

CULTURAL MARKETING:

Banks Tap The Arts

A Q&A with Alice Sachs Zimet

What is the difference between philanthropy and sponsorship?

There are two ways that most banks support charities in America. And while people often confuse these two within a business setting, there is a clear distinction.

Philanthropy is about "doing good." It is relatively pure, with little measurement and few strings tied back to business. Money comes from a philanthropic budget with dedicated staff to find and fund responsible charitable programs.

Sponsorship deals with "doing good and doing business." It uses marketing dollars where there are definite business strings tied back to the bank. Measurement is essential as the sponsorship is linked to specific objectives. Staffs often have multiple responsibilities which may include other corporate communications functions (such as public relations, marketing or advertising) in addition to sponsorship.

Unfortunately, from the charity's perspective, no two banks are the same. Sometimes, philanthropy and sponsorship are housed in the same department. Other banks house them in different locations, reporting to different departments. But both often take place simultaneously.

How can sponsorships be used as a business tool?

Sponsorship is a form of emotional marketing that money cannot buy. It is often more cost effective than advertising and other forms of traditional marketing and public relations efforts. Indeed, sponsorship can create an emotional connection unlike any other communications tool. However, more and more banks in the United States use sponsorship as a strategic business tool that can have a measurable ROI.

*sponsorship
can generate
income*

In today's tough economy and merged marketplace, banks in the United States have become increasingly smart about how they create strategic partnerships that make business sense. They understand that sponsorship can generate income, not expense. These banks realize that visibility is no longer enough.

What financial challenges exist for banks in the U.S. wanting to secure corporate philanthropic and sponsorship money?

The financial landscape in the United States is a challenge to the nonprofit world. There are more than 300,000 charities in the country, of which 8,000 are arts groups. There are four sources, or "pots," of money that offer financial support to charities: corporations; foundations; individuals; and local, state and national government.

However, the history of American philanthropic giving is based on the separation of church and state, as well as the philosophy and tradition of volunteerism. Because there is no history of government support as in France, it has always been the American private sector (individuals and corporations) which has supported their communities.

What are the tax implications of doing charitable work?

The implications effect individuals more than any other sector. Individuals usually take into consideration the tax rules when making their decision to donate to charitable causes. For corporate philanthropy, the Internal Revenue Service allows corporations to deduct up to 10 percent of pretax earnings to philanthropic causes. However, the average American corporation gives less than three percent, so there is much room to grow. In terms of corporate sponsorship marketing, this is deductible as the cost of doing business.

*the richest
are not the
most generous*

How much money is given to organizations every year?

Giving USA, a national organization that collects philanthropic data in the U.S., estimates total private giving to arts, culture and humanities organizations is \$13.1 billion in 2003. The Business Committee for the Arts calculates that American business support to the arts in 2003 reached a record \$3.3 billion. While no data has been compiled, we do know that banks and other financial services are one of the most active industries sponsoring the arts. Two of the most active participants are American Express and Bank of America. The most recent figures for foundation giving approximates the arts to be \$4.1 billion in 2002.

In terms of individuals, there are no sources of complementary data, but conventional wisdom says that individuals are the largest source of private giving. That particular giving hovers around 70 percent of the total. The last pot is the U.S. government which is the smallest percentage of cultural giving, approximately \$1.1 billion in 2005.

One fact is clear for both individuals and corporations — the richest are not the most generous. Statistics show that close to 60 percent of individuals who give are considered middle class. Similarly, well over 50 percent of the corpora-

tions who give are considered small. Their annual revenue is between \$1 million to \$50 million. Subsequently, you do not have to be rich to be philanthropic.

Public Investment 2004 (U.S. \$)

USA

Federal government	\$ 121 million for 2005
State support	\$ 294 million for 2005
Local support	\$ 711 million for 2005
TOTAL	\$ 1.126 billion

Why do banks want to get involved with sponsorships?

No matter where the company may be located and what its size, banks in the United States seem to have only two motivations behind sponsorships: to build the brand or to build the business.

In the case of brand building, this was the driving force in the 1980s when sponsorship began in the United States. Here, the objectives are tied to visibility, impressions and public relations. In this way, each bank is trying to differentiate itself from the bank down the street.

What different ways are used to get involved with sponsorships and philanthropy?

Using sponsorships to meet business objectives is the driving motivation today behind bank sponsorships in the United States. Visibility is then layered on top. If the driving force to give to a particular project is business-driven, "layers" can be added to generate visibility, such as branding on print collateral. In this case, sponsorship is often used as a strategic marketing tool to meet the following business objectives:

*the objectives
are tied to
visibility*

Gaining closer access to a client or prospect by using a "co-sponsorship." In order to sponsor a Jose Carreras concert in Mexico City, The Chase Manhattan Bank invited a major Mexican corporate finance client to partner on the sponsorship. The result was that the client increased its account by 30 percent. This is an example of a co-sponsorship in which two or more companies work together to sponsor an event. It often allows one company, such as a bank, to gain closer access to a corporate prospect. In addition, the budget is divided in half.

Promoting a product or service. Merrill Lynch sponsored an exhibition of the well-known video artist Nam June Paik at the Guggenheim Museum in New York to demonstrate its technological capabilities.

Enhancing customer loyalty. Fleet (now merged with Bank of America) offers its clients free admission to more than 30 museums on the east coast by presenting their 24-hour ATM card with a program called "Museums On Us." Most commercial banks, utilities and credit card companies offer discounts (through statement stuffers) on a monthly basis.

Accessing government officials. Morgan Stanley, the global sponsor of the Orpheus Chamber Orchestra, entertained the minister of finance in Singapore as a nontraditional and innovative vehicle to gain closer access to an important government target. Chase annually entertained members of the House and Senate Banking Committees (and their secretaries) at the Kennedy Center in Washington, D.C., as a means of gaining closer access to the gatekeepers. Appointments with Banking Committee members increased by 30 percent.

Cultivating prospects.

Opening a new office.

Platform or spotlight an executive. Chase often sponsored American dance abroad. In one case, a sponsorship of the Paul Taylor Dance Company was used to open a new private bank office in Brussels. The bank invited 200 affluent prospects to a performance followed by dinner with the dancers. Less than three months later, this event generated \$20 million in new assets from 16 guests.

Entering a new geography. For many years, Citibank was the lead sponsor of the New York City Ballet "Nutcracker Suite" performance at Lincoln Center. When Citibank pulled out last year, Wachovia Bank (new to the New York market) became the next sponsor. Also in 2004, Bank of America (also new to the New York market) sponsored exhibitions at the American Museum of Natural History and the Whitney Museum of American Art.

When Fleet Bank moved from Boston down to the New York market, it was particularly effective using arts sponsorship to build awareness of its new market. Not only did Fleet sponsor exhibitions and street banners, they also sponsored an exhibition about the history of New York at the Metropolitan Museum of Art ("Art and the Empire City: New York 1825-1861").

Penetrating a demographic niche. This is by far the most common way banks use the arts as a business tool. Most banks pursue the high net worth market and the arts offer the logical demographic with its upscale following. UBS is the most active in its sponsorship of "Art Basel" in Europe and more recently "Art Basel Miami" in Florida. Merrill Lynch has also sponsored a Hispanic art fair in Miami, which was aimed at the affluent Hispanic market. Fleet also

*Bank of
America
sponsored
exhibitions*

focuses on the affluent female market and created a women's speaker series. **Thanking clients, referrals or sources.** Chase was the sponsor of the Martha Graham Dance Company at L'Opera de Palais (Garnier). They organized a private behind-the-scenes dinner with 60 wealthy European clients along with the dancers. One of most effective ways Chase used sponsorships was to create an exclusive experience that money could not buy, such as a backstage dinner at the opera seated next to the star of the show. While it took one year to track, the event generated \$40 million in new and increased assets under management (AUM). The sponsorship cost \$40,000 (excluding entertainment costs).

Boosting employee morale. Finally, we come to the employees. Keeping employees proud and happy is especially important in this merged environment where many feel a lack of loyalty. When HSBC sponsored an Edward Steichen photography exhibition at the Whitney Museum of American Art, the bank hosted a special party for its employees to celebrate the bank's 150th anniversary. Many banks have an "employee discount" program where employees are offered free admission to museums and discounts to dance and theatre events as a means to boost morale as well to retain a good staff.

Does measurement have to be complicated?

Measurement is critical and often overlooked. If a bank sets specific business objectives upfront as part of the decision making process, success can always be tracked, something that does not have to be difficult or complicated. At Chase, I created a simple questionnaire to those bankers who participated in the sponsorship, usually tied to the hospitality events. Questions would focus on how the hospitality was used (clients, prospects, referrals, etc.) followed by how the sponsorship added value (visibility, press, etc.).

*measurement
is often
overlooked*

In addition, Chase often conducted a control group comparing clients who attended events versus clients who did not. For the Martha Graham event in Paris, the sponsorship generated \$40 million in new and increased assets under management. However, the analysis showed that clients who attended the Paris events increased their accounts by 20 percent. Those who did not decreased their accounts by 10 percent, creating a 30 percent differential.

What can be done to create a successful program?

Whether a bank is considering philanthropy or sponsorship, it should always be consistent with its own culture and the bank's overall philosophy.

Next, set clear objectives. Be clear about what you are trying to achieve, and be upfront from the beginning. Those involved should never be surprised.

Create a partnership. Communicate and implement together. Never sign a check and walk away. Work as hard for the cultural partner, and it will work hard in turn.

And finally, always evaluate how well objectives are met. This permits improvements for the future, justifies expenditures and allows an increased budget next year. ■

Alice Sachs Zimet is the founder of *Arts + Business Partnerships*, a sponsorship consulting agency providing strategic advice and seminars on sponsorship marketing that has been in operation since 1999. Before that, she was director of cultural affairs for The Chase Manhattan Bank for 20 years. She can be reached at alice@artsandbusinesspartners.com.