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**Master of Business Administration**

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***OCRAM Sport Sponsoring Agency***

**CERTIFICATE OF AUTHORSHIP:**

I certify that I am the author of this paper and that any assistance I receive in its preparation is fully acknowledged and disclosed in this paper. I have also cited any sources from which I used data, ideas, or works, either quoted directly or paraphrased. I also certify that this paper was prepared by me specifically for this course.

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OCRAM Sport Sponsoring Agency

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## **Executive Summary**

The executive summary in the business plan is always the first section after the table of contents and title page. It is a brief, yet comprehensive, summary of the overall business plan. Typically the executive summary will be one to two pages in length and will include such items as a summary description of the concept and business; opportunity and strategy; target market, profit margins and projections; competitive advantages; team; and funding requirements (Timmons & Spinelli, 2012). As with all types of research, this initial section should set the stage for the subsequent detailed sections of the full study (business plan).

Although there are many forms and iterations for presenting business plans, the Capstone project business plan will be presented in the model format presented by Timmons & Spinelli (2012, p. 256-266). This primer is based on that model and is intended to provide an outline overview of the various sections required. Specific details for each of these sections are further defined in that text. The ability to perform the required research, analytics, and evaluation are presented throughout the master's journey in the various core and concentration course offerings. Additionally, three seminars are conducted to assist in the development of the Capstone project proposal, as well as the project itself. Fundamental research methods are presented in a separate course offering which will also assist in the development of the proposal and ultimate project.

### **Mission, Vision, Core Values**

The increasing number of competitors requires companies to adapt their sponsorship strategies. Especially for medium-sized companies it is important to stand out from the crowd without high expenses (Rentz, 2014). Because of this, the “Ocram Sport Sponsoring Agency” (OSSA) relies on an individual and creative approach to arrange and activate targeted sponsorships. In order to ensure accurate representation of “OSSA”, various sub-areas of the agency are discussed below. First of all, the mission statement, the vision and the core values will be presented. This is followed by a description of the current market, including the competitive and customer environment. Finally, the services of the agency will be explain

**Mission:** The “Ocram Sport Sponsoring Agency”, is about connecting medium-sized companies and athletes as well as sport organizations to provide a high qualitative, creative and individualized creation of sport sponsorship concepts as well as their activation. As a creative service provider, “OSSA” is intended to be the perfect contact point for companies and sporting actors who are searching for individual partnerships in order to gain attention with unique possibilities.

Therefore, the company focus on long-term, continuous partnerships based on shared values, mutual trust and cooperative collaboration. The standard is to individualize the sport sponsoring process and make every partnership a unique, creative cooperation.

**Vision:** At “OSSA”, there is the believe that a sponsorship has more potential than a simple exchange of money and advertising space for a limited period. Our vision is to serve companies to give their brands unique appearances in the emotional sports environment. This means we want to perfect the quality of sports sponsorship in a modern and innovative way and to operate as a highly effective and sustainable sponsoring agency.

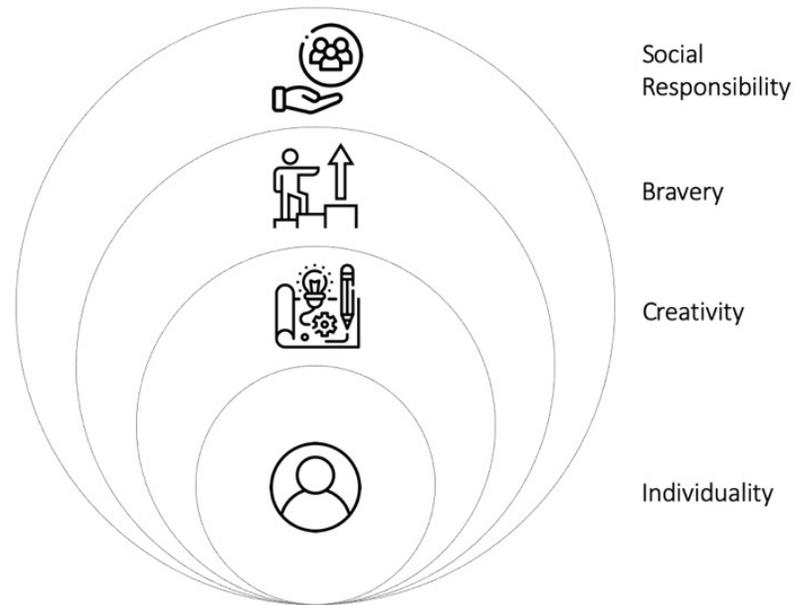
**Core Values:** Achieving the mission and vision requires certain values that provide a framework for both, internal processes as well as external communications and services. Furthermore, it is important to stand out from the crowd in times of information overload by adhering to these core values and ensure the delivery of the demanded high-quality services (Urde, 2003). The following core values represent the “Ocrum Sport Sponsoring Agency”:

- Individuality: As mentioned earlier, for “OSSA”, sponsorship is more than a simple exchange between money and a logo on advertising space. Each sponsoring partner and sponsoring engagement should be seen individually. In each case, the different values, qualities as well as the history of the contractual partners are considered from where we build up the sponsorship. In addition, a differentiated consideration of the goals as well as customers of the respective companies must be included. In order to promote this individuality, not only the external view is targeted. Also, the internal processes and our employees are viewed individually in order to guarantee free space for personal development.
- Creativity: Moreover, by respecting the individuality of our employees, the creativity of our services will be encouraged. In this context, “OSSA” moves away from only traditional sponsoring and towards creative approaches. In addition to analog measures, these mainly include data-driven digital activities, which have an important share in today's world. This is achieved through innovative activation measures as well as different communication methods towards the sports consumers.
- Bravery: The agency is very aware that creativity often requires a great deal of bravery. The bravery not to accept the current status quo, the bravery to go new ways as well as the bravery to perceive and use unique opportunities is seen as a basic

requirement to meet standards. This is the approach the company's team takes together with its partners to create unique and successful sponsorships.

- Social responsibility: Despite the differentiated approaches and innovations views, "OSSA" is sure about one well-established fact. Sports and sports sponsorship reach and move an incredibly large number of people. We are aware of the associated responsibility of our methods of communication and want to make use of this. Together with our partners, we see it as our duty to draw attention to and educate about social issues of all kinds. This includes the attention of social problems, the fight against discrimination of any kind as well as the support of a sustainable lifestyle to protect our environment.

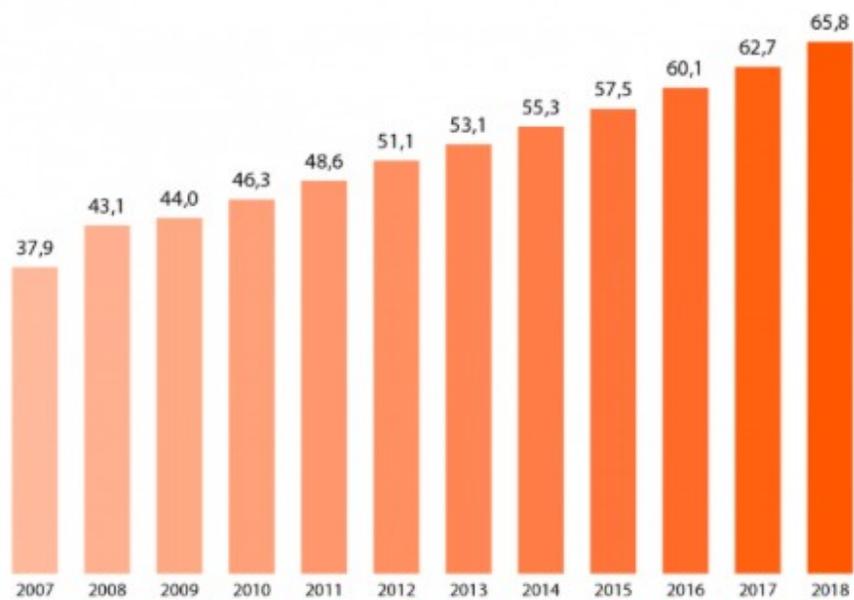
*Figure 1: Core Values "Ocrum Sport Sponsoring Agency"*



### **Industry and Proposed Company**

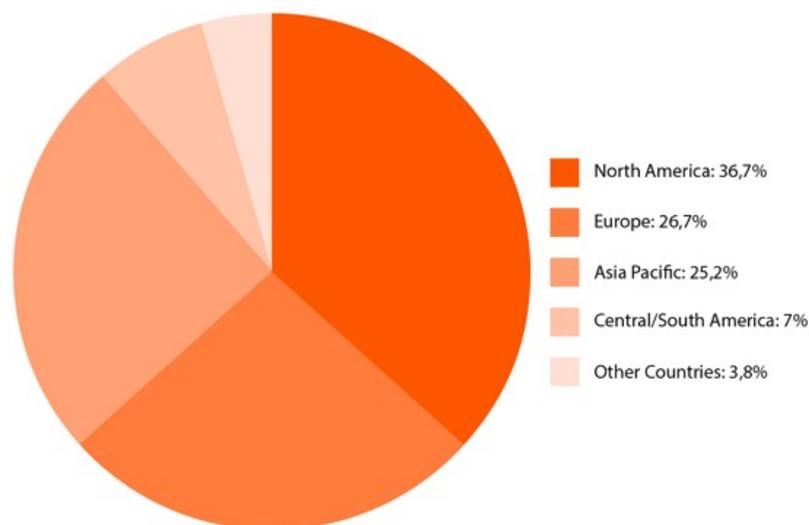
In recent years, sponsorship has developed as an important marketing tool for companies, acting as an emotional instrument of communication. This enables the presentation of a company's own products/services as well as the communication of its own values in an exciting environment (Koronios, Vrontis & Thrassou, 2021). Due to this increasing attention, the “OSSA” has taken on the goal of supporting medium-sized companies in Europe as a sponsoring agency in order to create targeted sponsorships. To ensure an accurate positioning of the agency in the existing industry landscape, a description of the sponsorship market is given in the following section. In addition, opportunities as well as risks resulting from the market analysis are explained by means of a PEST analysis.

*Figure 2: Development of global sports sponsorship spend between 2007 and 2018 (Venturoli, 2019)*



The growing popularity of sponsorship is reflected in the development of spending on sponsorships. As shown in Figure 2, global investment has increased every year since 2007. After spending \$37.9 billion in 2007, this figure nearly doubled to \$65.8 billion in 2018 (Venturoli, 2019). The growth rate is expected at 6.72% until 2027 (BMRC, 2021).

Figure 3: 2018 regions of sponsorship spending (Venturoli, 2019)



Looking at the geographic distribution of these spending, the following picture can be seen. As Figure 3 shows, America represents the largest market for sponsorship, accounting for 36.7% of the amount previously indicated. The European market, which is of interest to “OSSA”, represents the second largest market on the planet with 26, 7%. Further investments are spread over Asia as well as Central/South America and other continents/countries (Venturoli, 2019).

In the meantime, it is not only the acquisition of sponsorship rights that plays a role here. Rather, adequate activation of the sponsorship is crucial. The rate of activation payments continues to rise compared to the mere acquisition of rights and now stands at a

ratio of 1 to 1.2 in terms of activation. This means that at least the same amount that was spent on acquiring the rights must be invested again for activation measures (Nielsen, 2018). Sponsorship can spread to various cultural areas of society. These include payments in the areas of culture, ecology and the media. However, sports sponsorship is and remains the leading form of sponsorship. In a survey conducted by Nielsen (2018) in Germany, Austria and Switzerland, 99% of sponsors are active in sports. Soccer, in particular, enjoys a high level of popularity. 63% of respondents are active in this sport. To underline the long-term prospects for success in the sponsorship market, the study also shows that 97% of those surveyed at the time intend to continue their sponsorship. In addition, 26% of the respondents even want to increase their investment. The number of respondents who want to reduce their investment was 18%, but fell by 7% compared to 2017. (Nielsen, 2018).

Of course, this high market volume does not only bring positive aspects. The sports sponsorship market, for its part, can be seen as highly competitive. Since many players want a share of the high investment amounts, competitors consist of companies that have integrated their own sponsoring department into their internal processes, other sponsoring/marketing agencies that can be found on both the company and the sports player side and market research institutes that have specialized on evaluation of sponsorships or the collection of data (Walzel & Schubert, 2018). In addition, the industry has been hit hard by the corona pandemic since March 2020. Thus, the market value of the sponsorship market in Europe fell to 23.6 billion euros in 2020. This describes losses in the amount of 23% which describes the lowest value since 2010. Previously, the value stood at 30.69 billion euros in 2019. However, sports sponsorship managed best to prevent losses. The market value of the area fell to EUR 18.42 billion, a reduction of 9% (European Sponsorship Association, 2021).

Nevertheless, there are positive prospects for the market. One of the factors to be expected is an increased willingness on the part of fans and sports consumers to attend sporting events after the pandemic. This will have a positive impact on the sponsorship market due to the increasing number of contacts with advertising activities. In addition, the various sponsorship players, consisting of rights holders, agencies and sponsors are already showing greater self-confidence again, which is reflected in the view on the market and its development (European Sponsorship Association, 2021b). This shows that now is an appropriate time for “OSSA” to enter the market and establish its services as a new player.

Figure 4: PEST analysis OCRAM



**PEST-Analysis:** In order to further explain how “OSSA” fits into the sports sponsorship market, it is necessary to look at possible external factors that can influence the success of the company. For this reason, various areas of influence will be presented and

explained in the following section on the basis of a PEST analysis. This is also shown in Table 1.

*Political:* First of all, the agency must comply with the requirements of the government in which it is established. For the “OSSA”, this means German law. In addition, it must comply with the law of the European Union, which provides additional legal frameworks. However, since the agency is also active in the field of sports, even more sponsoring regulations by various sports organizations and associations must be observed. In this context, the corona pandemic offers an opportunity for a more attractive sponsorship arrangement. As many sports organizations struggle with the consequences, sponsorship could serve as an essential part of the recovery of the industry. However, the consequences of this very pandemic are still not foreseeable and the pandemic has not yet been completely overcome. As a result, there are further risks with regard to various regulations concerning sporting events by the state. Regulations by the government may also apply to certain sponsorship activities. For some sponsorship activities, there is a possibility that advertising activities will be restricted. This applies to alcohol or tobacco companies, for example. Stricter regulations cannot be completely avoided in this context. In addition, the agency aims at a modern use of data. This requires close attention to consumer privacy and other laws regulating the collection, analysis and implementation of it.

*Economic:* From an economic point of view, the sports sponsorship market is nevertheless highly attractive. This is not only due to the previous sums, which have been growing steadily for years and could only be slowed down by COVID. Rather, the willingness of companies to continue to invest more in sponsorship gives reason to hope for sustained market growth (Nielsen, 2018). In particular, there is a trend towards long-term

partnerships. Companies do not only want to achieve short-term goals with sponsoring. Rather, they want to build strong relationships by presenting their own values. The "less is more" approach applies here. This means that companies focus more on quality in their engagements and less on as many advertising spaces as possible (Seaver Marketing Group, 2020). As with the legal factors, the consequences of COVID-19 must not be underestimated when it comes to the economic factors. Since the financial consequences of the pandemic are not clear yet, it remains to be seen what effect the reduced investments will have on the market.

*Socio-Cultural:* Socially, there are several variables for sports sponsorship that can influence the field. Firstly, the importance of corporate social responsibility (CSR) is also increasing within this area. This means that companies and agencies should orient sponsorship measures to social or sustainable guidelines. Especially commitments in amateur sports or charitable measures can contribute to an improvement of the image of the companies. Furthermore, this trend requires the agency to be more aware of the image of the respective partners. Thus, a bad image of the company or the sports actor/sports organization can cause a transfer of this negative perception to the respective other partner and/or the agency (SMG, 2020). Other influences lie in the connection between sport and culture. For example, the combination of these two social fields is playing an increasingly important role, as sporting events are often expanded with cultural sideshows. This provides various opportunities to expand sponsorship commitments and place them in a targeted manner. Here, the entrepreneurial venture can score points with its creative sponsorship approach and open up new opportunities (Nielsen, 2018).

*Technological:* From a technological perspective, there are some interesting opportunities for sports sponsorship. The most important thing here is the use of data. On the one hand, this can help the agency to improve internal processes, the operational business or financial areas. On the other hand, the use of data can be used to develop more targeted sponsorship measures, which can be tailored precisely to the goals of the agency's clients. This results in higher client satisfaction. Furthermore, social media is becoming increasingly important. This allows targeted activation of various sponsorships and can thus increase the number of contacts with the individual measures both qualitatively and quantitatively. In addition, there is the possibility of reaching potential customers via social media and convincing them of the agency (SMG, 2020). In addition, e-sports offer a new potential market, which has been characterized by a large growth in fans and sponsors in recent years. This market includes new target groups (especially in Asia) as well as new ways to build and activate sponsorships. However, the sustainability of this market must be awaited (Nielsen, 2018).

### **Products and/or Services**

As previously mentioned, sponsorship enjoys a high level of popularity among companies. As this marketing instrument offers the opportunity to present companies and their products in an emotional environment and to achieve positive image transfers from the sponsored parties, more and more players want to invest in it. Thereby, sponsoring has a high success rate in terms of image and awareness goals, B2C customer loyalty, social responsibility as well as B2B contact management and many more (Nielsen, 2018). This is reflected in the fact that many companies want to further expand their sponsorships and invest more in activating them. Currently, companies who are active in sponsoring invest an average of 19% of their marketing budget in sponsorship rights. Further sums are made through the mentioned activation (IEG, 2017). In this context, companies are increasingly focusing on long-term partnerships instead of short-term projects. Companies do not want as many superficial sponsorships as possible. Instead, there is a focus on enduring relationships with partners. The development of such partnerships requires a high degree of competence, experience and know-how (SMG, 2020).

Since medium-sized companies in particular often have little know-how in this area, there is a great opportunity for “OSSA” to penetrate the market. This can also be seen from the fact that 43% of the companies which are active in sponsoring use agencies to build up their engagement in a high-quality way (IEG, 2017). Here, OCRAM focuses on three core areas. These consist of the creation, implementation and evaluation of sports marketing concepts, the creation of branding concepts in sports and external consulting for companies. The agency carries out all areas of the sponsoring process, which consists of situation analysis, planning, implementation and evaluation. In addition, the task is to adequately

present the company's values and standards in their sponsorships and to establish long-term relationships between the two parties. Furthermore, the aim is to create a high-quality sports sponsorship program for the agency's clients. In order to meet our goals as well as our core values, each client as well as each sponsorship is approached with an individual as well as creative approach.

*Figure 5: Sponsoring process of the OSSA*



**Service Description:** OCRAM uses a creative and individualized sponsorship approach in the execution of its processes to develop long-term sponsorship programs. In doing so, it is guided by the complete sponsorship process. This process is illustrated in Figure 5.

After a company gets in contact with the agency, the first step of the process begins. This is the analysis of the current position. So, the situation of the company is dealt with. This includes fundamental information about the company, its financial situation and possible sponsorship budgets. To ensure that this is done in a as close personal manner as possible, this step of the process includes face-to-face meetings with the client in order to establish direct personal communication.

After the first contact has been made and an introductory meeting has taken place, the next step in the process occurs. This is the planning phase. In this decisive stage, the goals

and the desired target group with which the company would like to communicate through the sponsorship commitment are first discussed. Through this elaboration, possible sponsorships can already be narrowed down to various sports fields and their activation measures. Based on the individual approach of the OSSA, the values and norms that the company wants to represent in the course of the emotional environment of the sponsorship are also established.

In the final step of planning, the appropriate sponsoring concept is developed. This is derived from a pool of four sponsoring categories. The first of these is classic sponsorship, which cannot be ignored despite the agency's modern approach. This includes the placement of advertising on various advertising spaces of the sponsee, such as jerseys, advertising boards, etc.. The second pool of activation includes creative sponsorship. This involves the development of creative approaches to activating the engagement. This can include collaborations on specific merchandise, cooperation with cultural institutions or the creation of unique storylines. The third area of our services is digital sponsorship. As mentioned above, the use of data and the activation through the internet and especially social media is becoming an increasingly important and effective part of communication with sports consumers. The agency wants to use these technological resources to create targeted measures and bring the client into a possible personal contact with the fans. In addition, new and innovative ways are constantly being explored to improve these tools. As mentioned before, social responsibility is becoming more and more important in sports sponsoring. This is supported by market research which suggests that rights holders with a sustained footprint can expect an 11% increase in revenue over the next 3-5 years. As OCRAM is committed to social behavior, the final area of planning strategy is social sponsoring. Here, social/environmental projects, events as well as actions or institutions with sports connection are to

be supported in various ways through the cooperation of sponsor and sponsee. This achieves not only the goals of our companies, rather it enables a valuable contribution to society.

After the concept and possible categories have been designed and selected, the next step in the agency's service process is the implementation phase. In this stage, the cooperation between the agency and the client is brought to life. This means that first the exact budget for the comprehensive sponsorship program is selected. In addition, possible partnerships with sport actors or organizations are selected and negotiated. Once the contract has been successfully concluded, the sponsorship is activated in the form of various individual measures. In this way, the commitment is communicated to the sports consumer with the company's values and products. These measures are geared to the sponsorship categories selected in the planning process and thus function in different fields.

Finally, the process is completed by evaluating the overall concept as well as the individual sponsorships. This evaluation plays an important role and is often disregarded by companies. Thereby, especially digital activation measures can be easily analyzed and evaluated. This is to be done through the adequate collection and analysis of internal as well as external data. In addition, new trends can be discovered, which provide new opportunities for the agency. In order to carry out this process according to the qualitative standards of the OSSA, a cooperation with a market research company takes place here. This part of the process plays an essential part in order to draw correct conclusions from the individual partnerships, to analyze the achievement of goals, to introduce possible improvements and thus to let long-term partnerships develop as far as possible. In addition, this further intensifies the cooperation of the agency with its partners and improves the relationship as well as the processes.

## **Market Analysis**

This section of the business plan provides the reader with information that explains and supports the assertions about the entrepreneurial venture related to target market, ability to capture the projected share of market, as well as ability to handle competition. Specific areas that require discussion include target customers; geographic targets; specific ability to reach and appeal to the targeted customers; potential initial sales projections; etc. Therefore, this section is typically broken up into several subsections that may include customers, market size and trends, competition and competitive strategies, forecasted market share and sales, and ongoing market evaluation.

**Market Size and Trends:** The market size and trend subsection typically provides a five-year forecast including estimated market share over time, market segmentation, units, dollars and profitability. A subsection on competition and competitive strategies will provide an evaluative discussion on the strengths and weaknesses of the competitors; comparative analysis of potential substitutable products or services; fundamental value proposition of the product or service; as well as analysis of the competition to combat the newly introduced product or service. Following the competitive discussion should be an analytic presentation on forecasted market share and sales that may include fundamental value add of the product or service; major potential customers who may have already (or are willing) to procure the product or service; and relationship of projected to growth to industry or market growth. Typically, the market analysis section of a business plan concludes with an examination and evaluation of how the product or service will continue to evolve in the market. Specific consideration should address product or service programs, expansion plans, etc.

**Porter's 5 Forces Model:** With the help of Porter's Six Forces model, the competitive structure of the sponsorship industry and in particular of sport sponsorship will be examined below. This model allows to evaluate how profitable new services or products are (CGMA, 2013a). Again, the analysis is based on the European as well as the German market, as the company is to be founded in that country.

*Supplier Power:* First, in considering the model, the power of suppliers will be analyzed. In this context, a low bargaining power of the suppliers can be identified. Since the sponsorship concept of the OSSA is wide-ranging and thus results in many different substitution possibilities, the possibilities of individual suppliers, such as photographers, advertising companies, and IT experts, are diminished. In addition, there is a high level of competition in the individual areas, which in turn opens up new opportunities for the agency. The only area in which there are more opportunities is that of cooperating market research companies, as this is closely linked to the agency's process and success control as well as its measures.

*Buyer Power:* This is followed by a description of the power of the buyers. At first glance, an increased negotiation power of the buyers can be seen. Due to the high level of competition in the sports sponsorship market, it is initially easy to substitute the services of the OSSA or to acquire other agencies. In addition, it is possible for companies to set up their own sponsorship departments and thus no longer have to rely on the OSSA or are in a good negotiating position. On closer examination, however, these arguments can easily be refuted. First of all, the OSSA's individual, creative approach counteracts the high level of competition and allows it to stand out from the crowd. In addition, by creating close, long-term relationships with both sponsors and sports organizations, the risk of substitution is

greatly reduced. Furthermore, the agency convinces with its know-how, which companies often do not have in order to build up their own sponsoring departments.

*Competitive Rivalry:* Looking at the competition within the sports sponsorship market, this is where OSSA faces the greatest risk. Due to the growing market, which is at 6.72% from 2021 until 2027, as well as the high investment sums, which exist in the market (comparison Industry description), there is a high competitive pressure (BMRC, 2021; Koronios, Vrontis & Thrassou, 2021). This increases the difficulty for the OSSA to enter the market. In addition, many high-paying sponsors and sports organizations are already occupied by established sponsoring agencies. This means that the agency must enter at lower investment levels and stand out from other applicants through its creative and individual approach (Rentz, 2014).

*Threat of Substitution:* The danger of substitution is initially frequent in marketing and especially in sponsoring. Thus, in principle, companies can rewrite their marketing budget to other means of communication (Walzel & Schubert, 2018). Even if an organization decides to sponsor, there are other sponsorship fields, such as culture or media (Nielsen, 2018), in which to invest. However, these conditions also include opportunities. As mentioned earlier, sponsorship is considered an effective communication tool with a unique environment in which companies can present themselves positively and face a variety of benefits. In addition, sports sponsorship in special has a unique selling proposition compared to other sponsorship areas and as a result, a majority of the investment sums of companies flow into sports sponsorship (Nielsen, 2018).

*Threat of New Entry:* Finally, the threat of new competitors in the sports sponsorship market is considered. Due to the high level of investment and the growing market, new

competitors are entering the market. These try to put established agencies under pressure through innovative ways, which increases the competitive pressure (Rentz, 2014). However, since lucrative companies and sports organizations are often already occupied, additional barriers to entry arise. This requires a unique way for OSSA to stand out from other competitors.

## Economics of the Business

In the following section, the Economics of Business of OCRAM will be presented. For this purpose, the various service offerings as well as their pricing and incentive strategies will be discussed first. This is followed by a look at the start-up costs as well as the fixed and variable costs of the agency. Finally, the break-even analysis is presented and possible best- or worst-case scenarios are described.

Figure 6: Prices & Shares of Sales

Revenue Phase 1		Price in €		Share of Sales
Sport Marketing Concept		19999	1	0,2
Brand Strategy		7999		0,3
Consulting		999		0,5
Revenue Phase 2		Price in €		Share of Sales
Sport Marketing Concept		19999		0,6
Brand Strategy		7999		0,3
Consulting		999		0,1

As described in the "Services" chapter, the agency's work is divided into three core areas. These consist of the creation, implementation and evaluation of holistic sports marketing concepts (SMC), the creation of company-oriented branding strategies in sports for medium-sized companies (BS) as well as the external consulting of these in the sports sponsorship sector (CO). These three areas, as well as their prices, are aimed at a deliberate incentive strategy. Here CO is intended to serve as a way of establishing contact with various clients so that they can be convinced of the agency's qualities. Building on this, BS contributes to client loyalty in order to finally draw the client to the premium service SMC,

which generates the highest revenue for the company. It should be noted, however, that the agency will initially achieve more sales of consulting services, since there is a low level of awareness and a high level of competition. Due to this, the share of sales in the first phase of the company, which extends over the first one to two years, is focused on 50% CO. BS is to make up 30% of the sales and SMC only 20%. After these two years, due to increasing awareness and a larger customer base, the distribution should focus more and more on SMC, increasing the sales share to 60%. In this phase two, BS continues to make up 30% and CO only 10%.

*Figure 7: Start Up Costs*

Start Up Costs	Sum in €	
Office Rent	2000	
Computer	4000	
Mobiles	2000	
Computer Softwares	100	Adobe Photoshop, Microsoft Office
Office Equipment	700	Printer, Coffee Machine,
Office Supplies	200	(Paper A1 A2 A3 A 4, Pens, White Board)
Wi-Fi	30	
Electricity	100	
Website	500	
Marketing	5000	(Offline Marketing, SEO, Social Media, Online Marketing)
Legal Consultant	1000	
<b>Total</b>	<b>15630</b>	

Figure 7 shows the necessary start-up costs for the agency, which are necessary to ensure the operational start-up. These consist of various amounts, such as the rent of an office space, the purchase of necessary office equipment (computers, printers, or cell phones) or other office supplies. Furthermore, they consist of additional costs, which are necessary for the guarantee of the operational execution. As an example, utility costs such as electricity or access to the Internet, but also the purchase of various software can be considered. In addition, there are payments which are essential for the publicity of the agency. These consist of the creation of a website as well as various marketing measures. Furthermore, legal advice is required to ensure that the agency is established in accordance with the law.

Figure 8: Fix- &amp; Variable Costs Phase 1&amp;2

Fix Costs Phase 1 Phase 1	Sum/ Month in €	Variable Costs Phase 1 SMC	Sum/ Unit in €
Website	17	Market Research Company (2 Months)	2400 Evaluation of Sponsorship Measures
Marketing	3000	Office Supplies	1200 Paper, Electricity, White Boards, Pens
Accounting	1000	Travel	1200 Meetings at Clents Facilities
Office Rent	2000	Legal Consultant	1920 Contracts, Copyrights, Image rights,...
Legal Consultant	2400		
Maintenance Office Equipment	30	<b>Total</b>	6720
Insurance	242 Pecuniary damage liability, Equipment, Electricity,...		
Wi-Fi	50	<b>Variable Costs Phase 1 BS</b>	<b>Sum/ Unit in €</b>
Phone Provider	80	Office Supplies	300
Computer Softwares	100 Adobe Photoshop, Microsoft Office	Travel	300
AdditionalCosts	200 Sanitary Facilities, Water supply, AC/ Heating System		
Employees	6000	<b>Total</b>	600
Part Time Working Student	600		
		<b>Variable Costs Phase 1 CO</b>	<b>Sum/ Unit per Month in €</b>
		Office Supplies	100
		Travel	100
<b>Total</b>	15719	<b>Total</b>	200
<b>Fix Costs Phase 2</b>	<b>Sum/ Month in €</b>	<b>Variable Costs Phase 2 SMC</b>	<b>Sum/ Unit in €</b>
Website	30	Market Research Company	2400
Marketing	5000	Office Supplies	1200
Accounting	2100	Travel	1200
Office Rent	2000	Legal Consultant	1920
Legal Consultant	4000		
Maintenance Office Equipment	60	<b>Total</b>	6720
Insurance	560		
Wi-Fi	50	<b>Variable Costs Phase 2 BS</b>	<b>Sum/ Unit in €</b>
Phone Provider	160	Office Supplies	300
Computer Softwares	100	Travel	300
AdditionalCosts	300		
Employees	12000	<b>Total</b>	600
Part Time Working Student	1200		
		<b>Variable Costs Phase 2 CO</b>	<b>Sum/ Unit per Month in €</b>
		Office Supplies	100
		Travel	100
<b>Total</b>	27560	<b>Total</b>	200

Figure 8 now looks at the agency's operating costs. These are made up of various fixed and product-dependent variable costs. The fixed costs mainly include salary payments for employees and various marketing and accounting payments. The variable costs show a different structure of the services. SMC's higher expenses and the cooperation with a third-party provider in the form of a market research company play a key role here. Other costs consist of office supplies and travel to clients and their sponsoring partners. If one considers possibilities for cost savings of the agency, then different options result. On the one hand, the agency is characterized by a learning-oriented work environment. This means that knowledge and experience are accumulated through the creation of services. These can lead to learning curves, making future processes more efficient and cost-effective. On the other hand, there is the possibility of economies of scale with a larger network. For example, the agency can save

costs if multiple clients are located in one place or work with the same sports organization (Froeb et al., 2018).

If we now analyze the given prices, sales shares and costs, the following break-even analysis results for OCRAM:

$Q=FC/(P_{AV}-MC_{AV})$	
Phase 1:	Phase 2:
FC= 188628€	FC= 330720€
$P_{AV}= 6899€$	$P_{AV}=14499€$
$MC_{AV}= 1624€$	$MC_{AV}=4232$
Q= 35	Q=32

This perspective shows that with both cost structures, a minimum sales figure of 11 services must be achieved with the specified sales shares in order for the company to reach the break-even point and thus no longer make a loss. It is very unlikely that the agency will reach this point in the first few months. Because of this, losses must be included here. In order to provide an overview of this process, various scenarios are presented below, which show possible developments.

Figure 9: Realistic-, Best- & Worst-Case Scenarios

<b>Realistic Scenario</b>	Month 1	Month 2	Month 3	Month 4
Services Sold	4	15	24	33
Differences to Break Even	-28	-17	-8	1
<b>Best Case Scenario</b>	Month 1	Month 2	Month 3	Month 4
Services Sold	6	21	33	44
Differences to Break Even	-26	-11	1	12
<b>Worst Case Scenario</b>	Month 1	Month 2	Month 3	Month 4
Services Sold	1	7	15	22
Differences to Break Even	-31	-25	-17	-10

Figure 10: Forecast OCRAM

Forecast				
<b>Market Share</b>	23 BIL €		1% 23 MIL €	
<b>Phase 1</b>	SMC	BS	CO	Total
Sales	12	18	30	60
Price in €	19999	7999	999	
Revenue in €	239988	143982	29970	413940
Profit in €				127872
<b>Phase 2</b>				
Sales	36	18	6	60
Price in €	19999	7999	999	
Revenue in €	719964	143982	5994	
Profit in €				869940

The different scenarios depend on various factors. On the one hand, the operational performance of the agency and the associated client satisfaction play a role. On the other hand, it depends on adequate marketing measures through which new customers can be acquired. Finally, external factors also play a role. For example, the COVID pandemic can have a decisive influence on the development of sporting events and thus on the sponsorship market. If we combine the available figures with the sponsorship market at hand, the following picture emerges. As previously mentioned, the investment volume in the European sponsorship market is 23 billion euros. Just under 10% of this share is invested in agencies. This results in an existing market of 2.3 billion euros. Since OCRAM is limited to medium-sized companies, this initially results in only a small share of these investment sums. In the long term, this should result in a share of 1%, which would mean a turnover of 23 million euros. However, it will not be possible to achieve this in the first two phases, but only after about 5 years.



## **Marketing Plan**

In order to achieve the targeted market share, a goal-oriented marketing plan is required. This plan consists of the associated strategy, the corresponding marketing mix, and the relevant instruments. These components are described below.

*Marketing Strategy:* The marketing strategy includes the goals and approaches from which all measures are derived. In order to create these in the most target-oriented way possible, it is first necessary to consider the segmentation of the market and the existing customers.

First, a geographical segmentation is necessary. Due to a lack of awareness, a smaller network, and reduced travel costs, the agency's operations will initially be limited to the European continent. The seat of the OCRAM will be in Cologne (Germany), which means that mainly Germany and the bordering countries will be the agency's target market at the beginning. As mentioned before, the agency aims to own a 1% share of the European sponsorship market in the long term.

A further segmentation takes place concerning the size of the enterprises which OCRAM wants to acquire as clients. Since large companies and corporations are often already active in sports sponsoring and have their own sponsoring departments or cooperate with larger agencies, the competition in this area is too high. As a result, the target group consists of medium-sized companies in the agency's first phase. These businesses often have a low level of know-how in sponsoring and yet have sufficient financial resources to make far-reaching investments in sports marketing (IEG, 2017). However, in the long term, the target group should also include larger companies and enterprises.

Due to the different services of the agency, further segmentation of the existing clients takes place. It focuses on the status of the companies in terms of their history in sports sponsoring. Thus enterprises, which are already active in the sport can be acquired with the Consulting Service and transferred into long-term customers. In addition, companies that have not yet completed any sports sponsorship engagements can be acquired through the Branding Strategy Service or, in the best case, directly with the Sports Marketing Concept Service. These companies are characterized by a larger purchase volume and are therefore more attractive.

After the target group has been characterized, the next step is to determine the goals that the marketing plan will pursue. These focus on the one hand on the general goals of the agency and on the other hand on the individual customers.

First, the agency must increase its brand awareness. OCRAM wants to stand out by individual and creative services, which offer unique sponsoring concepts, strategies, or consulting services. Therefore, increased awareness can lead to word-of-mouth effects. Through this, the company will get in touch with and will acquire new clients. The second goal is to convince potential customers of the agency's qualities. Interested parties should get excited about the unique opportunity to present their brand in the vibrant sports environment. This goal includes stimulating clients for trials and a qualitative exchange. Finally, the essential step is to win over enough clients to generate sufficient revenues and thus profits. Furthermore, OCRAM aims at long-term business relationships with its clients.

If we now look at individual customers and their acquisition, the AIDA approach is essential. This approach includes various steps until a customer makes a purchase. First of all, the customer's attention is to be attracted by various measures and instruments. These

activities will be designed to set them apart from other competitors and arouse the customer's interest. This should lead to the desire to be active in sports sponsoring and to cooperate with OCRAM. The final result should be an action. This action can be either one of the trials or direct cooperation in the best case.

*Marketing Mix:* After the marketing goals have been identified, the next step is to explain how to achieve them. For this purpose, the decisive parts of the marketing mix will first be described.

First, an observation of the pricing strategy will take place. The price of the services greatly influences the development of sales figures. In addition, the price can lead to increased attention. On this basis, this instrument will be used particularly at the beginning to acquire as many customers as possible and create an incentive strategy through various services. Thus, the consulting service (CS), characterized by a low price, will attract potential clients. It is to lead, particularly in the introduction and growth phases, to increase the agency's attention to making it well-known. In addition, as many clients as possible can be convinced of the qualities of the agency. Subsequently, this interaction will lead to a further commitment to the agency and a transfer to the more price-intensive services of Branding Strategy (BS) or Sports Marketing Concept (SMC). In the maturity phase, the agency focuses on the more expensive services to generate as much revenue as possible. Therefore, the prices should be constant, on which the agency wants to operate in the long term.

Next, promotion plays a significant role for OCRAM, especially in the introduction and growth phase. It describes the actions with which the agency offers its services at a lower price. They are usually limited in time and represent an effective way to promote a brand. To this end, the agency pursues various strategies.

As already mentioned, an incentive strategy is to attract as many clients as possible by offering a low price. This strategy is intensified in particular in the first phases. Furthermore, a free initial consultation is offered, which gives the agency a face for the clients. This interaction allows the agency to explain its work processes. However, these are by no means the only promotion strategies. Price discounts will also be offered during major sporting events. During these, there is increased attention on sports and thus on the sponsorships associated with the event. This additional attention can increase the interest of further clients for their engagement in sports sponsoring. Furthermore, the agency aims to build up long-term relationships with the companies as far as possible. Based on this, a possible discount for long-term contracts is another measure. These approaches play a decisive role, especially in the maturity phase, to make it as long as possible. Here the contact with the clients is intensified by meetings, video conferences, or further cooperation.

In addition to the marketing activities mentioned so far, the advertising strategy is essential. This strategy also aims to generate attention and interest, especially at the agency's beginning. Various measures will achieve this. First of all, unique advertising measures are required, designed by the agency and tailored to the target group. For example, highly emotional campaigns are to be sketched, which points to the unique possibility sport offers to clients and their brands.

Further measures use buzz marketing and consist of collaborations with already acquired partners and their sports rights holders. In this way, further stakeholders of the companies as well as of the sports organizations can be made aware of the agency. Social media also plays a decisive role here. Since OCRAM operates as a B2B company, LinkedIn can be used intensively to address other companies. How exactly the collaborations

mentioned above look depends on the respective partner and their industry. Potential possibilities would be events, discussion rounds, or collections.

*Integrated Marketing Tools:* In order to make the existing measures and strategies successful, adequate instruments must be used to enable targeted communication. For this purpose, OCRAM has identified buzz marketing/WOM marketing, direct marketing, and various areas of online marketing.

The most important part for an agency like OCRAM contains Word-of-Mouth Marketing (WOM) or Buzz-Marketing. This means that customers or other authentic stakeholders talk about the agency and thus pass it on to other possible clients. This process increases the awareness and also highlights the importance of high customer satisfaction so that other clients receive positive impressions of the agency and want to contact it. As a result, higher sales figures can be achieved. Measures that promote this can be a podcast or an engaging online video.

Direct marketing is the direct approach to the customer. This type of communication is of great importance for the agency to win customers at the beginning as well as to build long-term relationships. Since direct marketing focuses on this relationship with the customer, it is a vital instrument to meet the personal/individual approach. OCRAM uses various tools for this purpose. First, traditional measures such as e-mails or flyers play a role. However, these must be brought at a suitable time and with events to the customer. For example, e-mails can be sent before major sporting events or at the end of a season to sign new contracts in a timely fashion. In addition, cold calling is an option to get in touch with potential customers. As already mentioned, this requires research to contact customers with a higher probability of becoming clients. The most important instrument, however, is personal

acquisition. This tool comes to life at trade fairs, congresses, the company's own events, or at various sporting events. The development of the direct marketing strategy is based on the agency's network and word-of-mouth effects. Furthermore, targeted leverage of data is required. This data should include geographical data, financial information, motives/preferences, and the buying behavior of potential customers.

Furthermore, the marketing plan will also focus on online marketing. This part includes various measures. First, a website will be created, reflecting the agency's creative services. Furthermore, both potential new customers and customers who have already purchased from the agency will be acquired or retained through newsletters and e-mails. Indispensable in this day and age is social media marketing. Here, as before, creative postings and advertising campaigns are used to increase the agency's awareness and represent its qualities. In addition, OCRAM will be given a face through insights and pictures of the employees so that interested parties and customers can establish a more personal connection to it. Finally, Search Engine Optimization represents an essential tool. It will draw the attention of potential customers to the agency after they have searched the Internet for information about possible sports marketing agencies.

*SWOT analysis:* The SWOT analysis is used to evaluate the internal strengths and weaknesses of the agency. Furthermore, opportunities and possible risks are examined while concerning the company's environment (CGMA, 2013). The analysis is based on the European market.

*Strengths:* The strengths of our company lie in different areas. One of them is the individual approach to our partners, which allows the OCRAM to create unique sports sponsorship programs. The values and the overall image of the companies, as well as their

goals, are the focus of the strategy. In addition, the agency pursues a modern, innovative and creative approach to sponsorship. In the process, not only modern concepts and activation measures are developed. With the help of data analysis, targeted concepts will be created and trends will be identified and exploited at an early stage. All these measures are tailored to the goals and needs of the client. This strategy ensures that the agency stands out from other competitors and has a competitive advantage over established and new market forces. At the same time, the agency aims to achieve a high level of know-how and competence within its staff. This high standard is possible through adequate recruitment strategies and target-oriented further training.

*Weaknesses:* Of course, various weaknesses appear during the agency's establishment. In the beginning, these include a lack of awareness. This circumstance requires more marketing and persuasion work to convince companies of our qualities. Especially in the competitive market of sports sponsoring, this will be an essential point for the agency. In addition, there is the danger that the operations team can advise only a certain number of companies due to too few employees. This risk is mainly caused by the individual approach and the broad activation areas of the agency.

In addition, the "OCRAM" must develop a more extensive network in order to be able to compete with large agencies in the long term. On the one hand, this network requires contacts on the companies' side so that the awareness of the agency is constantly increased. On the other hand, it requires an appropriate network of right holders/sports organizations so that clients can find the best fit from a range of different possible sponsorships.

*Opportunities:* The market in which the agency is active includes various possibilities. First, these include the interest of companies in sponsoring in general and sports

sponsoring in particular. Companies see sports sponsoring as an effective alternative to traditional advertising methods and are willing to invest time and money in this alternative (Nielsen, 2018; IEG, 2017). Therefore, spending on sports sponsorship is expected to continue to rise in the coming years. In addition, the corona pandemic offers another opportunity on the market. Reports show that there will be an increased demand for sports events after the pandemic (ESA, 2021). This outlook means that the attractiveness of sponsorships will increase due to growing audience numbers, both in the stadiums and through various distribution channels. As a result, the awareness of sponsorship engagements and the willingness to invest in them increases. In addition, there has been increased interest in eSports for some time, which could be another exciting market for sports sponsorship. Market research companies even assume that this will be one of the most significant factors in the future of sponsorship (Mediacom, 2020).

Other opportunities exist in technological development. On the one hand, these include data leverage that enables the evaluation of the agency's activities. This technology supports OGRAM's goals regarding the generation and retention of clients. Also, the operational processes and measures of the agency can be aligned more precisely with the wishes of the clients. On the other hand, new technological devices such as VR glasses offer the possibility of developing new sponsoring measures to reach more fans. This leads to an improved result for clients and thus to higher demand.

*Threats:* Due to the high popularity and increasing interest in sports sponsoring, a few dangers can be identified when looking at the market. Overall, a structural change can be observed in today's sports industry. This development is due to the rapidly increasing number of market competitors, which requires all participants to act dynamically. First of all, the

increasing competition, of course, plays a role. The market participants must master this to build a sustainable venture (Schmidt & Kurras, 2021).

Furthermore, Corona is not only seen as an opportunity for the industry. At the same time, the pandemic continues to pose a threat. Only as soon as cancellations of sporting events no longer occur will this danger be overcome and should therefore continue to be taken into account. In addition, other sponsorship areas could gain popularity due to increasing social consciousness and weakening the position of sports.

## **Design and Development Plans**

Before OCRAM can go to market, it needs to take a number of steps that will ensure the successful and sustainable development of the company. These steps are composed of three different core areas. These include "Networking", "Creative Set Up" and "Additional Steps". The execution of these steps should provide optimal starting conditions to ensure the fastest possible achievement of the economic goals. The three areas are not to be considered separately, but rather complement each other.

Consider first the point "Networking". For a sports marketing agency, it is essential to have a sufficient network to bring clients together with suitable right holders and thus generate profit. On the one hand, this requires a network on the company side. This side describes the target group of the agency and thus an essential network. Here a sufficient communication by means of establishment of contact or announcement of the own agency requires. In addition this network can already provide information, which desires and goals the clients of an agency hope for, which can benefit the service performance of the agency. Beyond that it is necessary to pay attention to the sports organizations. Here already before establishment of the agency an existing network must exist so that possible clients already have suitable selection possibilities for a possible sponsoring concept. Here it applies to consider that it must act around suitable partnerships between enterprises and Rightholders and/or sport organizations around the requirements of the agency to become fair. To ensure this, a suitable portfolio of possible sports organizations with which a relationship already exists is created prior to the founding of the agency in order to present the selection options.

The second field of the design and development plan includes the "Creative Set Up". Here it is first important to hire the right people. These are on the one hand an IT expert, who

beside the technical set up also cares for an adequate use of data. This enables the agency to improve its own service, but also to recognize current trends and thus to offer the most successful service possible. The free application Google Analytics should help with this. Furthermore, a sales representative is to be hired, who will take care of the sales of the three different services and can thus further expand the network. It should be noted that all employees, in addition to the tasks assigned to them, act as key account managers, which means that they take care of different clients when needed. Furthermore, one of the core values of the agency is to function as a creative company. This has to be ensured by an appropriate set up in the office for the employees and has to be planned accordingly in advance. This includes meetings, the first elaboration of possible sample concepts as well as the use of current trends. In the course of this, it is also necessary to evaluate whether certain patents on processes or concepts are possible.

Finally, "Additional Steps" must be taken into account. These describe processes that are not of an operational nature for the agency. These include first of all the establishment of a suitable office. This is to ensure as already a creative environment as well as a most effective productivity. In addition, legal advice is required prior to the establishment. On the one hand, this includes the legally compliant foundation of the agency. Here, various legal requirements in German and European law must be ensured. On the other hand, legal requirements with regard to image rights, copyrights and legal regulations on sports sponsoring must be observed. Finally, various possible accounting providers need to be compared. This ensures that a suitable provider is commissioned after the start-up and therefore that there is legally compliant accounting.



## Operations Plan

Identify the location of the proposed facility, and the type of facility required to produce/deliver the proposed product/service. What size footprint is necessary to accommodate the volume planned for production? Will the labor force work a single shift or is there a plan to work multiple shifts or schedule weekend teams, as well? Inventory controls must be established to manage minimum on-hand inventory levels. Will the work force manufacture the entire product, if not what part is manufactured outside the facility and therefore NOT under direct control? Just-in-time operations must be described with schedules to ensure the products manufactured outside the facility arrive in time to be used in the development of the product. Too much inventory and there is a risk of tying up operating capital. Too little inventory and the ability to deliver the proper number of units for a customer's order may be delayed which translates into lost sales. Either occurrence can expose the business to undue monetary pressure.

If this is a start-up, when will these facilities be ready for prime time? Will construction lead-time be adequate to keep the order commitments on schedule? Investors will want to know, so be ready to address these issues BEFORE getting in front of the "money people".

### **Management Team**

The management team of any business is as critical as the product or service itself. The greatest product possible could be manufactured, however if the management team fails to execute the company plan, lost sales could occur which may prove fatal.

Describe each management position on the team, their role, responsibilities, and required compensation. Is the management team willing to accept lower compensation given the start-up nature of the business? If so, this is worthy to note when presenting the plan. Has the talent been balanced on the team? Does the team possess adequate technical skills, leadership skills, and a proven track record of success? Beyond their salary compensation what other perks will be offered? Does the business intend to offer profit sharing, stock options or a bonus plans? What is the strategy for holding on to intellectual property especially after the management team proves successful? Many companies go to exhausting lengths to ensure sustainable, successful management teams. Good management personnel are hard to come by. Finding them is an incredible challenge however it pales in comparison to retaining them once they have proven their worth.

## **Sustainability and Impact**

All business plans must address sustainability and impact. Every business developed has had some impact on the economy, society, or the environment, and all businesses or investors will want to know up-front how the proposed business venture can/will impact all these areas.

If the business has a favorable impact on any of the above, the chance of sustainability is greatly increased. In keeping with this theme, think about the type of potential waste that may be generated by the business. Will the business adequately and compliantly recycle, or dispose of the waste it creates? Review and discuss the impact on the planet's green initiative to include carbon reduction, and effective waste management. If there are suppliers, there is a need to include the supplier list in the plan and explain how they intend to address their impact on the environment.

Often the manner in which a company addresses these issues can create separation from their competitors. All things being equal, if the production environment of the proposed business proves to be a greener, more planet friendly alternative, it could create separation from competitors on this element alone. Forward think on this issue and try to project future impact on the company and product line growth. Is the company poised and on track to improve the environment or is there risk of falling back to the pack?

Finally, this section should address the potential exit strategies of the venture. Remember, exit does not mean just leaving the venture; it is a liquidity event as the venture achieves certain milestones and these should be analyzed and presented.

## Overall Schedule

Scheduling is extremely important and can quickly become the deciding factor in the success for the pursuit of funding. Investors want to see a meticulously formulated plan with realistic goals and objectives

, alternative strategies in the event certain mid-term goals are missed, as well as remediation plans should a major “show-stopper” occur. This is the time to think out of the box, demonstrate solid forward thinking and show just how creative this plan can be, given the opportunity. Leave nothing to the assumption of the reader or audience. Walk them through the elements in the order that is envisioned for the events to occur. As an example:

- o Lay out a cash conversion cycle for each product or service
- o Create a month-by-month schedule which shows the timing of the
  - o Product development
  - o Market planning
  - o Sales programs
  - o Production
- o Display critical milestones essential in achieving success to include:
  - o Incorporation of the venture
  - o Completion of design and development
  - o Completion of proto-types
  - o Securing of sales representatives
  - o Trade Show displays
  - o Contracts with distributors and suppliers
  - o Material orders in quantities indicative of production volumes

This is a time to demonstrate copious adherence to every detail. Leave no stone un-turned and when those in attendance walk away they should be thinking “Wow, what a presentation. This idea is solid and I need to be part of this business”.

### **Critical Risks, Problems, and Assumptions**

The *Entrepreneurial* spirit is based on a risk-reward mindset. Willingness to assume such risks is at the very core of every entrepreneur. Although it is assumed the business creator accepts these risks, those who consider investing in the business need a bit more assurance. Often times, investor comfort levels can be heightened simply by observing the care with which the business plan identifies and addresses these risks. Be thorough in the review of all the risks, problems, and obstacles perceived to be in the path of operating a successful business, and by extension the path of all stakeholders.

Identify each risk and its potential impact on the business. Will it affect personnel, product delivery, product development, and product market appeal? Drill down through the Sales assumptions made in the projections. Talk to how and why such projections have been offered, and provide insight as to how the numbers were determined (in many cases, appendices and exhibits should be used in support for many of these sections)... Address potential “show-stoppers”; why they may be considered such, and how they could be managed. It has long been a standing rule that most potential investors will read the “Management Team” section first, and then immediately turn to this section. Omission could prove fatal with the reader concluding a belief that they may be stupid or naïve; or that the plan is attempting to pull the “wool over their eyes”; or there is insufficient critical thinking to have thought of these exposures. Any of these conclusions results in refusal to engage, and does not achieve the goal. Be thorough in the review and consider some, if not all of the following:

- o Running out of cash before orders are secured
- o Potential price cutting by competitors

- o Unfavorable industry trends
- o Design or manufacturing costs exceeding original estimates
- o Sales projections not achieved
- o Raw material lead-time longer than anticipated
- o Challenges obtaining bank credit

Weigh these risks placing higher weights on the most critical down to the least critical to demonstrate a stronger sense of impact. Do not take this section lightly. Be certain to demonstrate deep critical thinking in this area. It can and will separate the plan from competitors.

## The Financial Plan

In this section the proverbial “rubber meets the road”. It is here where many of the potential investors and/or bankers will focus to uncover the true financial requirements of the business. Accurate presentation of the estimates results in increased validity of the business plan. The business viability and timetable will be on display in this section. The use of financial exhibits will be expected. Use cash-based rather than accrual based accounting (use a real-time cash flow analysis of expected receipts and disbursements). Financial statements should cover five year projections (or at least three years) including income statements, balance sheets, and cash flow statements. Many of these can be discussed and described here while providing the full statements in appendices and exhibits. In most cases, start-ups will use pro forma financial statements. Use sales forecasts and the accompanying production or operations costs when preparing the pro forma. Be certain to completely review/discuss the assumptions made in these reports.

***It is imperative that a discussion be provided on worst case, most likely and best case scenarios.*** Describe how certain assumptions may cause any of these scenarios and what that will do to certain performance indicators.

### **Proposed Funding Requirements**

Now that the business idea has been fully described and presented, it is time to identify exactly how much funding is being sought after. Identify how the plan intends to invest this money in the business, and the rate of consumption. The potential investor's, of course will want to hear about how they are going to have their investment dollars repaid, and will require a detailed plan to achieve the desired rate-of-return on their investments. Understand that those investors who are serious about investing in your business will be the one's most concerned with the content in this section. Be prepared for the potential investors to counter offer ideas on how to pay back the money, with a few rather creative ideas of their own. Think about the offering and potentially how the business may sell stock in the company? What percentage of the company will be surrendered to investors? Will controlling stock be retained or is there a willingness to sell more than half of the interest in the business? Consider retaining a certain amount of stock for future employee stock option plans.

All investors want to know how their money is going to be spent. Be prepared to provide a list of items planned to purchase. How much will be spent on creative design, market research, development, and the creation of production facilities? The more data provided, the greater the comfort level your investors will feel.

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## **Appendix**

NOTE: Appendices should be included that support the discussion within the business plan and referenced herein; this may include but not be limited to financial statements, charts, diagrams, org charts, etc.