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Found Money: The Growing Popularity Of Municipal Marketing

Cities, schools and other public entities explore public-private partnerships as a way to offset soaring budget deficits.

A multifaceted relationship: Toyota's partnership with the City of San Diego includes experiential marketing programs and dealer tie-ins.

Swelling budget deficits and shrinking tax revenue are driving renewed interest in municipal marketing programs among cities, counties, school districts, airports and nearly every other type of government entity.

While municipal marketing has been around since the 1990's, interest in public-private partnerships has gained increased momentum following the 2008-2009 economic collapse and subsequent decline in tax revenue.

That was a situation faced by David Cavazos, city manager of the City of Phoenix. Cavazos took his position in November 2009, a time when the city was facing its most difficult financial crisis in its 131-year-old history.

"We had a $277 million deficit on a $1.1 billion budget. We had to be creative and think of new ways to generate revenue," he said.

The city has signed two partners since rolling out a marketing partnership program in 2010: Coast2Coast Rx Card and Service Line Warrantees of America, a marketer of water and sewer line insurance for residents.

Phoenix receives a commission based on the number of products sold. For example, the city receives $1.25 for each Coast2Coast Rx Card sold and a 12 percent ongoing revenue share from the service line protection program.

Phoenix designed the program to create mutually beneficial relationships for the city, its residents and corporate partners, said Cavazos, noting that the Coast2Coast Rx Card has helped save residents $5.6 million on prescription drugs.

The program also has benefited the city: Phoenix has generated $124,114 over the past two years and will receive another $216,000 this month as part of the kickoff of its new partnership with SLWA. The program is expected to generate $500,000 in revenue for the 2012-13 fiscal year.

"That's revenue we can use to enhance our services and provide better experiences for our residents," said Cavazos, who is exploring other sponsorship inventory ranging from beverage vending rights to naming rights deals.

"Everything is on the table. We want to raise revenue, but only when it aligns with our objectives of benefiting the city and our residents."

Other Government Entities Get Into The Act

A growing number of cities, counties and other government entities are following Phoenix's lead in the municipal marketing space.

Those efforts range from comprehensive programs that span city-wide assets to sponsorship of specific programs or departments.

For example, The City of Milwaukee this month endorsed a plan to sell sponsorship rights to everything from parking garages to naming rights deals.

Others have already gone down the sponsorship road. Those include Indianapolis, Huntington Beach, Calif. and the City of Arlington, Texas.

And many of those cities are finding success using sponsorship to generate new revenue streams and underwrite capital improvements. Case in point: The City of Arlington last year secured a $100,000 partnership with General Motors Co.'s Chevy brand to refurbish Randol Mill Park, a park with a play area designed for children with special needs.

The city is using the funds to upgrade the park with sustainable plants, an energy-efficient field house and other environment-friendly improvements.

Arlington secured the partnership through a relationship with EcoMedia. The media buying agency offers advertisers the opportunity to support Arlington's environmental initiatives as part of a media buy in the Dallas-Fort Worth DMA.

"Ten percent of their ad buy comes back to the city to green buildings, plant trees or create recycling programs," said Trudy Lewis, a City of Arlington project director who managed the program prior to taking a new position with the city last month.

The program helps support GM's community presence, said Lewis, noting that the automaker operates a factory in Arlington and has an existing partnership with the MLB Texas Rangers. The environmental tie-in also gave the automaker a platform to promote the Chevy Volt hybrid vehicle.

In addition to accessing new revenue streams, some cities have found success offsetting expenses through public-private partnerships. For example, Huntington Beach has saved more than $500,000 over the past four years as a result of its partnership with Toyota Motor Sales U.S.A., Inc., which provides 17 vehicles for the city's Marine Safety and Beach Operations Divisions.

Toyota receives designation as the official vehicle of Huntington Beach and other benefits in exchange for the vehicle donation.

Surf City also has expanded its corporate partner roster. Huntington Beach in July rolled out a new tie with Compass Group USA, Inc.'s Canteen Vending division, which is installing beverage and snack vending machines throughout the city. The five-year partnership is expected to generate roughly $90,000 annually for the city.

And other government entities are getting into the act. California's Santa Rosa City Schools this month inked a 10-year, $50,000 sponsorship with Trimble Navigation LTD, a manufacturer of GPS software, while American Express Co. in June announced a partnership with Toronto Pearson International Airport.

Other transportation agencies are rolling out or exploring sponsorship programs to offset fare hikes and improve service. Those include the Chicago Transit Authority and Massachusetts Bay Transportation Authority, both of which are selling title to subway stops.

The Key To Success: Enhancing The Consumer Experience

As demonstrated by the City of Phoenix, government organizations need to build business partnerships around one central tenant: enhancing the consumer experience.

That can range from improving the quality of life in the local community to providing discounts on specific products and services.

"It is important to demonstrate to the public a benefit of more than just dollars generated, but how the program or service enhances the quality of life in the community overall, and perhaps even to them on an individual basis," said Simone Slifman, economic development project manager with the City of Huntington Beach.

And the partnerships don't have to be complex. Deals that provide a modicum of relief from life's daily stress can go a long way in making a consumer happy, said Brad Jersey, founder and executive vice president of Airport Marketing Income, an agency that specializes in developing nontraditional revenue for airports.

Jersey points to two examples: PepsiCo, Inc.'s title of a children's play area at the Dallas-Fort Worth International Airport, and Yahoo! Inc.'s 2011 partnership with Chicago's O'Hare International Airport, around which the technology company underwrote fees associated with curbside check-ins during the Thanksgiving Day travel weekend.

In another example, BMO Bankcorp several years ago underwrote the cost of installing hand sanitizers at O'Hare International Airport during the swine flu scare.

"We look at every partnership through the lens of how it will enhance the traveler's experience. Traveling can be an unnerving and stressful experience, and something small can go a very long way," said Jersey.

Some properties look to pro sports venues for inspiration. Case in point: Boston Logan International Airport last year secured Toyota Motor Sales U.S.A. Inc.'s Lexus brand as title of the airport's Parking Passport Gold program. The program offers members guaranteed parking with easy access to airport terminals.

"The theme of the day is passenger enhancement," said Josh Kritzler, a founding partner with Property Consulting Group, a sponsorship sales agency that sold the deal on behalf of AMI.

AMI is working similar deals with three other airports, added Jersey.

Where possible, rightsholders should survey residents to gain feedback prior to developing sponsorship programs. The Chicago Transit Authority used intercept surveys to gain feedback prior to developing its program.

"We wanted to minimize the risks associated with the commercialization of public assets in the marketplace," said Jay Kenney, senior vice president of IMG Consulting, which developed and is selling the CTA program.

The results were positive. "People realize the CTA is in a serious budget crisis. They don't want to see service cuts, and they realize the only way for transit authorities to continue is to develop additional sources of revenue."

The CTA has taken a less is more approach by selling title to 11 of its 144 train stations. "Our recommendation was to open up no more than 10 percent of the system for commercialization. We want to maintain some exclusivity and value to companies that step up to naming rights," said Kenney.

In addition to title status, each eight-year package includes media exposure in the station, mention in train schedules and other benefits. The CTA hopes to generate seven figures from each package, said Kenney.

San Diego's Evolving Sponsorship Program

As one of the first municipalities to roll out a comprehensive sponsorship program, the City of San Diego offers a template for other cities to follow.

San Diego—which launched its program in 1999—has moved away from packages centered on the city's purchasing department in favor of marketing-driven deals that may or may include procurement.

"Procurement was intended to be decided separately from partnerships, and partnerships were not supposed to influence a procurement decision. That had created confusion which has led to a revamping of our program," said Natasha Collura, the City of San Diego's director of strategic partnerships, who has spearheaded the program since joining the city in March 2011.

Going forward, San Diego is placing more focus on packages that include consumer-facing marketing components. For example, the city added a public service component to its partnership with Toyota Motor Sales U.S.A., Inc., which was primarily interested in placing vehicles on the city beaches.

The package included an on-site display that featured lifeguards, a Toyota lifeguard vehicle and a water safety message.

"The water safety aspect, lifeguard and lifeguard truck actually drew more people to the display than if it were just Toyota vehicles," said Collura.

San Diego lifeguards go out of their way to ensure the automaker is featured in news interviews and used as a backdrop for TV productions, added Collura.

San Diego also has secured deals with three other new partners: Canteen Vending, Service Line Warrantees of America and Sprint Corp. Sprint replaces a ten-year-old partnership with Verizon Communications, Inc., while Canteen replaces a 12-year-old sponsorship with a Pepsi distributor.

The distributor did not meet its minimum guarantee to the city after over-projecting the number of machine installations, said Collura. "The amount of machines was much lower than projected and thus the minimums were not met."

Rather than imposing a minimum guarantee with Canteen, the two organizations are working together to increase the number of machines and implement an advertising sales component that will generate incremental revenue, she said.

The vending machines also will sell Coke, Pepsi and other products "which is sure to increase sales," Collura added.

San Diego plans to share its sponsorship knowledge with other cities. Collura has approached other cities about establishing an informal network to share best practices and brainstorm ideas in the muni marketing space.

"We want to create a network to share contacts, best practices and other information," she said, noting that San Diego receives frequent calls from other cities looking for advice on starting municipal marketing programs.

Sources
City of Arlington, Tel: 817/459-6100
City of Huntington Beach, Tel: 714/536-5233
City of Phoenix, Tel: 602/262-7176
City of San Diego, Tel: 619/236-5900
Airport Marketing Income, Tel: 866/389-9036
IMG, New York City office, Tel: 212/489-8300
Property Consulting Group, Tel: 312/ 948-0260

SIDEBAR

Muni Marketing: Two Obstacles To Widespread Adoption

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While consumers and politicians have come a long way in accepting public-private partnerships, the programs face two significant hurdles: an antiquated bidding process and a lack of funds to hire dedicated staff to manage the programs.

Below, *IEG SR* breaks down the two challenges.

Request for Proposals. RFPs, Request for Qualifications and other requests in the government bidding process can present a significant challenge to marketers who may not be familiar with the lengthy, paperwork-intensive process.

"The private sector is not used to submitting RFPs for sponsorship opportunities. They want to know how much it is and what they get. Unfortunately that's not the way it works in the public sector," said Jay Kenney, senior vice president of consulting with IMG Consulting, which developed and is selling a sponsorship program for the Chicago Transit Authority.

For its part, IMG educates and guides prospective partners through the bidding process. That includes educating prospects about the CTA's open bidding process.

IMG won the CTA business after responding to the transit agency's RFP seeking an exclusive marketing agency, he said.

Commission-only deals. The growing popularity of municipal marketing programs has created a Catch-22: cities need revenue to offset budget deficits, but most do not have the necessary funds to hire dedicated staff or a sponsorship sales agency.

Instead, many cities have opted for commission-only deals. Those kinds of relationships often lead to one-off ties that can leave money on the table.

"Cities aren't willing to pay for services to get the right consulting expertise. They want everything done on a commission basis," said Ed Augustine, managing partner with The Pathfinder Group, which has helped develop city-wide sponsorship programs for the City of San Diego and other municipalities.

Agencies also face the risk of having a program unexpectedly shot down by a politician or other stakeholders, he added.

But some agencies are willing to take on that risk. Case in point: IMG has a commission-only partnership with the CTA. But the agency did have an out: IMG would have received a fee if the CTA decided not to pursue the program.

Sources
IMG, New York City office, Tel: 212/489-8300
The Pathfinder Group, Tel: 800/477-2559

Breaking It Down: Two Canteen Vending Deals

City of Huntington Beach

- Five year deal
- Installation, operation and servicing of snack and beverage vending machines at city facilities and public locations
- Canteen pays a quarterly commission based on gross sales proceeds
  - 10 percent snack items/15 percent beverages (select locations)
  - 20 percent snack items/40 percent beverages (select locations)
- Canteen pays $50,000 advance against first year commission
- Huntington Beach pays15 percent commission of all revenue to Active Network, the city's municipal marketing consultant

City of San Diego

- Five year deal
- Installation, operation and servicing of snack vending machines at city facilitates and public locations
- Canteen receives status as "official snack vending partner of the City of San Diego"
- Canteen pays a commission of 20 percent of gross receipts from the sale of snacks and a commission of 30 percent of advertising net revenue
- Canteen pays $30,000 advance against first year commission
