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Brand new revenue

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Lucrative naming-rights agreements for sporting venues — from Boston's FleetCenter to the Staples Center in Los Angeles — were once novel approaches to advertising but have become commonplace, opening the way for government agencies to strike similar deals for other facilities. Local officials, seeking to offset revenue losses yet still improve public services, are intrigued by the chance to pull in some of the millions of dollars — $400 million, according to the Chicago-based International Event Group — U.S. companies are devoting annually to advertising as part of municipal marketing sponsorships.

In pursuing the deals, local officials must navigate restrictive procurement rules and public opposition. “There are some concerns about the whole idea of ads, in [residents'] minds, being slapped on a whole lot of different places,” says Glendale, Calif., Deputy City Manager Yasmin Beers.

Some cities have created departments to find corporate sponsors for public facilities and events and manage their contracts. Others are hiring consulting firms to help identify assets and develop marketing plans and policies.

The art of the deal

In 1999, San Diego became one of the first cities in the country to hire a consulting firm — Atlanta-based The Pathfinder Group — to develop a strategic marketing plan and identify new ways to generate revenue from marketing partnerships. Since then, the city and its consultant have aggressively pursued sponsorships, generating more than $9 million so far.

From the beginning, San Diego's leaders wanted a policy to guide decisions about future partnerships, according to Jennifer Wolff, director of the Corporate Partnership Program. “The policy [addresses] issues such as who the city is not going to do business with, such as tobacco companies, alcohol companies and police-regulated companies like pawn shops or strip clubs,” she says.

The policy also established a request for sponsorship (RFS) process, which is similar to the request for proposals cities use to bid other types of contracts. The RFS gives every company in a business category the opportunity to bid on becoming the city's exclusive partner for that product or service. “Since those early days when the city did its first partnership and we put our policies in place, almost every partnership has been approved unanimously because those policies are there,” Wolff says.

San Diego's first marketing partnership was a 12-year contract with Purchase, N.Y.-based Pepsi that began in 1999, naming the company as the city's official beverage partner and granting it exclusive rights to sell its products in the 400 vending machines on city property. The city received $1.5 million as a signing fee and a minimum guaranteed amount of $250,000 per year, as well as thousands of dollars in donated products and marketing and advertising.

Since then, the city has decided to limit the length of marketing partnerships to five years. “We feel comfortable with five-year terms because it is still a short enough time to be able to evaluate if the partnership is successful on both the city's and the company's end,” Wolff says. “It also creates a better environment in which to negotiate or extend the partnership for another term.”

In 2000, San Diego signed a partnership with Basking Ridge, N.J.-based Verizon Wireless from which the city received $1 million over five years for designating the company as the city's official wireless partner. Under the agreement, the company provided wireless telephone services for the city; had the exclusive right to provide discounted wireless service for the city's 13,000 employees, 6,000 retirees and their families; had the right to sell pre-paid products in city-operated stores and community service centers; and had the option to co-sponsor up to four city-hosted special events each year. The city is currently renegotiating a new contract with Verizon.

San Diego also inked a two-year agreement with Detroit-based General Motors in 2002 to provide 29 vehicles for the city's lifeguards and five vehicles for the city's police and fire departments free of charge. In exchange, the company put graphics on the trucks, advertising it as the official vehicle partner of San Diego's lifeguard services. The city has signed a new partnership for lifeguard vehicles with the locally based McCune Chrysler-Jeep dealership under the same terms.

San Diego also has developed partnerships to receive equipment for the city's emergency services departments. Under its Public Access Defibrilator Program, the city gets discounted automatic external defibrillators from Seattle-based Cardiac Science. The company pays a marketing rights fee to the city to pay for staff in the city's emergency services department to help the company sell the devices to private companies and to train users.

The city's sponsorship program has been lucrative and virtually problem-free because officials have emphasized a “clutter-free” approach to marketing partnerships. “There are no signs, no billboards,” Wolff says. “What companies want is direct access to a captive consumer audience, and most of these partnerships have to do with marketing directly to city employees, which nobody sees. The only partnerships that have included any kind of signs — the vehicle partnership and the rescue helicopter program — have involved discreet emblems on vehicles, which are not stationary and have not raised any complaints from citizens.”

The Big Snapple

While San Diego has been prolific in forming partnerships, New York has led the field in pursuing high-profile, high-dollar marketing agreements. The city's first — and most scrutinized — contract with beverage manufacturer Snapple, a subsidiary of London-based Cadbury Schweppes, rolled out in September 2003. The deal was expected to bring in $126 million from exclusive sales of the company's tea and juice products in city-owned facilities.

In April 2004, New York Comptroller Bill Thompson sued to stop the deal, saying that the city failed to follow proper procedures in awarding the contract by failing to allow competing companies to bid on the partnership. The courts upheld the contract but not before the controversy generated a large amount of media interest in the deal. “Anytime you've got such a big idea, there's going to be some challenges to that, but it is absolutely the right thing for a city of this size and a city like New York that has such broad appeal," says Kimberly Spell, vice president of communications for NYC Global Marketing and Big Events. "There will always be challenges for something this new and this bold."

The media flurry was revived in June when figures were released showing Snapple sales running 93 percent below projections two years into the partnership. The deal was based on estimates that 5 million cases of beverages would be sold during the five-year contract, however, that estimate has been reduced to 330,000 cases based on sales to date. Marketing officials renegotiated the deal, and the city now expects to receive $33 million under the contract.

Despite difficulties with the beverage partnership, the city has secured several other marketing deals, including a $19.5 million partnership with The History Channel to establish a New York City Official History Center that will be owned and operated by the city and sponsored by the network; the development of historical city tours by the network; a New York tourism advertising package to air on the channel and its affiliates; and preservation of historic city landmarks and monuments. The partnership, which was announced in December 2004, will run through June 2008.

The deals were negotiated by the New York City Marketing Development Corp., which was created by Mayor Michael Bloomberg in 2003 to generate revenue. In June, however, the mayor announced that NYC Marketing would merge with the city's tourism department and its special events department to focus financial resources and professional expertise to better compete for big events and more tourists. The merger is a result of Mayor Bloomberg's January 2006 pledge to devote an additional $15 million annually to attract 50 million visitors per year to the city by 2015. The three agencies collectively employ more than 100 people and have a combined annual budget of more than $22 million. That budget, when supplemented with the additional $15 million, will help create one of the largest municipal marketing organizations in the world, according to the city.

Cities seeking sponsors

Like New York, Miami-Dade County's sponsorship program has encountered problems with procurement rules. "It is probably not uncommon for other governments who have attempted sponsorships to run into procurement difficulties," says Kevin Lynskey, assistant director of Miami-Dade County's office of strategic business management, performance improvement division. "Governmental procurement rules typically prefer solicitations that have very defined rights for the vendors, while corporate sponsorships are often most productive when they begin as conversations about undefined rights. It's not an easy thing, in a procurement world, to produce a deal where the rights are not always well-defined up front."

In Miami-Dade County, individual departments have pursued small sponsorships for several years for special events they organize. But for the past two years, leaders have been developing a formal corporate sponsorship plan to attract larger agreements with national companies. The county established a Corporate Sponsorship Executive Committee to review the inventory of county assets and identify initiatives for further research and development based on an analysis conducted by the Cleveland-based Superlative Group. The county intends to amend and re-release a solicitation on beverage vending, and seek sponsorship for naming rights for the South Miami Dade Cultural Center and for Metromover, the county's downtown light rail system.

Some smaller cities contract with consulting groups to manage marketing deals. For example, Costa Mesa, Calif., contracted with San Diego-based The Active Network to broker a deal with a local skateboarding apparel manufacturer to sponsor the operation and maintenance of a skateboard park in the city. The consultant determined the value of each element of the sponsorship and, under the negotiated 10-year deal that began in February 2005, the company pays the city $30,000 per year for naming rights, the right to hold events at the park and a link on the city Web site.

As a result of the partnership, the city is considering sponsorships for other facilities, including playgrounds and dog parks. “People are seeing this as a positive and are no longer fearful that it will commercialize our parks and cities,” says Jana Ransom, recreation director. “We really need to pick and choose our targets because we are really a conservative community, but this is a demonstrated success and we need to find something else that is equally acceptable.”

As other city leaders see marketing partnerships pay off, many are investigating the arrangements and attempting to make them work in their communities. Glendale, Calif., officials have spent the past two years working with a consultant to research marketing partnerships and are pursuing two contracts — a beverage partnership and a city bus/bus shelter sponsorship program — to present to the city council for consideration by early fall.

The city is planning a two-month pilot program for the bus shelter/bus advertising deal to gauge public opinion on the programs. “We have to look at the way we do business differently than we have in the past and act more as a business,” Beers says. “We have to bring in companies who are willing to partner with cities to generate some revenue.”

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