

AbaF

Valuing your assets

Understanding value

There is a tendency for people in the arts to under value what it is they create, produce, promote or sell. This is reflected in the way that benefits provided to a business partner are sometimes undervalued and underpriced. It is important for both partners to clearly understand the value the benefits they are providing and receiving.

Develop your list of potential benefits

When developing your list, consider classifying the benefits according to:

- Reputation
- Market positioning
- Networking and hospitality
- Staff and organisational development
- Community engagement
- Financial benefits

AbaF calls these the 'business case benefits'. They form the case for business support of a particular organisation or a project. If a business cannot demonstrate that the partnership would provide benefits in one or more of these areas, they may not be interested in pursuing this partnership.

Tangible and intangible benefits

Value is derived from the benefits a partner gains through the relationship. Benefits can be divided into two areas – tangible and intangible benefits.

Tangible benefits are usually easy to value. They have a recognized and easily calculated value, although they also need to take into account the importance of the benefit to the sponsor.

Measuring intangible benefits is quite a different ball game. Yet some would say that these intangible benefits are the most valuable part of the partnership. Prestige, for example, is an intangible benefit which can be most valuable to a business partner.

See the sample template and the end of this Fact Sheet to assist you with identifying and valuing these benefits. The range of possibilities will be partly determined by what type of organisation you are.

Researching price

Solid research is the foundation for building reliable valuation methods for tangible and intangible benefits gained through partnerships.

But, how do you decide the right price to offer something at, if it is new to market? One method could be to set market prices by valuing competitive differences.

Benchmark against similar partnerships

Finding out how much other partnerships are worth can be difficult. Some organisations include the value of a new partnership in the media announcement about the relationship. Some organisations advertise opportunities with prices attached. Sometimes you can find out through colleagues in the industry.

Once you have got a list of partnerships, organisations and value, write them all down and compare them. You need to get a sense of what each offers in terms of brand positioning, market size, market value, community reputation, entertainment, staff development, etc.

Put your offerings within the range of benchmark examples you have gathered. The purpose of this is to get a sense of where you sit amongst the range of other partnership offers available. This will help you determine what kind of price a potential partner might feel is reasonable.

Determining return on investment

This is critical in assessing the total worth of a sponsored properly and therefore being able to determine a net work or return on investment.

What a business partner wants is a highly customised and creative offer that gives them opportunity for leverage. Remember, exclusivity has a price. Add an amount on top of the costs to reflect the value of that exclusivity.

Setting price

It is important to determine whether full retail value or some other value is applied to all elements. If full retail value is applied, the value of tangible benefits provided by one partner may vary markedly from the value of tangible benefits provided by the other partner.

This is one of the reasons for the residual amount being considered. It is, in effect, the premium, paid by the business partner for the relationship with the arts partner and the intangible relationship benefit.

If the full retail value of the tangible benefits provided by the arts partner exceeds the proposed value of the partnership, it could be that the arts partner has not valued its products and services highly enough in negotiations and/or full retail value is not the appropriate value to use.

In some circumstances, it is likely that full retail value is not the appropriate value for all products and services.

While there is no clear rule as to minimum values, it should be assumed that an arts organization would not sell products for less than its costs. Accordingly, cost should reflect the low watermark of valuation.

If an arts organisation has valued the products and services it provides at an appropriate level, then after allocating a value at least equal to cost to all tangible benefits provided to the business partner, the residual amount should always be positive.

As for pricing a unique and creative offer, you can be assured that the value of that offer, will be substantially higher than an off the shelf, standard package.

Establishing a baseline figure

Establishing a baseline figure by adding up all of the costs of selling the partnership, delivering the benefits, and adding value to the partnership as it goes forward and double or triple it.

This double or triple figure is not to get you to the figure you should ask for. It will assist you identify the bottom line and enable you to make a decision as to whether it is worth your while to pursue this partnership. And, if you are not going to make a profit that you can put back into your event or organization, you need to answer the question 'why pursue this partnership?'.

Avoid pricing high and then discounting. That does not always get you to the right price. It may in fact come across as, someone who does not know the true worth of the partnership.

If you are asked, 'can you do it for less, as there is no budget', you may have to say no or negotiate to a lower price for a lesser package, or incorporate contra or in-kind. Avoid doing a straight discount.

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Benefits template

Category	Tangible Item	Value	Intangible Item	Value	Sub-total value
Reputation					
			Naming		
			Exclusivity		
Marketing position					
			Logo placement		
	Advertising				
			Promotion of product/services		
	Media acknowledgements				
	Signage				
Staff and organisational development					
	Special staff functions				
	Staff development workshops				
	Ticket sales				
			Staff involvement in events		
Networking and hospitality					
	Special client functions				
	Tickets/events				
	Food and beverages				
			Access to significant community leaders and government		
	Access to venues for free or reduced costs				
Community value					
			Community perceptions		
Financial					
			Administration		
			Staff time allocation ie percentage of staff salary		