



ARTS SPONSORSHIP OUTLOOK SURVEY 2009

Summary of findings and recommendations

May 2009

EXECUTIVE SUMMARY

The current situation

- More than two-thirds of businesses are committed to sustaining their arts partnerships over the long-term.
- The majority of businesses continue to report high levels of satisfaction with their arts partnerships. In particular, they are satisfied with the way arts partnerships deliver on social goals, brand affinity and communication with partners.
- The majority of businesses want to maintain relationships, albeit at a lower level for a substantial portion.
- Many businesses are not satisfied with the measurement of arts partnership benefits and outcomes, but this alone is not expected to be a driver of cutbacks to arts sponsorship.
- More than half of businesses investing less than \$50,000 in the arts expressed a willingness to invest more if provided with an appropriate incentive, such as the dollar-for-dollar matching of AbaF's Premier's Arts Partnership Fund schemes in South Australia, Western Australia and Tasmania.

Predicted trends

- Arts sponsorship in Australia is expected to decrease in the coming months, with the sharpest decline in business-arts investment expected to occur during the final quarter of 2009 and first quarter of 2010.
- Businesses that invest more than \$500,000 in the arts and less than \$50,000 are more likely to decrease arts-related expenditure than businesses investing amounts in-between. For all but eight per cent of businesses surveyed, any decrease in expenditure is expected to be slight rather than significant.
- Low dollar value investors are more likely to be quicker to increase expenditure again once the economy shows signs of recovery.

- One-half of businesses are likely to substitute some monetary support with the provision of in-kind services or products instead.

Key drivers for business in maintaining partnerships with the arts

- Opportunities for community engagement and activities related to the company's CSR objectives.
- Improving brand recognition.
- Integrating sponsorship with overall corporate strategy priorities.
- Engaging the interests of staff.
- Opportunities for creative activation (leveraging) of arts partnerships. This was rated highest in the respondents' list of partnership sustainability factors.

In contrast, partnerships are more vulnerable to being reduced or cut when they are based not on long-term strategic alignment (including CSR), brand or staff objectives but on short-term tactical considerations, especially where motivating factors include hospitality benefits and personal interests of management.

Key challenges for the arts

- Doing better with less. Business support is set to decrease over the next 12 months at least, but companies are asking for more value from their relationships, especially through creative leveraging.
- Maintaining relationships through the downturn. While support is expected to decrease over the next 12 months, it is likely to pick up after 18 months, although not returning to its present levels within that timeframe. Maintaining relationships now will assist the arts to attract and increase support when the outlook improves and resources become available again.
- Measuring the return on investment (ROI) and objectives (ROO) of partnerships. Only 11 per cent of respondents are satisfied with the measurement of ROI and ROO and this is an area where the arts can significantly strengthen its case to business.
- Incorporating in-kind contributions. Businesses are looking to existing arts partners to consider ways they might benefit from pro bono and other in-kind services rather than direct monetary support.

AbaF actions

AbaF will be taking steps to assist the arts in coping with the consequences of the downturn:

- Continuing to advocate to business, through AbaF's network of Councillors, the benefits of arts partnerships.
- Enhancing AbaF's professional development offerings with practical advice on sustainability in the downturn, including convening arts-business forums where the sectors can share information and build relationships.
- Continuing to monitor trends and provide up-to-date, accurate advice to business and the arts.

INTRODUCTION

Throughout April, AbaF undertook a survey of its councillor companies to gather data on expectations and attitudes regarding the potential effects of the global financial crisis on arts sponsorship.

We asked businesses to predict how the crisis would affect their support for the arts over the next 18 months. Sponsorship, relationship and corporate affairs managers across business and the arts have a pressing need for reliable and useful data about a range of pertinent questions. What will be the scale of the impact on art-related expenditure? When will the impact be experienced and how long will it last? How will business expectations of their arts partners change during this period?

We also wanted to test the assumption that arts sponsorship lags economic cycles of growth and recession by 18 to 24 months, as suggested by recent research from the UK.¹ The arts in Australia may only just now and over the coming months be about to experience downturn-related hardship if the UK research were to apply here.

It is important to emphasise that the survey results contained in this report represent the confidence and forecasts of business respondents at a particular moment in time. They suggest the likelihood of certain outcomes occurring. Since business confidence varies over time and is dependent on a broad spectrum of environmental factors within and outside the corporate sphere, the survey findings do not necessarily plot associated real changes in sponsorship expenditure and expectations.

Also, the sample of AbaF councillor companies surveyed encompasses only a segment of the business sector, albeit an important one. They demonstrate through their relationship with AbaF a strong commitment to advocating private sector support for the arts and exemplifying best practice. In their most recent reporting periods, businesses responding to the survey provided around \$16 million to arts partners. Yet even this significant amount represents only about nine per cent of the total market.²

METHODOLOGY

During April, AbaF conducted an online survey of businesses actively involved in private sector support for the arts. Invitations to participate in the survey were sent to a sample of 64 business representatives drawn from AbaF councillor companies across the country. Participants could either complete the survey themselves or pass the invitation on to an appropriate sponsorship manager within their organisation.

Complete responses were received from 39 companies (a 61 per cent response rate). All states were represented. A full list of the invited businesses from AbaF's Council is supplied at Appendix A.

The major aim of the study was to gain a sense of the expectations of business regarding the scale and composition of private support for the arts in the foreseeable future, assuming that any predictions beyond mid-2010 would be speculative and not practically reliable. For this reason, we elected to frame our study across three time periods: the next six, 12 and 18 months.

Respondents were not expected to reflect on the likely depth and duration of the GFC. Instead, we asked them to simply consider the likely effects of the downturn on their actual arts sponsorship expenditure and activity.

¹ Arts & Business (2009), *Private Investment in Culture 2007/08*, London.

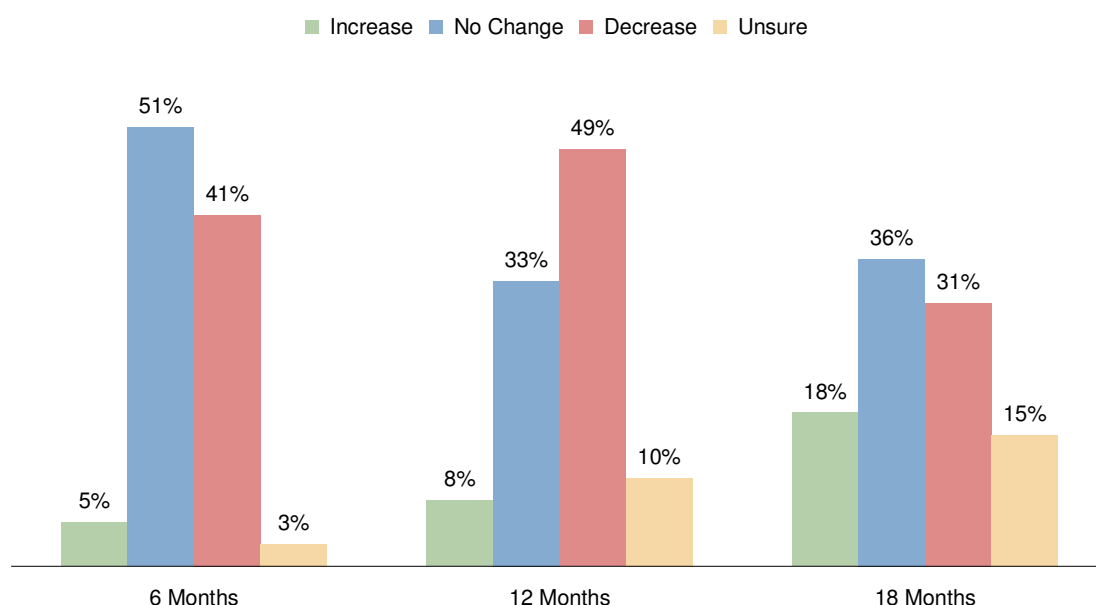
² Based on figures from Australia Business Arts Foundation (2008), *Survey of Private Sector Support for the Arts 2008*, Melbourne.

SURVEY RESULTS

Expectations over the next six to 18 months

Businesses were asked if they expected their monetary investment in the arts to 'significantly' increase or decrease, 'slightly' increase or decrease, or 'remain about the same' over the next six, 12 and 18 months.

Fig. 1 Expected Change in Arts Investment (All Respondents)



Comments

- Very few businesses (eight per cent) expected to increase their arts investment over the next 12 months.
- The majority of businesses want to maintain *some* level of arts sponsorship, with only eight per cent indicating they would aim to 'significantly decrease' expenditure over the next 12 months, compared with 41 per cent expecting to 'slightly decrease' expenditure.
- A little more businesses expected to decrease arts-related expenditure over the next 12 months (49 per cent) compared with the next 6 months (41 per cent), reflecting the relatively long-term nature of many existing partnership contracts that are yet to come under review.
- Unsurprisingly, respondents were more uncertain about longer-term forecasts, yet also generally more optimistic with almost one-in-five businesses indicating they would increase arts-related expenditure above current levels.

Expectations differ according to amount invested

The economic environment is expected to have a greater impact on high dollar value (Fig. 2) and low dollar value (Fig. 4) business-arts relationships than on relationships valued in-between the two extremes (Fig. 3).

Fig. 2 Expected Change in Arts Investment (Amount Invested > \$500,000; n=11)

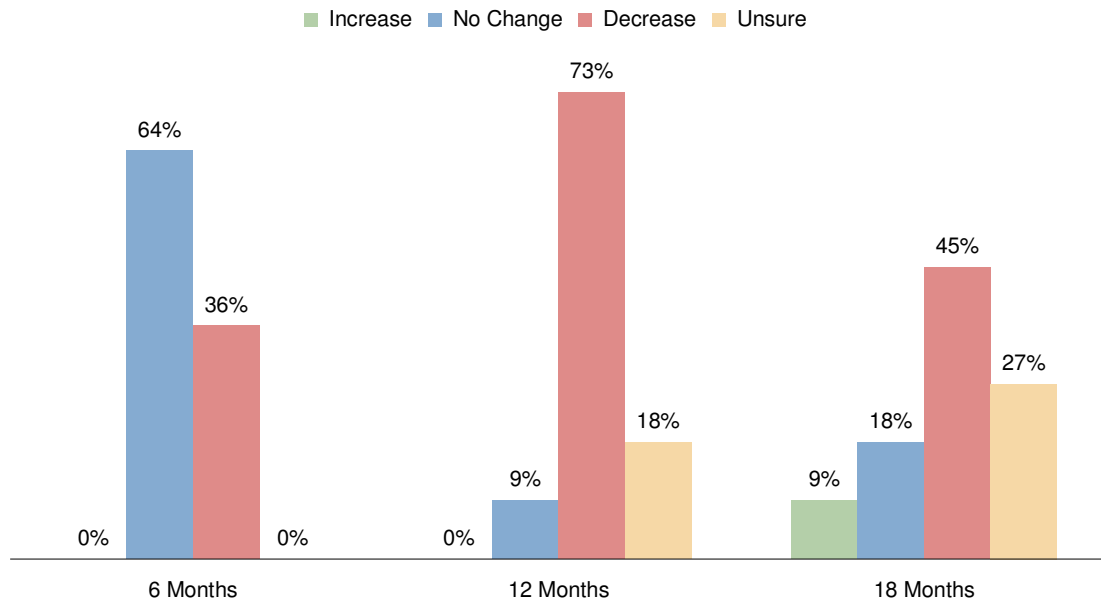


Fig. 3 Expected Change in Arts Investment (Amount Invested \$50,000-500,000; n=17)

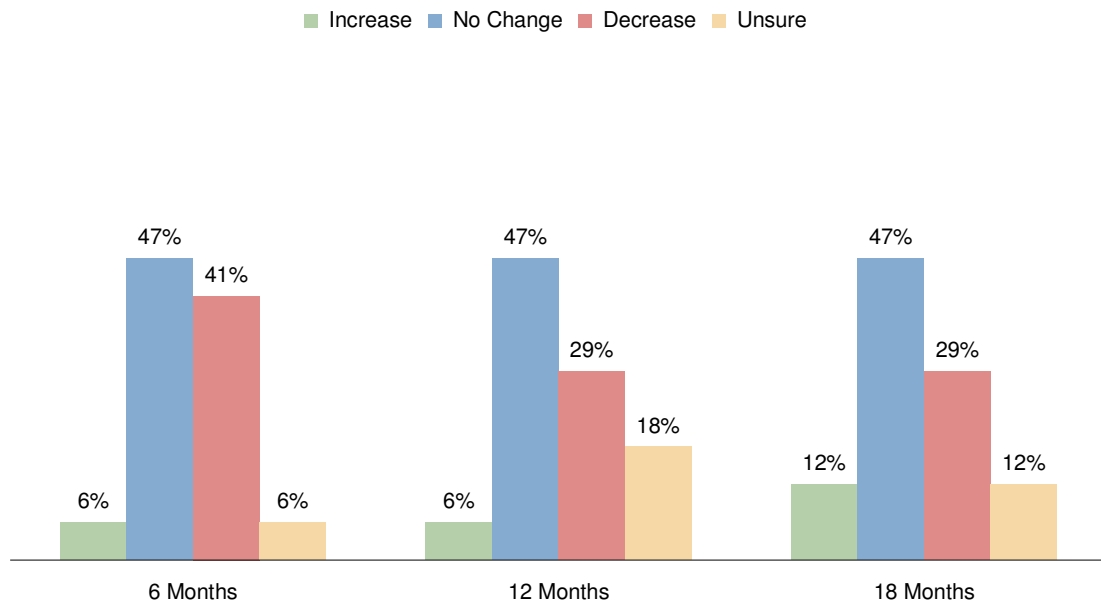
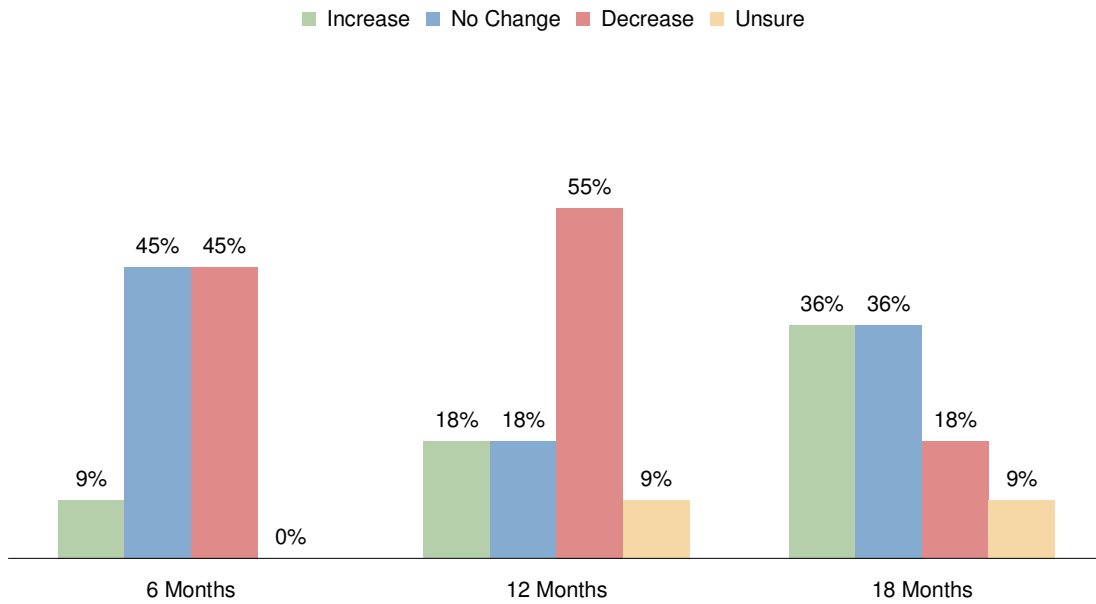


Fig. 4 Expected Change in Arts Investment (Amount Invested < \$50,000; n=11)



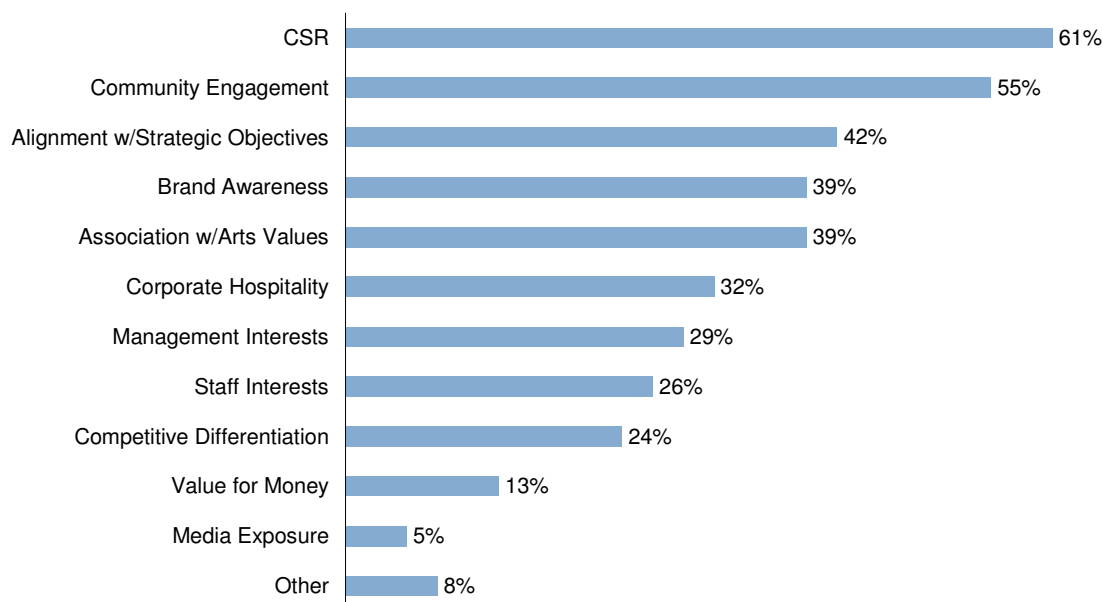
Comments

- The majority (73 per cent) of businesses with more than \$500,000 invested in arts relationships and more than half (55 per cent) of businesses with less than \$50,000 invested expect to decrease expenditure over the next 12 months.
- In comparison, only 29 per cent of businesses contributing between \$50,000 and \$500,000 expected to decrease arts investment over the same period.
- None of the 73 per cent of high dollar value investors who expect to decrease expenditure indicated they will do so to a 'significant' extent. Only 'slight' declines in investment are expected as businesses at this level scale back.
- More than half (53 per cent) of businesses in the median category expected to sustain or increase expenditure over the next 12 months, compared to just nine per cent of high dollar value investors and 36 per cent of low dollar value investors.
- The full impact of the expected crunch has not yet been experienced, with 64 per cent of businesses with more than \$500,000 invested expecting no change in expenditure over the next six months, compared to just nine per cent in the six months thereafter.
- Businesses with high dollar value investment are more likely to sustain a diminished level of expenditure in 18 months time, indicating a higher degree of caution concerning the approach to re-investment once the economy begins to recover.
- In contrast, low dollar value investors are more confident of being able to promptly increase or sustain sponsorship once the economy recovers, with 72 per cent indicating no change or increased spending after 18 months, compared with 59 per cent for median investors and 27 per cent for high dollar value investors.

Motivations for investing

Businesses were asked to select up to four factors that best expressed their motivations for supporting for the arts.

Fig. 5 Percentage of Businesses Selecting Motivating Factor (All Respondents)



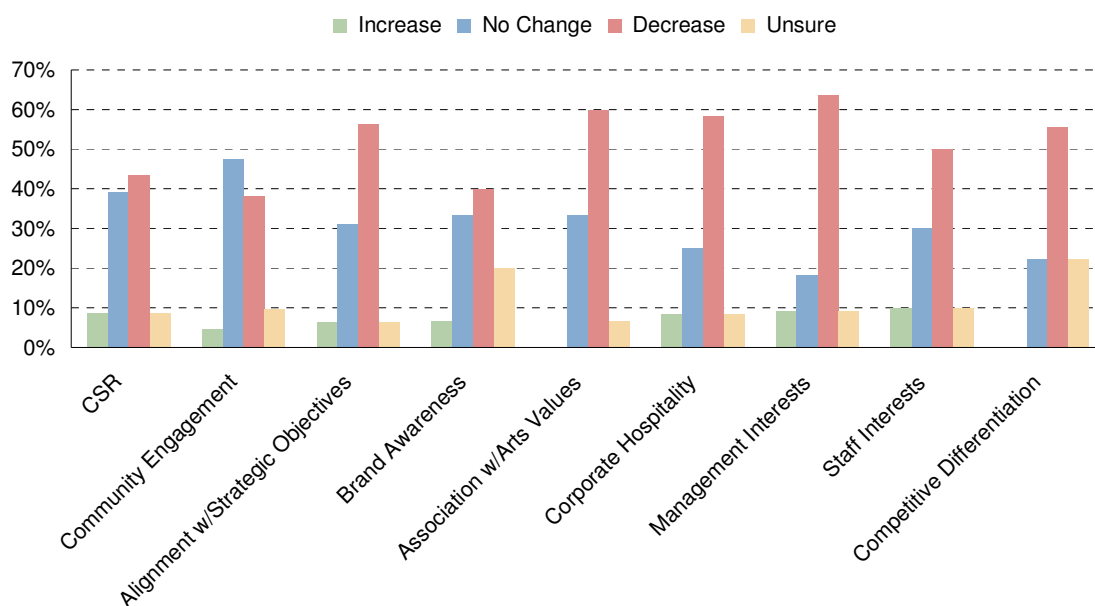
Comments

- The three most important motivating factors involved:
 - Giving back to society through CSR and direct community engagement programs
 - Achieving overall corporate strategic priorities (which might also include community giving objectives)
 - Driving brand awareness.
- Staff and management interests were equally important motivating factors overall, but only one business that both were important, hence usually one or the other takes precedence.
- Having a positive effect on sales was not a particularly important motivation for any business surveyed.
- Even though private support for the arts is generally considered a cheaper alternative to other forms of sponsorship (e.g. sports), the prospect of gaining value for money also wasn't a significant motivating factor for AbaF councillor companies.
- Two businesses indicated that company tradition was a strong driver of ongoing support of the arts. Neither expected the economic downturn to have a truly significant affect on the scope and scale of their partnerships.

Expectations by motivation for investing

Motivating factors appear to influence expected levels of commitment to arts-related expenditure over the next 12 months.

Fig. 6 12-Month Expectations for Businesses By Motivating Factor (All Respondents)



Comments

- Generally, arts-related investment is expected to remain strongest at businesses whose support for the arts is driven by social goals, and usually organisationally and structurally entrenched within dedicated CSR and community engagement programs.
- Likewise, businesses that are already committed to marketing their brand through arts sponsorship and leveraging are more likely to find ways of sustaining their investment through the downturn.
- Businesses motivated by staff engagement and morale factors are less likely to reduce arts investment than businesses motivated by management and board interests.
- Arts sponsorship is more likely to decline at companies where expenditure is motivated by more impulsive and short-term opportunities such as the personal interests of management and the opportunity to orchestrate corporate hospitality events.
- Likewise, arts investment is more likely to decline within businesses that are motivated by factors that are difficult to measure, analyse and hence justify, such as obtaining differentiation from competitors and fostering arts-centric corporate values.

Factors enhancing the sustainability of sponsorships

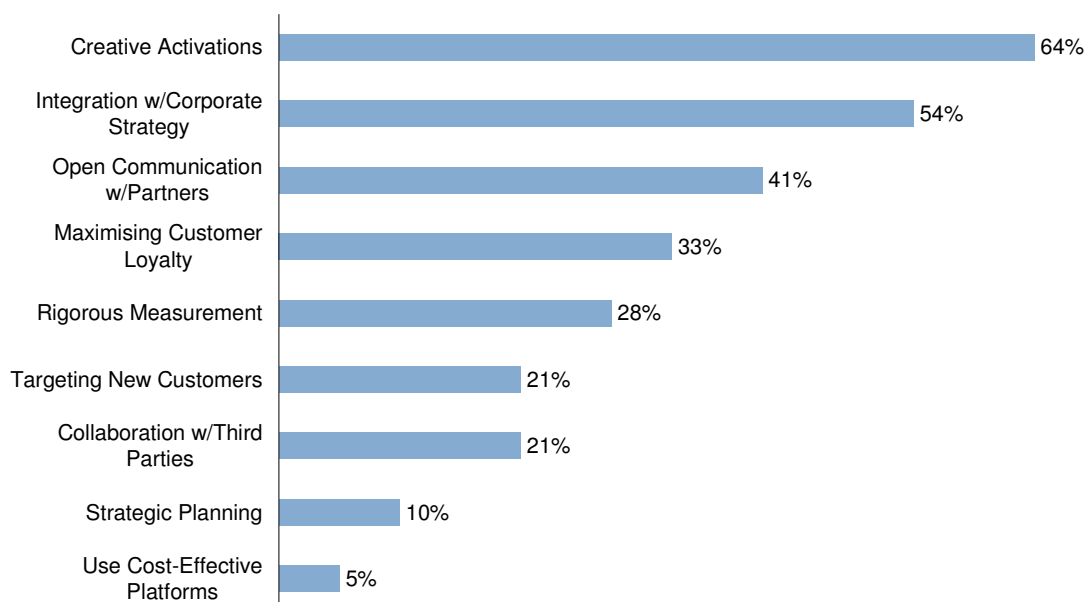
Respondents were asked to select up to three ways of effectively sustaining partnerships through the downturn.

Businesses are likely to prioritise creative activation and leveraging opportunities above other practices in response to the downturn as they seek to sustain the benefits of arts sponsorship (Fig 7).

Arts partners are cherished by businesses for their capacity to add value and enrich sponsorship and branding initiatives through the provision of emotive and innovative experiences that can capture and hold the attention of key target audiences. Yet, as the next section (Fig. 8) shows, businesses believe the arts has the creative potential to do more and improve the value of partnerships through brand leveraging activities.

As one respondent commented, “The downturn is an opportunity for arts organisations to show their creativity and work with existing partners to find marvellous new leverage opportunities.”

Fig. 7 Percentage of Companies Selecting Sustainability Factor (All Respondents)



Comments

- Slightly more businesses expect to focus on sustaining the loyalty of existing consumer markets than researching and targeting new customers or audiences.
- In response to the downturn, businesses consider rigorous tracking and measurement of existing programs more important than undertaking new strategic planning or collaborating with other businesses or arts organisations.
- The idea of complementing traditional marketing through the use of cost-effective practices and platforms did not find great favour, suggesting the likelihood that certain barriers, cost-benefit issues and a shortage of opportunities may restrict the suitability of low-budget digital or guerrilla marketing for arts sponsors at this point in time.

Additional observations

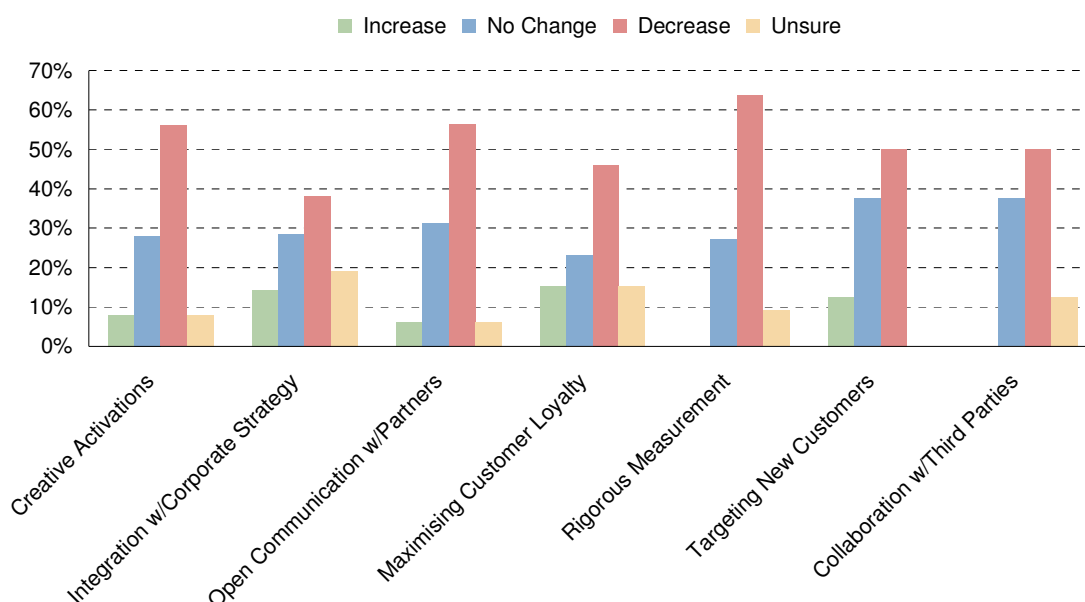
There were some interesting variances from the above overall findings when sustainability factors were cross-referenced with individual motivating factors. Space limitations prevent the inclusion of individual charts here, but highlights include:

- Businesses motivated by brand awareness benefits indicated they were more likely to focus on developing the consumer market, both the loyalty of existing customers (47 per cent) and attracting new customers (40 per cent).
- Interestingly, brand-focused businesses also claimed they were slightly less concerned with measuring the outcome of sponsorships (20 per cent compared with 28 per cent for all businesses surveyed).
- Conversely, businesses interested in being associated with arts-centric values were more interested in measuring returns (40 per cent versus 28 per cent).
- The majority (70 per cent) of businesses motivated by the interests of staff indicated that they thought it was important for related arts sponsorship activities to be incorporated within overall corporate strategy objectives.
- For businesses motivated by corporate hospitality, there was a wider gap between the percentage concerned with existing customer loyalty (50 per cent) over targeting new customers (25 per cent), suggesting that more arts-based hospitality is directed at keeping existing clients and partners entertained and satisfied as opposed to drawing the attention of newcomers.

Expectations by sustainability factors

Just as expectations appear to differ according to the factors that motivate businesses to invest in the arts, differences in the ways that businesses feel they might be able to enhance the sustainability of their sponsorships during the downturn also appears to contextualise confidence.

Fig. 8 12-Month Expectations By Sustainability Factor (All Respondents)



Comments

- Businesses that expect to cut arts investment the least are those with the greatest level of faith and commitment to their overall corporate strategic priorities and 'signature' arts sponsorship programs.
- Businesses with arts sponsorships that demonstrably succeed in maintaining customer loyalty and growing the customer base will also be less likely to decrease the amounts they commit.
- While creative activation and leverage opportunities were selected by the highest percentage of businesses as the best way to enhance the sustainability of sponsorships, these businesses were not, as a cohort, particularly confident about their capacity to sustain investment, suggesting that they are looking for arts partners to make more imaginative use of lower dollar value contributions.
- The negative outlook expressed by businesses that stress the importance of measurable benefits on the sustainability of arts sponsorship indicates a degree of dissatisfaction with prevailing measurement methodologies (see Fig. 9) and suggests that businesses would prefer to have more tangible evidence at hand to decide how and where monetary contributions are increased, maintained or reduced as necessary.

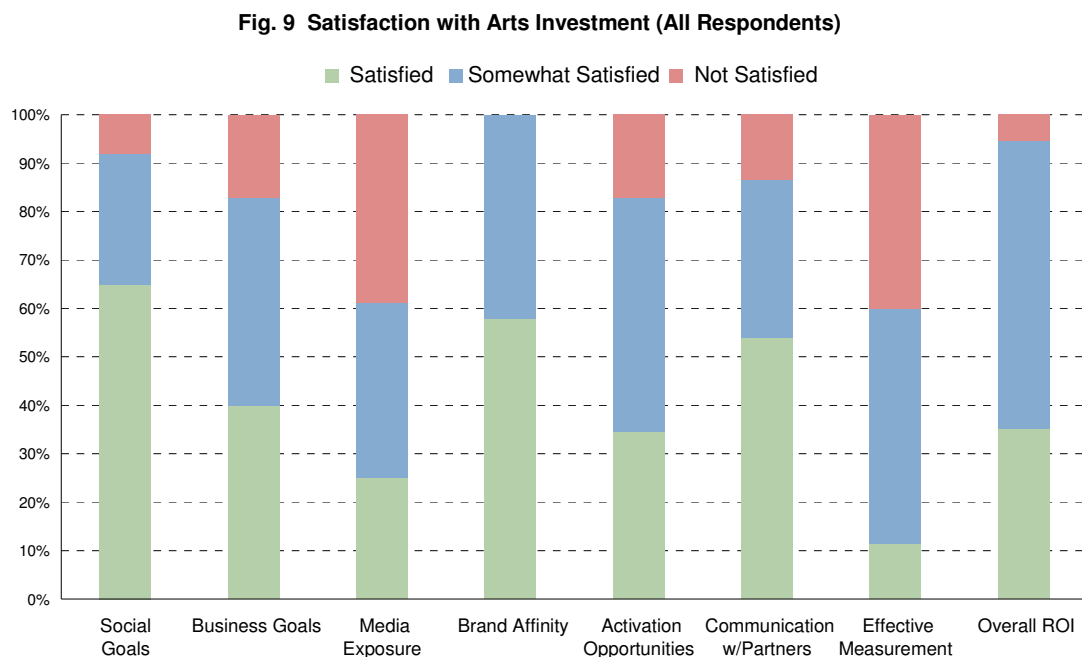
Satisfaction with investment

Businesses were asked to indicate their level of satisfaction with the following outcomes from the arts sponsorship programs they manage on a five-point scale:

- Realising social goals
- Realising business goals
- Media exposure
- Brand affinity
- Activation opportunities
- Communication with arts partners
- Effective measurement
- Overall satisfaction with return on investment.

The results indicated that 95 per cent of respondents were either ‘extremely’, ‘very’ or ‘somewhat’ satisfied with the overall return on investment from their arts sponsorships, while only five per cent were ‘not very’ or ‘not at all’ satisfied.

Each individual partnership aspect is compared in Figure 9.



Comments

- All of the businesses surveyed were satisfied or somewhat satisfied that the arts provided a good sponsorship fit for their brands.
- Two-thirds of businesses indicated that having more creative leverage opportunities was an important factor to enhance the sustainability of arts sponsorships, but only one-third are extremely or very satisfied with the opportunities they are currently acquiring, suggesting that the arts needs to do more in this area.

- The paucity of reliable and useful measurement of sponsorship outcomes remains a problematic issue for businesses and it is likely to be more of an intense problem during the GFC, when greater uncertainty and demands on revenue place more emphasis on the need for incisive data and knowledge.
- Generally, businesses seem to expect their arts sponsorships to generate greater publicity, but since media exposure is ostensibly a minor motivating factor in the decision to form a partnership with an arts organisation, publicity can be regarded as a 'nice to have' outcome rather than an essential component of a partnership offer.

Additional observation

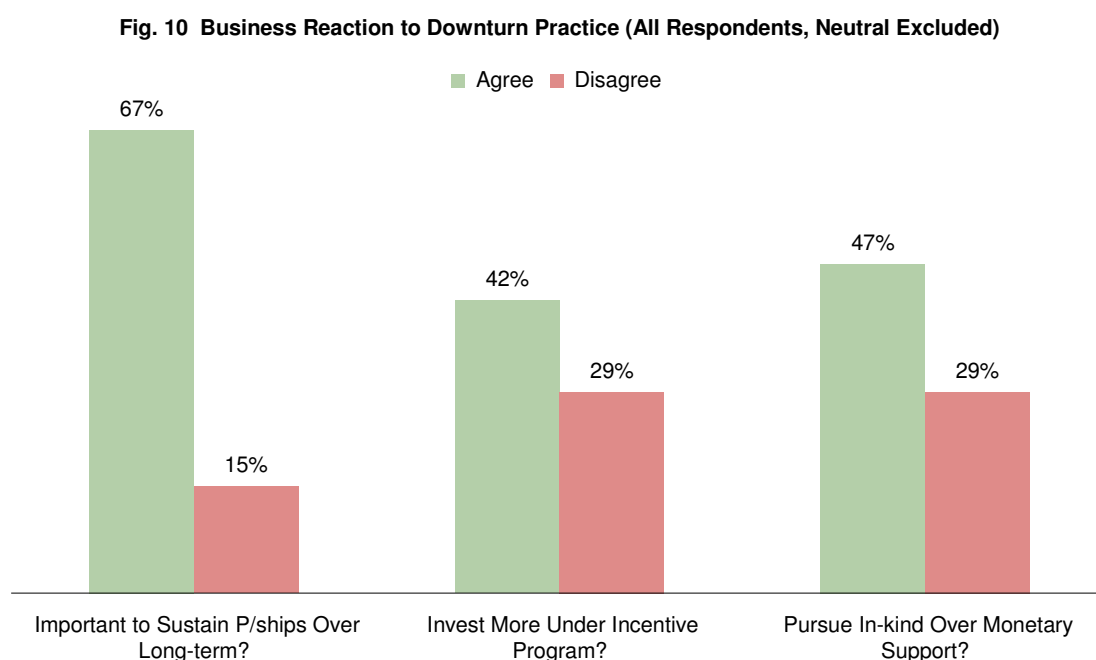
- Regarding 12-month investment expectations, businesses that were not satisfied overall were no more likely to decrease expenditure as a result, but they were less likely to increase expenditure.

Supplementary questions

We were curious to elicit responses to a few other areas of relevance to business practice during the downturn, namely:

- How important is it for businesses to sustain their arts partnerships from a strategic perspective?
- Would businesses spend more on the arts if they had access to additional incentives, such as a dollar-for-dollar matching programs?
- Will businesses be more likely to provide in-kind rather than monetary support?

Omitting neutral or undecided responses, the extent to which businesses agreed or disagreed with these positions is reflected in Figure 10.



Comments

- It is encouraging that the majority (67%) of businesses agreed it is important to sustain their arts partnerships throughout the economic downturn and beyond, reflecting a strong commitment to the principles and importance of private sector support for the arts.
- While the notion of incentives drew mixed responses from businesses, more than half of the low dollar value supporters (contributing \$50,000 or less) indicated they would consider investing more under a suitable program.
- Almost one-half of businesses were interested in substituting monetary contributions with in-kind services and products.
- However, businesses likely to pursue in-kind over monetary support are only slightly more likely (52% compared to 47% for all businesses) to expect to decrease arts investment over the next 12 months.

APPENDIX A

AbaF councillor companies invited to participate in the survey

- AAPT Ltd
- Alcoa
- ANZ
- Australia Post
- Australian Capital Equity
- AXA Asia Pacific Holdings Ltd
- Bank SA
- BankWest
- BHP Billiton Nickel West *
- BlueScope Steel Ltd
- Boral Ltd
- Brisbane Airport Corporation Ltd
- Bytecraft Entertainment
- Clayton Utz
- Commonwealth Bank of Australia
- Corrs Chambers Westgarth
- Cox Rayner Architects
- Delatite Winery
- Deloitte
- Domaine A / Stoney Vineyard
- Edward W Kelley & Partners Pty Ltd
- Ernst & Young
- Eyecare Partners Ltd
- Federal Group
- Freehills
- Gerard Corporation
- Gerard Daniels
- Gilbert + Tobin
- Goldman Sachs JBWere
- Gresham Partners
- Harris Scarfe Australia Pty Ltd
- Hassell Ltd
- Hawaiian
- Henkell Brothers
- Insurance Australia Group

- Investec Bank Aust Ltd
- KPMG
- Macquarie Group
- Marketforce
- Marsh Pty Ltd
- Mercedes-Benz Australia/Pacific
- Mercer
- Mirvac (WA) Pty Ltd
- Mitchell Communication Group
- NAB
- Nekon Pty Ltd
- Nielson Properties
- Optus
- Patersons Securities
- Philip Bacon Galleries
- Qantas
- Queensland Gas Company Ltd
- Queensland Newspapers
- RAC (WA)
- Raptis Group
- Rio Tinto Iron Ore
- Silcar Pty Limited
- St John of God Health Care Inc.
- Telstra Corporation Ltd
- Toyota
- Transfield Holdings
- Veolia Environmental Services
- WA Newspaper Holdings
- Wesfarmers

* Not an AbaF Council company; participated at AbaF's invitation.