHODOLOGY & FINDINGS

BWA has more than a quarter century of experience in the sponsorship marketing industry. Our evaluation process is based on a conservative philosophy whose objective is to arrive at the fair market value for sponsorships. Through our annual marketplace research and from expertise acquired in the course of evaluating hundreds of properties and negotiating sponsorship contracts for property and corporate clients, BWA has developed formulas for determining the value of sponsorships such as the Naming Rights to the Center.

BWA has identified **11** benefits and determined that through these benefits, the Naming Right's sponsorship is capable of generating **\$291,707** in value for the first year.

SPONSOR STRATEGY

BWA proposes that the City of Industry approach the marketplace via a coordinated sponsorship sales campaign, offering the comprehensive and integrated Naming Rights package outlined in the document. In creating this package, BWA has been sensitive about over-commercialization of the Center. As such, we have incorporated only those benefits we believe are appropriate for a Naming Rights sponsor.

Fee Range

BWA typically advises its property clients to deliver a 1:1 to 1:1.5 cost/value ratio to their sponsors. This means that for each dollar it receives in sponsorship fees, a property should expect to deliver at least \$1.00 to \$1.50 in value. Based on this, a realistic and equitable fee range for our recommended package is **\$291,707** for the first year.

Because of several influencing factors that could restrict the marketability of the Naming Rights package, namely the new and unproven nature of this type of sponsorship property, we believe the City will likely need to sell the Naming rights in the middle of our recommended range.

BWA recommends that in addition to the Naming Rights of the Center, you also sell the sponsorships for four Founding Partnerships, one of which can be the sponsorship of the Grand Arena. Each one of these partnerships will be unique, and the BWA team will work with the corporate sponsor to establish the best package to meet the sponsor's marketing objectives. BWA also recommends that before entering into any Founding Partnerships, the Expo Center first sells and negotiates a meaningful term for the Naming Rights of the Center as a whole.

Term

BWA recommends that the City strives to negotiate a 10 to 15-year term (with a 5 to 10-year renewal option), and that they apply a 3% escalator (or regional CPI) to the annual fee, beginning in the second year of the agreement.

However, given that this is a new sponsorship property, unproven to the sponsorship industry, we recommend that if required to do so, the Center enter into a 3 to 5-year Naming Rights term, with the idea of proving value and increasing sponsorship revenue upon renewal.

Strategic Considerations

As the City proceeds with their sponsorship sales efforts, we recommend that they develop negotiating positions on the following items:

- Sponsorship fee;
- Categorical exclusivity;
- Negotiating exclusivity;
- First right/first look on future sponsorship opportunities;
- Contractual outs;

- Repeated name changes;
- Performance clause.

ADDITIONAL RECOMMENDATIONS

BWA has made the following recommendations on how the City can further enhance the Center's sponsorship potential:

- Offer the Naming Rights sponsor the opportunity for a business relationship with the City beyond the Naming Rights agreement.
- Allow the sponsor to incorporate its products and services into the Center, in a mutually agreed upon manner.
- Promote Naming Rights sponsor activation by assisting in developing mutually beneficial joint promotions.
- Offer market research opportunities to the Naming Rights sponsor.
- Convene a summit to facilitate and encourage cross-promotional opportunities among the City's vendors and sponsors.
- Where applicable, consider offering the Naming Rights sponsor additional exposure opportunities at other City facilities.
- Consider adding a community relations element to the Naming Rights package.
- Offer the Naming Rights sponsor a detailed annual fulfillment report of the benefits provided by its sponsorship.



Overview

The tremendous growth in sponsorship in recent years is due, in large part, to the actions of corporate decision-makers who view sponsorships as a cost-effective method of achieving specific marketing objectives. Sponsorship marketing is particularly valuable because of its effectiveness in: introducing new products; helping new or established products contend with competitive brands; and increasing corporate brand awareness. Increasing brand awareness is a primary factor behind a significant sub-trend within the sponsorship industry in recent years: the Naming Rights sponsorship of sports facilities. North American corporations spent an estimated \$22.3 billion on their sponsorship efforts in 2016. This amount is projected to grow to \$23.2 billion in 2017, an increase of approximately 4.1%. In an effort to capitalize on this situation, the City of Industry has retained BWA to evaluate the Naming Rights potential of the Industry Hills Expo Center.

DEFINING NAMING RIGHTS

We define Naming Rights as a type of sponsorship in which a corporation purchases the right to name a venue in return for marketing and, if appropriate, business benefits associated with the venue and its tenant(s). This definition is narrower than some apply. Specifically, it excludes family or corporate-named facilities that are or were once owned or controlled by the company (e.g., Wrigley Field in Chicago and the original Busch Stadium in St. Louis) and facilities that bear the name of philanthropists (most notably, in the case of municipal or university facilities). The distinguishing characteristic, in our view, is the exchange of marketing or business benefits for a specified fee.

The Development of Naming Rights

Though the origin of Naming Rights may be debated, certainly a watershed moment in their development was the 1972-73 Naming Rights agreement between Rich Products, a Buffalo food manufacturer, and Erie County, which enabled the former to put its name on a new football stadium in Orchard Park, New York, the home of the National Football League's Buffalo Bills. The agreement called for Rich Foods to pay \$1.5 million over 25 years in exchange for signage at the stadium and a commercial association with the franchise.

The Naming Rights phenomenon continued in northern New York when Carrier Corporation, a maker of heating, ventilation, and air-conditioning equipment and refrigeration systems, concluded an agreement with Syracuse University in 1979 to name the school's new athletic facility. Then, in 1986, Pilot Air Freight purchased the Naming Rights from the City of Buffalo for the new stadium that housed the Buffalo Bisons, a minor league baseball team.

About this same time, California-based Arco Oil bought the Naming Rights to the new arena in Sacramento that would be home (Arco Arena) for the Sacramento Kings of the National Basketball Association. In 1988, Great Western Bank became the first company to re-name a facility, the Forum in Los Angeles, which was then the home court of the Los Angeles Lakers.

Interest in Naming Rights really began to gain steam in the 1990s when a slew of professional facilities, starting with the Target Center in Minneapolis (home of the NBA Minnesota

Timberwolves), hastened to adopt corporate monikers. Not surprisingly, the fees associated with these sponsorships also increased—in some cases dramatically.

In the last 15 years, the corporate interest in Naming Rights has shown no signs of letting up. Based on the latest public information, there are now over 124 Naming Rights agreements currently in place for major league and collegiate facilities in North America alone, and more than half of them have been done in the last decade. In addition, there are scores of Naming Rights deals for minor league and collegiate facilities, convention centers, amphitheaters, theaters, etc.

WHY NAMING RIGHTS

The trend of Naming Rights has opened up the doors for enormous benefits for all parties involved. Naming Rights grants properties and corporations the opportunity to establish themselves as staples of North America.

Corporate Benefits

- Enormous brand exposure;
- Strong connection to iconic civic facility;
- Demonstrate commitment to community;
- Increase sales through direct access to property's audience and prime hospitality opportunities;
- Ability to target specific demographic groups/audience;
- Credibility (sponsorships have greater credibility than straight advertising); and
- Interactive marketing platform.

Property Benefits

- Generate immediate and annual revenue;
- Build image/profile of property through linkage with prestigious corporate entity;
- Create marketing synergies for an expanded marketing reach; and
- Eliminate various line-item expenses.

General Naming Rights Benefits

Naming Rights occupy the highest point on the sponsorship pyramid and typically carry with them a number of major benefits. These include:

- Impactful branding exposure;
- A prestigious association with the property and its tenants;
- The ability to rise above the advertising clutter normally associated with sports and entertainment properties;
- The opportunity to pre-empt a company's competition from an association with the property;

- The potential for lucrative direct and indirect business relationships; and
- Dollar for dollar the best sponsorship investment corporations can make.

THE EVOLUTION OF NAMING RIGHTS

As Naming Rights agreements became more prevalent, and the fees associated with them became steeper, the agreements themselves became more elaborate, more complex and more sophisticated. Benefits that were at one time novel and attractive became standard and rather “old hat”. Protections that were once afterthoughts or considered embellishments became required inclusions in the contract.

Corporate Naming Rights were originally intended as branding plays—opportunities for sponsors to get media exposure. But as they evolved, both sides recognized the importance of designing Naming Rights packages that include not only the obvious exposure and hospitality benefits, but also other components that add value to the package, making it more appealing—and salable.

The heightened level of interest among corporate marketers for product immersion opportunities with a high profile team, as well as the integration of a corporate brand with geographical and developmental concepts, fuels the recent Naming Rights activity. These components can include a variety of ingredients. For example:

- Cisco’s intent to incorporate its technology into the design and construction of the Oakland A’s proposed new ballpark;
- The New York Mets utilized Citi Group’s financial services for financing the construction of the new ballpark and the New Jersey Nets used Barclays’ services for their new arena;
- Philips Arena incorporated Philips products into the operation of the arena and into the business operations of the tenants corporate owner (Time Warner);
- Toyota created an interactive showroom environment called the “Tundra Zone” in the Houston Rockets’ new Toyota Center;
- The Seattle Seahawks’ Naming Rights deal with Qwest provided access to owner Paul Allen’s non-football business activities;
- The re-naming of the Anaheim Ducks’ arena allowed Honda to build a platform for the branding of multiple product lines (automobile and marine); and
- Oracle’s technology was used for managing the day-to-day operations of the Golden State Warriors (salary cap management, venue scheduling, database storage, etc.), as well as with the local municipal government.

Trends in Naming Rights Agreements

BWA has observed a greater reliance on trade or non-cash components in recent Naming Rights agreements. These have been a part of Naming Rights agreements for years. However, as the cash fee expectations of properties have increased, they have been met with resistance that was overcome by restructuring the sponsorship fee. Properties now have a greater acceptance of the sponsors' products and services, enabling the sponsor to liquidate its fees through a relationship beyond the sponsorship (e.g., via ownership's other business interests).

Another trend we've observed is the desire of certain properties to securitize their Naming Rights agreements as a way to obtain up-front financing for facility construction activity, with an eye toward re-paying loans with revenue derived from the facility once it is open and or renovated.

The Future of Naming Rights Agreements

In the years ahead, BWA expects to see a greater emphasis on the incorporation of technology components into Naming Rights agreements – specifically on how technology can be used to deliver more value to sponsors and properties.

Additionally, as sports and entertainment properties continue to morph toward more interactive environments (on-site as well as via the internet and social media platforms), they will become a primary source for enhancing the fan experience (for example, by facilitating real-time fan interaction regarding games), obtaining consumer data or generating business opportunities. Corporations will use their Naming Rights sponsorships to assist in developing appropriate activities, capturing fan data and creating business encounters that help them devise and implement their strategic marketing plans, much as they do now on the internet with its inherently interactive infrastructure. Properties, of course, will need to be flexible and creative in helping corporate sponsors accomplish this.

Other likely areas of advancement for Naming Rights:

- Greater acceptance of Naming Rights from all business sectors as an essential marketing strategy;
- Continued expansion to other areas of public facilities; and
- Greater contractual inclusion of areas/buildings around the facility in Naming Rights agreements, especially those with retail and entertainment potential.

Naming Rights Reactions

If the City decides to pursue a Naming Rights sponsor, they should be prepared for a certain amount of resistance from the public, the residents, and the media. In general, public reaction to Naming Rights has been favorable. Fans typically recognize the importance of Naming Rights in helping sports teams and collegiate properties upgrade the quality of their player personnel and provide proper arena amenities. This reaction has been less positive, however, in situations

where Naming Rights have been discussed for a team's venue which has a historic tradition—for example, Yankee Stadium in New York, Fenway Park in Boston, or Wembley Stadium in London.

Most media outlets readily refer to the corporate name of a facility, especially when it is the original name of a facility. Where there has been resistance, it is usually overcome in a short period of time. Two things that can assist the acceptance of Center's sponsorship, both for the public and the media, are a public relations campaign on the virtues of having a Naming Rights sponsor and advertising purchases with the primary media outlets promoting the new relationship (which are customary anyway). Further, we recommend that the City put the Naming Rights sponsor front and center of the campaign for any planned or future developments within the Center, as well as any development opportunities within the City. If the public, the residents, and the media can see that the Naming Rights sponsor is contributing to the City's improvements, the perception will be markedly better.

Naming Rights Agreements by Sponsor Category*

Airline

Air Canada Centre
Alaska Airlines Field
Alaska Airlines Arena
American Airlines Arena
American Airlines Center
United Center
US Airways Center

Auto

Ford Field[^]
Honda Center[^]
Toyota Center[^]
Toyota Park

Banking/Financial Services

Bank of America Stadium
BankersLife Fieldhouse
BankUnited Center
Barclay Center
BB&T Center
BBVA Compass Stadium
BMO Field
BMO Harris Bradley Center
Capitol One Field
Centennial Bank Stadium
CFE Arena
CFSB Center
Chase Field
CitiField
Citizens Bank Park
Comerica Park
Edward Jones Dome
EverBank Field
First Niagara Center
Lincoln Financial Field
M & T Bank Stadium
Pinnacle Bank Arena
PNC Park[^]
PNC Arena
Prudential Center
Quicken Loans Arena
Raymond James Stadium
Scotiabank Place
Scotiabank Saddledome
Scottrade Center
TCF Bank Stadium
TDECU Stadium
TD Garden
Webster Bank Arena
Wells Fargo Arena
Wells Fargo Center

Beer/Liquor

Busch Stadium
Coors Event Center
Coors Field
Miller Park
United Spirits Arena

Building Materials

Carrier Dome
LP Field
Jeld Wen Field

Cable Provider

Time Warner Cable Arena

Computer Hardware/Software

Cisco Field (Proposed)
HP Pavilion
Oracle Arena[^]

Education

Univ. of Phoenix Stadium

Electronics

Apogee Stadium
Phillips Arena

Energy

Consol Energy Center
Chesapeake Energy Arena
EnergySolutions Arena
FirstEnergy Stadium
PPL Park
Reliant Stadium
Xcel Energy Center[^]

Energy Drink

Red Bull Arena

Entertainment

Viejas Arena

Express Shipping

FedEx Field
FedEx Forum

Health & Life Sciences

High Point Solutions
UCLA Health Training Center[^]

Internet Media

Bright House Networks Stadium
Kabam Field

Insurance

Colonial Life Arena
Farmers Field (Proposed)
Great American Ball Park
MetLife Stadium
Nationwide Arena
Progressive Field
Safeco Field
State Farm Center
Sun Life Stadium

Job Recruitment

Jobing.com Arena[^]

Juice

Minute Maid Park
Tropicana Field

Newspaper

Tampa Bay Times Forum

Office Supply

Staples Center

Packaged Food

Dunkin' Donuts Center
Heinz Field
Papa John's Cardinal Stadium
Taco Bell Arena

Personal Grooming

Gillette Stadium

Pet Supplies

PETCO Park[^]

Petroleum

Lucas Oil Stadium

Pharmaceuticals

Rexall Place

Retail

Albertson's Stadium
Dick's Sporting Goods Park
Home Depot Center
Mall of America Metrodome
O.Co Coliseum
SaveMart Center
Sports Authority Field
Sleep Train Arena
Target Center

Soft Drink

Pepsi Center

Telecommunications

AT&T Center
AT&T Park
Bell Centre
CenturyLink Field[^]
Centurylink Center Omaha
Comcast Center
InfoCision Stadium
Jones AT&T Stadium
MTS Center
Rogers Arena
Rogers Center
Qualcomm Stadium
Verizon Center
US Cellular Field[^]

Tire

BridgeStone Arena

Summary:

- 29 Categories
- 124 Agreements
- Total Cost of over \$6.0 B (excluding Bonham deals)

* "Big Five" consists of MLB, MLS, NBA, NFL, and NHL.

[^] Bonham brokered the naming rights agreement.

City of Industry

The City of Industry is a vibrant and growing industrial suburb of Los Angeles in the San Gabriel Valley region of Los Angeles County, CA. With only 3.1% of the total land area in the San Gabriel Valley, the City of Industry is the economic engine of the area and a critical contributor to Southern California's labor market. While only a small number of residents reside in Industry itself, it is home to over 3,000 businesses that provide employment for over 67,000 people, and total sales of over \$31 Billion.



The City of Industry was founded in 1957, and is committed to becoming the most business-friendly city in California. The City is dedicated to creating an environment where businesses can thrive and expand. Industry lies at the heart of the community. Throughout its 60 year history, the City of Industry has continued to grow and expand, establishing itself as the vital economic hub for the San Gabriel Valley.

Strategically located near major freeways and the Ports of Los Angeles and Long Beach, and paired with easy access to rail lines, the City of Industry is dedicated to making it easy to operate and grow a business.

Industry Hills Expo Center

The Industry Hills Expo Center (Center) is a world-class, modern, multipurpose facility nestled on a hilltop area in City of Industry, over-looking the San Gabriel Valley. With three unique venues on-site, The Grand Arena, the Pavilion and the Avalon Room, the Center hosts anything from large entertainment gatherings to intimate community and family functions to luxury business events with its private, 125-acre gated facility. Located in the heart of the City of Industry with direct access to four major freeways and three major airports, it stands as one of the most convenient venues in Los Angeles County.



The Center has been the venue of choice for regionally based company events and trade shows over the past 30 years. The Grand Arena, specifically, stands as Center's main attraction. With an all-weather enclosed structure, and seats for over 5,000 spectators, the Grand Arena offers the perfect venue for many large festivals and events, notably the Industry Hills Charity Pro Rodeo, which is in its 32nd year. The Pavilion offers an indoor 10,000 sq. ft. event area with a 500-guest capacity. The hi-tech audio-visual equipment and bi-amped system makes it the ideal venue for a wide range of events from formal wedding receptions to business seminars. Lastly, with 100-

guest seating, and a beautiful adjoining lawn arena, the Avalon Room offers the ideal setting for the more intimate functions.

As a community-minded operation, paired with its contributions to the local economy, the Industry Hills Expo Center is an invaluable part of the City of Industry and the Greater Los Angeles area.



Methodology & Findings

Bonham/Wills & Associates has conducted an extensive research and analysis process to accurately assess the Center's Naming Rights sponsorship potential.

METHODOLOGY

In the course of this analysis, BWA conducted numerous discussions with the City's executives and performed the following tasks.

- Thoroughly reviewed all materials provided by the City's executives;
- Undertook comparative analyses of other relevant properties that are operating in the marketplace today, some of which we have represented;
- Considered the demographics that the Center attracts;
- Identified all relevant sponsorship benefits; and
- Calculated the value that will be generated through these benefits.

BWA has more than a century of combined experience in the sports and entertainment marketing industry. Through our ongoing marketplace research and from expertise acquired in the course of evaluating hundreds of sponsorship properties and negotiating scores of sponsorship contracts for property and corporate clients,¹ BWA has developed formulas for determining the sponsorship potential of properties such as the Center.

In applying these formulas to our analysis of the benefits the Naming Rights package can offer, we have taken several key factors into consideration. These include the quality of the benefits and the comprehensiveness of the sponsorship package.

BWA's evaluation process is based on a conservative philosophy whose objective is to arrive at the fair market value for sponsorships. This is a unique and proprietary process and does not base value solely on the CPM (cost per thousand) rate for advertising or comparisons to similar properties. In contrast, BWA's methodology is based on three key components:

¹ Bonham/Wills & Associates and its predecessor company, The Bonham Group, have evaluated many premier properties in the world today. Sports properties include the Olympics, Super Bowl, World Cup Soccer, Grand Slam Tennis, CART, NASCAR, the NHL, NFL, MLB, NBA, Major League Soccer and major collegiate properties. Entertainment properties include Universal Studios, Motown, The Walt Disney Company, House of Blues and major mall developer portfolios such as Westfield, Macerich, Westcor, Taubman, and Rouse. Collegiate properties include the University of North Carolina, Penn State University, Old Dominion University, DePaul University, the University of Texas and the Atlantic Coast Conference. Corporate clients include: Ameriquest, Bank of America, CITGO, Dell, DSW, IBM, JP Morgan Chase, Mastercard, Miller Brewing Company, Pacific Life, PETCO, PNC Bank, MACU and Qwest. Further, BWA's expertise has been utilized on 84 separate occasions in 36 US markets, 3 Canadian markets including Calgary, Ottawa, and Toronto, and two European markets including Turin, Italy and London, England.

1. Our annual market review. BWA polls executives from sports and entertainment properties, corporations and ad agencies. We also conduct extensive secondary research on the price being paid for various sponsorship elements.
2. Our sponsorship analysis experience. In its history, BWA and our predecessor firm, The Bonham Group, has evaluated hundreds of sports, entertainment and cultural properties, including the world's most prestigious. This work has totaled more than \$12 billion in sponsorship value.
3. Our negotiation experience. Our team has negotiated more than \$2.1 billion in sponsorship contracts for our property and corporate clients. Further, BWA's and our predecessor firm, the Bonham Group's analytical work has withstood the scrutiny of our client, its agencies, and those sitting on the other side of the table. In short, we are willing and able to stand by our numbers.

From these key components, BWA establishes a range of value for each sponsorship benefit. After doing this, BWA considers the characteristics of each benefit -- aspects such as market forces,² the quality of the sponsor's exposure, sponsor clutter, supply and demand, etc. Finally, we use these factors to assign each benefit a specific value within our range. This value is truly representative of the quality of exposure that is being delivered by each exposure vehicle. As a result, we recommend our clients negotiate fees based directly on our value conclusions.

² Market forces include aspects such as general economic environment, recent changes in the sponsorship industry and advertising rates for specific geographic regions.

FINDINGS

BWA has identified **11** benefits and determined that through these benefits, the Naming Rights sponsorship is capable of generating **\$291,707** in value for the first year.

The following **Table 2.0** summarizes the annual value associated with the Naming Rights sponsorship for the Center.

Table 2.0

INDUSTRY HILLS EXPO CENTER Naming Rights Sponsorship Value Summary	
	
Benefit Category	Value
IMAGE ASSOCIATION (15%)	\$38,049
EDITORIAL MEDIA COVERAGE	\$14,515
ON-SITE EXPOSURE	\$101,250
EXTERIOR EXPOSURE	\$81,137
INTERNET	\$4,536
SOCIAL MEDIA	\$13,378
ADVERTISING	\$13,095
MAILING LISTS	\$6,744
MAILINGS	\$6,466
HOSPITALITY	\$7,500
COLLATERAL MATERIALS	\$5,037
Totals	\$291,707



Sponsor Strategy

In this section we: 1) present our recommended sponsor strategy; 2) outline appropriate considerations for the Center Naming Rights sponsorship sales campaign; and 3) provide pertinent negotiating points for selling the Center's Naming Rights sponsorship package.

In presenting this information, we recognize the City has an in-depth knowledge of the business community, as well as the Center attendees demographic; hence, some of this information is intended only as a refresher. Our experience in sponsorship matters suggests that attention to fundamentals is never wasted and often quite valuable in obtaining the desired results.

KEY SPONSOR/PROPERTY CONSIDERATIONS

Specific Sponsor Objectives

Before entering into a relationship with any property, a potential sponsor typically has a number of specific objectives in mind. These include:

- Gaining local, regional and/or national access to demographic groups consistent with its target audience(s);
- Increasing brand awareness;
- Developing business-to-business relationships with the property and compatible sponsors;
- Increasing the sales of its products and/or services;
- Maximizing marketing benefits with a reasonable expenditure of additional support dollars;
- Fostering goodwill in the community while reinforcing its reputation as a good corporate citizen; and
- Securing categorical exclusivity with the property.

Key Sponsorship Elements

In order to help a sponsor evaluate potential opportunities and then achieve its desired goals and objectives, the City should provide its sponsor with the following elements:

- An analysis of the sponsorship's value based upon the benefits it can provide and the target audience it reaches;
- Assistance in the development of a strategy to enhance the sponsor's brand and sell its products and/or services to the target audience; and

- A procedure that will build accountability into the relationship, allowing the sponsor to monitor and quantify the tangible value of the relationship.

What This Means to the City of Industry

After reviewing the specific objectives of a potential sponsor, and the key elements normally provided by properties, it becomes apparent that the Center's Naming Rights sponsorship must be designed to:

- Identify the Center as a valuable sponsorship property by documenting the benefits it has to offer to a potential sponsor, such as on-site exposure, advertising, collateral materials, etc.;
- Define the value of each sponsorship benefit; and
- Create a strategy that maximizes the sponsor's return on investment.

RECOMMENDED SPONSOR STRATEGY

In General

Before we present our recommended sponsor strategy, we would like to offer some cautionary advice. The City should:

- Recognize that it is forming strategic partnerships and be willing to deliver value to sponsors for value received.
- Look at the Center and the City's Managers Office as a marketing vehicle for its sponsor partners, and be flexible in considering other marketing opportunities for sponsors beyond what is described in this document. This does not mean becoming an advertising billboard for sponsors. Rather, it implies that the City should be ready to capitalize on tasteful marketing opportunities with a centralized and coordinated effort.

Strategic Considerations

For most sponsors, the *quality* of exposure is just as important as the *quantity* of exposure they receive in a venue. This is particularly the case for Naming Rights sponsors who expect and often demand that they rise above the exposure of other sponsors in a venue. This is an issue that the City's executives need to be sensitive to.

In seeking a comprehensive, exclusive partnership, the City should ensure that they protect the categorical exclusivity of their major sponsor relationship. By safeguarding their partner's exclusivity right from the start, they will be laying the foundation for a true partnership.

In essence, the Center's sponsor will be an integral part of a new tradition. By linking its name and corporate identity to the support of an important regional asset in a tasteful way, the sponsor

may be perceived by the public as having played a key role in helping the City, the Center's events and attendees, and other City's facilities' plan to grow and thrive. Based on our experience, such sponsorship appreciation translates into consumer loyalty, which in turn can translate into sales for the sponsor.

Naming Rights Package

BWA proposes that the Center approach the marketplace via a sponsorship sales campaign, offering only the comprehensive Naming Rights sponsorship package outlined in this document. The comprehensive and integrated Naming Rights package includes a diverse set of sponsorship benefits while being sensitive to over-commercialization.

Lower Level Sponsors

While BWA has only evaluated the Naming Rights potential of the Center, we recognize that the City is still interested in selling lower level sponsorships. However, in pursuing these smaller agreements, the City should keep the following important considerations in mind:

- At all times, the Center's big-picture sponsorship strategy should be kept front-of-mind and given precedence. In short, the Center should not pursue smaller sponsorships indiscriminately because it could undermine the creation of the big-picture relationships, which will generate the bulk of the City's sponsorship revenue.
- The City should make sure that the Center's Naming Rights sponsor has category exclusivity. Further, the City should be cautious about selling a lower level sponsorship to a valuable industry category (e.g., telecommunications, financial services, etc.); it should determine if any of the companies in these categories is a Naming Rights candidate before selling them a lower level package.
- In selling lower level sponsorships, the City must be cautious not to enter into *too many* sponsor relationships, even if these do not conflict with the big-picture sponsorship. Sponsor clutter could:
 - Negatively impact the property;
 - Dilute the value for City's "big picture" sponsor; and
 - Affect the satisfaction level of the Center's Naming Rights sponsor.

Prioritizing the Sales Approach

Should the City decide to pursue a Naming Rights option for the Center, they should not present companies with multiple levels of sponsorship packages at the same time. Giving potential partners the *option* to choose between packages could inhibit the City's efforts to sell the larger Naming Rights package. Instead, we suggest that the City attempt to sell their Naming Rights package first, followed by lower level packages.

We want to point out that selling these packages in this sequence is the first option, but there could easily be exceptions. For example, if the City approaches a company for the Naming Rights package and the company only wants to commit to a smaller relationship, the City should consider offering a lower level package in order to make a sale. However, in choosing to sell a

smaller package, the City will need to evaluate the company's *industry category* potential as the source of a lucrative Naming Rights candidate.

That is, once a company in a particular category commits to a lower, but categorically exclusive, package, it will have category exclusivity and effectively rule out its competitors from buying the Naming Rights package. Thus, the City will need to consider the *value* of the category before making an exception to the strategy of selling the Naming Rights package first.

Fee Range

The total value shown in the table on page 18 represents the gross potential value of the Naming Rights for the Center in year one. However, BWA typically advises its property clients to deliver a 1:1 to 1:1.5 cost/value ratio to their sponsors. This means that for each dollar it receives in sponsorship fees, a property should expect to deliver between \$1.00 and \$1.5 in value. Based on this, a realistic and equitable fee range for a Naming Rights sponsorship package would be **\$194,471** to **\$291,707** for the first year.

Because of several influencing factors that could restrict the marketability of the Naming Rights package, we believe the City will likely need to sell the Naming Rights in the middle of our recommended range.

BWA recommends that in addition to the Naming Rights of the Center, you also sell the sponsorships for four Founding Partnerships, one of which can be the sponsorship of the Grand Arena. Each one of these partnerships will be unique, and the BWA team will work with the corporate sponsor to establish the best package to meet the sponsor's marketing objectives. BWA also recommends that before entering into any Founding Partnerships, the Expo Center first sells and negotiates a meaningful term for the Naming Rights of the Center as a whole.

Table **2.1** on the following page shows the revenue summary for the Naming Rights sponsorship, as well as the four Founding Partnerships.

Table 2.0

INDUSTRY HILLS EXPO CENTER Sponsorship Revenue Summary		
Year	Annual Fee (Low)	Annual Fee (High)
Expo Center Naming Rights	\$194,471	\$291,707
Founding Partners 1	\$25,000	\$50,000
Founding Partner 2	\$25,000	\$50,000
Founding Partner 3	\$25,000	\$50,000
Founding Partner 4	\$25,000	\$50,000
Totals	\$294,471	\$491,707



Term

BWA recommends that the Center strive to negotiate a 10 to 15-year term for the Center’s Naming Rights sponsorship package. By signing a Naming Rights contract of this length, the City would be able to compute future revenues with greater precision, thus allowing for more accurate budget projections. Another important reason for a longer term is that a Naming Rights deal is most valuable as a long-standing relationship. Because the value of the property can be diminished each time the name is changed, it is in the best interest of the City and the sponsor to establish a long and mutually beneficial relationship.

However, due to the fact that the Expo Center and the City of Industry as a whole is an unproven sponsorship property, it may be necessary, and more profitable for the City to enter into a shorter 3 to 5-year term. This allows for a revaluation at renewal to substantially increase sponsorship-related revenue at an earlier date, than if the City were to sign a longer term.

Escalator

We typically suggest that our North American property clients apply a 3% escalator or regional CPI (whichever is higher) to the package’s fee beginning in the second year of the agreement. An escalator such as this helps the property account for inflationary factors and provides some level of protection in the event that the value of the exposure received from a package increases significantly.

Table 2.2 on the following page shows the value of the Naming Rights sponsorship package over the course of a 20-year term, using the fee range previously mentioned and applying a 3% escalator to the fees beginning in the second year.

Table 2.2

INDUSTRY HILLS EXPO CENTER 20-Year Look 3% Escalator Beginning in Year Two		
Year	Annual Fee (Low)	Annual Fee (High)
1	\$194,471	\$291,707
2	\$200,305	\$300,458
3	\$206,314	\$309,472
4	\$212,504	\$318,756
5	\$218,879	\$328,318
6	\$225,445	\$338,168
7	\$232,209	\$348,313
8	\$239,175	\$358,762
9	\$246,350	\$369,525
10	\$253,741	\$380,611
11	\$261,353	\$392,029
12	\$269,194	\$403,790
13	\$277,269	\$415,904
14	\$285,587	\$428,381
15	\$294,155	\$441,233
16	\$302,980	\$454,470
17	\$312,069	\$468,104
18	\$321,431	\$482,147
19	\$331,074	\$496,611
20	\$341,006	\$511,509
Totals	\$5,225,512	\$7,838,268

Table 2.3 and 2.4 on the following page shows the value of the Naming Rights sponsorship package over the course of a 10-year term and 5-year term, respectively, using the fee range previously mentioned and applying a 3% escalator to the fees beginning in the second year.

Table 2.3

INDUSTRY HILLS EXPO CENTER 10-Year Look 3% Escalator Rate beginning in Year Two		
Year	Annual Fee (Low)	Annual Fee (High)
1	\$194,471	\$291,707
2	\$200,305	\$300,458
3	\$206,314	\$309,472
4	\$212,504	\$318,756
5	\$218,879	\$328,318
6	\$225,445	\$338,168
7	\$232,209	\$348,313
8	\$239,175	\$358,762
9	\$246,350	\$369,525
10	\$253,741	\$380,611
Totals	\$2,229,394	\$3,344,090



Table 2.4

INDUSTRY HILLS EXPO CENTER 5-Year Look 3% Escalator Rate beginning in Year Two		
Year	Annual Fee (Low)	Annual Fee (High)
1	\$194,471	\$291,707
2	\$200,305	\$300,458
3	\$206,314	\$309,472
4	\$212,504	\$318,756
5	\$218,879	\$328,318
Totals	\$1,032,474	\$1,548,710



SALES CAMPAIGN

Campaign Considerations

The competition among properties for sponsor funding is at an all-time high. To overcome this competition, BWA advises its property clients to offer unique and creative opportunities to sponsors that help them distinguish themselves from their competition, generate sponsor interest and serve as the foundation for sponsor satisfaction and long-term relationships. The bottom line: Those sponsorship properties that are willing to customize their packages to meet specific sponsor needs are more likely to attract and retain the interest of corporations. Here are three ways that the City can make their Naming Rights sponsorship more attractive to corporate prospects and thereby enhance its sales appeal:

1. Offer the potential Naming Rights sponsor an opportunity to incorporate its products and services into the Center;
2. Allow the Naming Rights sponsor to liquidate a portion of its sponsorship fee via in-kind payments that are budget relieving; and/or
3. Explore offering the Naming Rights sponsor the opportunity for a business relationship beyond an athletics-based sponsorship agreement.

What follows is a discussion of these three approaches:

1. Incorporating products and services into the Expo Center.

One way to customize sponsor packages is to offer interactive marketing strategies for a sponsor that enhances the patrons' experience. This interactivity could be especially attractive to a banking/financial or technology company (computer, electronics, etc.) that could use the sponsorship as a way to incorporate its own products and services into the facility (at its own cost), providing the sponsor with showcasing opportunities.

We recommend the City work closely with the Naming Rights sponsor to brainstorm on innovative ways to incorporate it into the facility. Here are a few examples of concepts we have seen for other facilities:

- Offering the Naming Rights sponsor the opportunity to provide technological and other infrastructure for the facility as an opportunity to demonstrate its products and create a storyline. As the energy provider to the Xcel Energy Center, Xcel tells the story of the power it reliably provides for the facility. Many technology companies are looking for similar opportunities. DirecTV provides satellite service to the suite level at all the venues it sponsors as an in-kind payment and the chance to demonstrate its product to a very desirable audience. Cisco's technology is being incorporated into the design and construction of the Oakland A's proposed new ballpark. Philips' products were incorporated into the operation of Philips Stadium as well as the business operations of the corporate owner (Time Warner).

- Offering the Naming Rights sponsor dedicated, themed and exclusive areas within the facility. This can take on many forms such as the Coke dining area at Reliant Park, the Lexus Lounge at Toyota Center, the Jaguar Club at Ford Field, and the Ford Concourse at Cowboys Stadium.
- Offering the Naming Rights sponsor distinctive signage/exposure opportunities like Pepsi and Ford's "Super Column" signage at Ford Field or Xcel's lighthouse signage at Xcel Energy Center.

2. Liquidating a portion of the sponsorship fee via in-kind payments

A good way of inducing a company to sign on as a sponsor is to offer it an opportunity to liquidate a portion of the cost of its sponsorship via in-kind payments by supplying products or services that offset a line item expense for the Center. This would reduce the cash outlay for the sponsor, offset an expense for the Center and create a business environment that often supports long-standing relationships.

It has become standard for sponsors in many business categories to make in-kind payments as part of sponsor fee arrangements. Additionally, the acceptance of a sponsor's products or services, and the exclusion of (or preference over) its competitor's, helps strengthen the property/sponsor relationship, leading to a better overall partnership.

Having said this, we feel it's also necessary to point out that we usually advise property clients to be careful about accepting too much of the sponsorship fee as in-kind payments. Generally speaking, cash payments are more valuable than in-kind payments.

3. Exploring business relationships beyond a facility-based sponsorship agreement

Another way to entice a company to become involved in sponsorship is to offer it the chance to develop a business relationship with the City of Industry beyond the scope of its sponsorship agreement. This could be attractive to a company considering a Naming Rights sponsorship because it could help to *indirectly* offset its sponsorship fees.

Specifically, when the City is marketing their Naming Rights to a corporate prospect, they may want to think outside the box to see if there are opportunities to create a business relationship with other entities associated with the City.

Corporations seek after these types of opportunities as they represent "a foot in the door" with a potentially huge upside. In fact, this strategy has been used to generate corporate interest in other Naming Rights negotiations. In one instance, the franchise owner offered to divert a portion of his non-franchise resources—which were considerable—toward a Naming Rights candidate's banking business. In another case, the franchise owner agreed to use a telecom sponsor's services for his non-franchise entities.

The point is this: If the City can offer the Naming Rights sponsor a business relationship that extends beyond the Naming Rights sponsorship, it may make it easier to secure a sponsor and further cement the relationship.

Sales Process

We believe the following information will be helpful to the City as it embarks on the marketing of the Center's Naming Rights sponsorship package. Specifically, we recommend that a formal sponsorship sales campaign include the following approach:

- **Identifying suitable sponsor targets:** The City should approach its major vendors to gauge whether they are interested in expanding their business relationship to include a sponsorship component, assuming they have some consumer marketing interest.

In short, the City should strategically prioritize its sponsor targets in the following way:

- Current vendors;
 - Current sponsors
 - Regional companies or national companies headquartered in the Greater Industry Area. Previous industry research cited in the *SportsBusiness Journal*³ noted that “approximately 63 percent of Naming Rights deals since 1989 support a venue in the corporation’s headquarters market.”; and
 - National/international companies with a strong regional presence.
- **Developing collateral materials:** In its ongoing sales efforts, BWA has found it to be extremely helpful if a prospect has been exposed to sales material prior to the initial call. We therefore recommend that the City develop an informational mailer that is distributed to prospects one to two weeks prior to the initial contact.

This mailer may be distributed to prospects either in hard-copy form or via e-mail and should be accompanied by a cover letter outlining the enclosed material and alerting recipients that a City representative will be following-up soon.

In general, collateral materials should be high impact pieces, incorporating multi-media elements whenever possible, which explain and describe the sponsorship and pique the prospect’s interest for further information. These collaterals should be tailored to each prospect’s category needs and “hot buttons.”

- **Introducing the sponsorship concept to prospects:** This typically takes place via phone or through the distribution of marketing materials to a broad list of prospects. Discussion points include:
 - An overview of the opportunity;
 - A list of key benefits for the sponsor; and
 - An offer of additional information.

³ *Sports Business Journal*, November 20-26, 2006

- **Setting meetings with sponsor decision-makers:** “Face-to-face” meetings are very effective in advancing the sales process. The meeting will be a fluid process with many items open for discussion. But before setting a meeting, be sure the prospect is aware of:
 - The sponsorship’s price;
 - The extent of the benefits included; and
 - The term of the sponsorship.
- **Issuing proposals to “live” prospects:** Those who have emerged from the winnowing process are ready for a formal customized sponsorship proposal. This proposal should reflect the basic elements of the sponsorship (benefits, term, fee), as well as any particular prospect requests that are appropriate and acceptable. It should also outline any business opportunities that could result from the sponsor relationship.

An effective sponsorship sales proposal is one that contains a judicious mixture of image and content. It should be informative, interesting and immediately address the prospect’s ever-present questions: *What’s in it for me?* and *How does it fit with my strategic marketing objectives?* Above all, it should trigger a desire on the recipient’s part for further contact or information from the property.

- **Making the presentation to qualified prospects:** This is typically a PowerPoint presentation (or something similar) detailing the sponsorship’s benefits and fee. We recommend that the City limit a sales presentation to approximately 30 to 45 minutes in length. A shortened sales presentation will:
 - Keep the prospect attentive and focused;
 - Allow for corporate prospects to further discuss their business objectives;
 - Allow ample time for questions and answers (both parties); and
 - Enable both parties to develop a comprehensive list of next steps.

The objective of any sales presentation is to determine the true viability of the prospect. A corporate decision-maker’s time is limited and use of that time is critical. BWA recommends that the City quickly focus on making the “connection” with the corporate prospect’s marketing and business needs.

- **Following-up with potential sponsor contacts:** This is an ongoing process that addresses the prospect’s needs, questions, concerns, etc. This is usually done via telephone within a week to 10 days of submission of the proposal.
- **Negotiating a sponsorship contract:** The negotiation process is the key phase in the sales process. The list on the following pages provides important negotiating points for the City to consider. Due to the size of this sponsorship, it could take several weeks or months to finalize a contract even after each party has agreed to initial terms of a relationship.

Timeline

It has been our experience that a Naming Rights sponsorship sales campaign like this usually takes approximately 6-12 months to go from initial contact to final contract. This timeline is impacted by when corporations set their annual budgets. For example, most properties must submit sponsorship proposals by the fall at the latest in order to be included in the corporate budget for the following year.

NEGOTIATING POINTS

Before entering into any sponsorship agreement, the City should develop a list of negotiating objectives that will help influence the course of discussions. The negotiating points listed here are not meant to be comprehensive. They are intended to provide the City with a solid foundation upon which BWA and the City should base their future negotiations with a Naming Rights partner. There are undoubtedly many other issues that will come up and need to be dealt with to see the negotiations through to a successful conclusion.

The following list includes some of the major points we believe should be part of the City's sponsorship negotiations arsenal.

1. **Sponsorship Fee.** The Strategy should be to negotiate for fees that are within the range we have provided. Throughout the negotiations, BWA and the City should openly and consistently insist on receiving a fair price for the true and "measurable" value of the benefits being offered.
2. **Categorical Exclusivity.** As previously mentioned, the City should offer "categorical exclusivity" to the Naming Rights sponsor. This will allow the sponsor to preclude its competitors from receiving any sales, marketing and promotional association with the Center (e.g., advertising, collateral materials, etc.).
3. **Negotiating Exclusivity.** The City should offer the potential Naming Rights sponsor a categorically exclusive negotiating period of 30-60 days to complete a Naming Rights agreement.

By allowing a potential sponsor to be at the front of the Naming Rights line, the City may be able to secure a Naming Rights sponsor in a timelier manner. This type of arrangement would ensure that a potential sponsor's industry competition is precluded from any Naming Rights discussions for a specified period of time. It would also promote and encourage a quality relationship between a potential Naming Rights partner and the City. However, the City should place a time limit on this exclusivity (as described above) so as not to completely discourage a competitive environment.

4. **Purchasing Products/Services:** The City should offer to purchase products and/or services from its sponsor as a way to strengthen its relationship. Partnerships of this kind have become increasingly common in recent years. Possible examples include utilization of

telecom equipment, electronic equipment, food and beverage, banking services, paper products, or even energy needs.

5. **First Right/First Look.** The City should be prepared to offer their sponsor a "first right" regarding contract renewal as well as a "first look" at any new sponsorship opportunities associated with the Center.
6. **Contractual Outs.** The City should build several "out clauses" into the Naming Rights sponsorship agreement, including standard legal issues (e.g., in the event that the Naming Rights sponsor declares bankruptcy, creates a negative image for the City, etc.).
7. **Repeated Name Changes.** In the negotiations with a prospective Naming Rights sponsor, the City should attempt to limit the number of name changes during the term of the sponsorship agreement. In today's age of mergers and acquisitions, a Naming Rights sponsor may change its own name and, consequently, wish to change the name of its sponsored property as well. The image and recognition of a property like this decreases with every name change, so the City will want to be vigilant about protecting this value by limiting, to the extent possible, the name changes during the term of the agreement.

Additionally, multiple name changes can cause a great deal of confusion for the general public. In any case, any name change should be mutually agreed upon by the City and the Naming Rights sponsor, with the Naming Rights sponsor covering all costs associated with the name change.

8. **Performance Clause.** In our experience, Naming Rights sponsors occasionally attempt to negotiate for a performance clause to be included in the contract. A performance clause is typically used to obtain a commitment for minimum attendance, media penetration, etc. BWA typically recommends that its property clients resist efforts to include this clause.



Sponsor Categories

In offering the following categorical descriptions, BWA has taken a number of factors into consideration, including the size of our recommended packages and the sponsorship needs of prospective corporate partners. As already mentioned, to succeed in this environment, the City will need to be flexible and creative in developing mutually beneficial sponsor relationships.

In general, to the extent possible, we recommend that the City seek out companies looking to achieve or enhance brand recognition or develop business opportunities in the Greater Industry Area. The key is that these businesses must be looking to “make a splash” in the Industry and Greater Los Angeles market as a method of introducing a new marketing strategy, giving impetus to a new product launch, raising their regional profile or attempting to stand out as a good corporate citizen.

As noted earlier, special consideration should be given to companies with which the City already has an existing business relationship (i.e., vendors, etc.). If possible, the City should attempt to augment these business relationships with sponsorships.

The following industry category list is not inclusive of *every* industry that should be considered, but simply highlights key industries and offers some insight into what those companies typically look for in sponsorship agreements.

Category Considerations

In general, we recommend the City seek out companies looking to develop/enhance business opportunities and/or enhance brand recognition through a relationship with the City. The following industry category list is not inclusive of *every* industry that should be considered, but simply highlights key industries the City should focus on for their Naming Rights or other major level sponsorship packages.



Automobile: The automobile industry is one of the largest advertising spenders, and typically prefers to pay for its sponsorships by including the property in its advertising rather than through large cash payments. Additionally, it has a reputation for paying a substantial portion of its sponsorship fees in trade. The focus of the automobile industry is using its sponsorships to showcase new models, promote brand attributes and drive showroom traffic.



Banking/Financial Services: Regulatory changes have greatly increased the types of business banks can conduct. As a result, domestic banks and increasingly international banks that want a foothold in the category are in a perpetual state of redefinition. This trend benefits properties, as more sponsorship dollars pour in from banks looking for the best way to reintroduce themselves to consumers with new products, new territories, and new company names. The hot buttons for the banking

industry are branding, facilitating consumer acquisition, and building relationships through hospitality. Further, successful sponsorships with the banking industry are those that help it convey the message that banks are fluid, flexible, mobile, and community oriented.



Computer: There are a couple of hot buttons for the computer industry: brand awareness and interactivity. Brand awareness enables computer companies to distinguish themselves in consumers' minds. Interactivity is critical because it helps consumers understand how new technologies can benefit their lives. For example, the City might use Apple computers in a special "technology preview" area. Another possibility: Set up a branded demonstration area where visitors can try out the latest innovations of a sponsor's computer equipment.



Consumer Electronics: Although a more mature industry than the computer industry, consumer electronics is similar in that it places great emphasis on brand awareness and interactivity (especially with product displays on-site at sponsorship properties). Companies in this industry are known for their ability to negotiate deals that are primarily trade-based as opposed to predominantly cash.



Telecommunications: The telecommunications industry is also similar to the computer industry: many companies competing for consumer attention. There is further confusion about which companies are local/regional and which ones are national, as well as what types of technology/services each one offers. Telecommunication companies often appeal directly to young people. Real-life demonstrations of how the City is using a sponsor's technologies (if appropriate) would be an effective way to help a sponsor showcase its products and potentially distinguish it from competitors.



Energy: The energy category is another one that offers good sponsorship potential. Locking up the City's business and gaining access to other key promotional and public relations benefits could be a strong inducement for an energy firm to consider sponsorship status. A particularly attractive sub-category of the energy industry is power generation systems, equipment and services as well as the transport sector, where new and innovative developments are becoming more prevalent. This category has recently jumped into the sponsorship market and sponsors several sporting events.



themselves to consumer marketing and try to use sponsorship to reach families. Healthcare companies are increasingly expanding their marketing to reach a national audience as well.

Healthcare: Many healthcare companies look to get involved in sponsorship at the grassroots level, often hoping to develop relationships with people in the communities they serve every day. Therefore, companies in this industry lend themselves to consumer marketing and try to use sponsorship to reach families. Healthcare companies are increasingly expanding their marketing to reach a national audience as well.



peers.

Health and Fitness Products: The growing recognition of the importance of physical fitness in the overall health of Americans has given rise to a category that appeal to all ages. In addition to raising their brand awareness among this segment of the population, companies in this category are eager to make inroads with that portion of the population which is likely to be perceived as trend-setting among its



business, where brand awareness is extraordinarily important.

Insurance: Insurance, like the banking industry, is a well-established field that is looking to sponsorship for help in broadening its marketing appeal, diversifying its business and expanding into other disciplines (i.e., mortgage, investment banking, etc.). The number of sponsorship deals brokered in recent years with insurance companies is a clear indication that companies in this field have been eager to get involved in sponsorship. Furthermore, there are many institutional companies that are getting involved in the retail insurance



type of challenge by investing more in marketing as a percentage of total sales than they have previously.

Packaged Foods: The packaged foods industry is basically a retail industry. As such, it is geared toward brand building, driving traffic to retail locations, acquiring shelf space and obtaining advertising or promotional support. Many national brands face stiff challenges from private or generic brands. As a result, national brands are combating this



connection. Companies in this category also look to develop and strengthen their relationship with retailers in order to gain valuable shelf space. A sponsorship connection with facility like the Expo Center can help accomplish this.

Packaged Goods: The packaged goods industry (which includes personal care products) focuses on building new brands and reinforcing its brands in the minds of consumers. It also strives to make an emotional connection with a consumer to develop a lifetime brand affinity. Many in this industry are turning to sponsorship to make this strong



Soft Drink/Beverages: (This category also brings with it isotonic, teas, juices and water partners.) The soft drink industry looks for two things from its sponsorships: 1) developing business relationships with the property, which means acquiring its pouring or vending rights; and 2) obtaining sponsor benefits, often at a discount. Beverage companies prefer to use marketing support as a way to pay their sponsorship fees, but the City should strive to gain as much cash from this category as possible if a beverage company is interested in pursuing a relationship.



friendly fashion.

Petroleum: Oil companies have an ongoing need to portray themselves as environmentally sensitive, and are frequent sponsors of educational/cultural events or programming. Additionally, oil companies are moving toward positioning themselves as energy companies. To this end, they are eager to link with activities that help them broaden consumers' perceptions of them and depict them in an environmentally



friendly fashion.

Pharmaceuticals: Drug companies often look for properties to pull together different business and consumer segments. The ideal sponsorship provides a platform for drug manufacturers to explain through customized messages the benefits of their product to various segments. When selling this category, remember that pharmaceutical companies have highly segmented marketing and sales functions. Many have staff and budgets dedicated to each market segment: hospitals, physicians, consumers and others.



Media: This industry looks to increase the number of subscribers through sponsorship. Media companies also use sponsorship to pass through sponsorship benefits to their key advertisers as a means of cementing the relationship and generating new revenue streams for the media company. Companies in this industry have become more active in sponsorship recently. Included in this category would be newspapers, cable television providers, publishers and social media.



Additional Recommendations

Although the Center Naming Rights sponsorship package is well constructed and inclusive of all the key elements, we offer the following recommendations to help the City further enhance the potential of the Naming Rights agreement.

1. Offer the Naming Rights sponsor the opportunity for a business relationship beyond the Naming Rights agreement.

Another way to entice a company to become involved in sponsorship is to offer it the chance to develop a business relationship with the property beyond the scope of its sponsorship agreement. This could be attractive to a company considering a Naming Rights sponsorship because it could help to *indirectly* offset its sponsorship fees.

For example, when the City is marketing the Naming Rights to a corporate prospect, they may want to “think outside the box” to see if there are opportunities to create a business relationship with other City of Industry holdings. Corporations seek after these types of opportunities, as they represent a “foot in the door” with a potentially huge upside. In fact, this strategy has been used to generate corporate interest in other Naming Rights negotiations. In one instance, the franchise owner offered to divert a portion of his non-franchise resources—which were considerable—toward a Naming Rights candidate’s banking business.

The point is this: If the City can offer the Naming Rights partner a business relationship outside of the Naming Rights agreement, it may make it easier for the City to secure a partner and further cement the relationship. At minimum, if the City cannot offer a partner a “big picture” business relationship beyond the Center, they should use their partner’s products and services on an exclusive basis for these entities.

2. Allow the sponsor to incorporate its products and services into the Center, in a mutually agreed upon manner.

The competition for sponsor funding has increased. Perhaps as a result of this, we have observed that properties’ sponsorship packages and their sponsor relationships have become more creative. This creativity can make an impactful first impression on potential sponsors and can also be extremely useful in sponsor retention efforts. The bottom line: Those sponsorship properties that are willing to customize their packages to meet specific sponsor needs are more likely to attract and retain the interest of corporations.

One way to customize sponsor packages is by theming the Center with the sponsor’s corporate colors or perhaps with shapes that echo the sponsor’s logo. Another approach is to offer interactive marketing strategies for a sponsor that enhances the patron’s experience. This interactivity could be especially attractive to a technology company (computer, electronics, etc.) that could use the sponsorship as a way to incorporate its own products and services into the facility (at its own cost).

Incorporating a sponsor's products is a way to add value for a corporation without substantially increasing the cost to the City. The City should be prepared to offer these types of additional benefits (or substitute for existing ones) that a potential sponsor finds appealing. Of course, in order to avoid over-commercialization, the City should make sure that any products/services incorporated into the Center enhance the experience for the patron, and are not just included for the sake of exposure.

In 2005, Dean Bonham negotiated a Naming Rights agreement for O2, a British telecom company, with Anschutz Entertainment Group (AEG) to rejuvenate the former Millennium Dome in London. The agreement illustrates how a sponsor's products/services might be integrated into a facility.

For example, as O2 announced, there were a number of innovative customer-oriented benefits aimed at enriching O2's relations with its current customers and providing powerful inducements to potential customers. These include:

- Delivering exclusive AEG music and entertainment content to O2 phones and devices;
- Offering every O2 customer in the UK, Germany and Ireland VIP membership privileges at The O2, including priority tickets and upgrades, a members bar and VIP hospitality lounge; fast track entry and reserved parking; and
- Introducing a range of interactive services such as mobile ticketing, music downloads and event guides via O2's mobile Internet portal, O2 Active, and the forthcoming i-mode service.

While these are only suggestions, they do illustrate how an agreement could be structured to make it more appealing to a serious prospective sponsor.

3. Promote Naming Rights sponsor activation by assisting in developing mutually beneficial joint promotions.

As the City is well aware, it is important to encourage the Naming Rights sponsor to activate its sponsorship. One way to assist in activation is to work with the sponsor to develop joint promotions. We see this as a valuable benefit for both parties. Promotions with City tie-ins could become an important part of a sponsor's marketing efforts to assist it in adding value to the sponsorship, while also helping the athletics department to meet their marketing objectives. Therefore, we recommend that the City work with the Naming Rights sponsor to develop joint promotions aimed at assisting both parties with their marketing objectives.

4. Offer market research opportunities to the Naming Rights sponsor.

Up-to-date demographic and psychographic information about consumers is one of the ongoing needs of corporations everywhere. To obtain in-depth information about the sponsorship's impact on brand awareness, purchase intent, loyalty and preference etc., consumer-based market research is required. By conducting market research, the

Naming Rights sponsor will have a tool to assist it in determining the overall impact of this sponsorship on its brand. Another benefit of this information is that the sponsor will be better able to customize its advertising expenditures done in support of the sponsorship, thereby allowing it to derive maximum value out of the sponsorship.

As a way to provide additional value for a new Naming Rights sponsor, and thereby enhance the attractiveness of its sponsorship package, the City should consider offering their partner the opportunity to conduct subsidized market research at the Center a mutually-acceptable number of times each year.

5. Convene a summit to facilitate and encourage cross-promotional opportunities among the City of Industry sponsors.

In the current economic environment, sponsors are particularly eager to derive maximum value from their involvement with properties in any way they can without adding significant cost. One method that properties have found to be effective in fulfilling this need is by convening a summit that facilitates and encourages communication and cross-promotional opportunities. The sponsor summit is an excellent way to bring value not only to the Naming Rights sponsor, but all of the City's corporate partners.

The sponsor summit brings together sponsor representatives to discuss their particular reasons for involvement with the property and to share ideas on how they might interact with each other and/or with the property to maximize the value of their involvement. Additionally, a summit would allow the City to further build on existing relationships and to assist in retaining current partners. Such a summit would be convened by the athletics department, but would derive its maximum effectiveness by employing an independent facilitator, who could help organize and coordinate the event, providing the City and sponsor participants with tangible take-aways.

At the very least, the summit should allow for the City sponsors to network and create meaningful relationships that may lead to business relationships separate and apart from the City.

6. Where applicable, consider offering the Naming Rights sponsor additional exposure opportunities throughout the Center and other City owned properties.

The Center Naming Rights package includes certain benefits associated with the Center. If possible, appropriate and cost-effective for the sponsor, the City should consider expanding these benefits to include such elements as the opportunity to have a booth at appropriate trade shows, on-site exposure and/or the use of meeting space at the Center for employee or shareholder meetings.

7. Consider adding a community relations element to the Naming Rights package.

We have observed that corporate sponsors appreciate and benefit from being recognized for their involvement in community activities. It helps them create goodwill and positions them as having a community agenda as well as a commercial one. To this end, we suggest the City consider offering the Naming Rights sponsor a community connection if one is available. Furthermore, the City could offer to bridge a connection between the Naming Rights sponsor and the City's grants or charities.

8. Offer the Naming Rights sponsor a detailed annual fulfillment report of the benefits provided by its sponsorship.

In today's sponsorship environment, greater accountability regarding the value and impact of sponsorship benefits is becoming increasingly relevant. One way to document this impact for a sponsor is by providing a performance report that details the value received from its sponsorship benefits.

We recommend that the City offer the Naming Rights sponsor a report at the end of every contract year that details the benefits the sponsorship delivered during the year. This report should include affidavits of the sponsorship's performance (e.g., attendance figures, media coverage, etc.). In addition to providing valuable documentation to the sponsor, this fulfillment report can help to enhance the long-term partnership between the City and the sponsor. For example, they can provide insight to the sponsor on ways to better leverage this sponsorship.

The City could use the list of benefits in provided as a template in providing information to its partners. Further, BWA's value conclusions in this document could be used to assist the City in preparing the fulfillment report in the first few years.⁴

⁴ Unless BWA updated its findings, the City would need to come to its own value conclusions thereafter.



Summary

Bonham/Wills & Associates believes the Center represents genuine marketing potential for a Naming Rights sponsor and a significant incremental revenue opportunity for the City of Industry.

Furthermore, given the size and diversity of the Center, BWA believes that there are additional opportunities for sponsors beyond the Naming Rights. We have included these sponsors throughout as “Founding Partnerships”. Each one of these partnerships will be unique, and the BWA team will work with the corporate sponsor to establish the best package to meet the sponsor’s marketing objectives. BWA also recommends that before entering into any Founding Partnerships, the Expo Center first sells and negotiates a meaningful term for the Naming Rights of the Grand Arena. Because the package is very comprehensive, it offers prime exposure, the potential for outstanding interactive opportunities, and an association with a premier property in the Greater Los Angeles marketplace.

As the City moves forward with their Naming Rights sponsorship sales efforts, they should:

- Be creative in developing ways to attract interest from prospective sponsors;
- Focus on forging a long-term, mutually beneficial relationship; and
- Incorporate accountability into the process to help the sponsor recognize and appreciate the value of its investment.

The City of Industry needs to be patient with their sales campaign, as the process is typically a lengthy one requiring sustained effort. However, based on the attributes of the Center, its role as host to premier events, the range of fees we have outlined and the composition of the sponsorship package, we believe the City of Industry is well-positioned to be successful in securing a Naming Rights sponsor for the Industry Hills Expo Center.