SIEMENS - DISNEY SPONSORSHIP

A Marketing and Technology Alliance

Updated October 2013

White Paper

The following document provides an analysis behind the Corporate Alliance Partnership between Siemens Corporation and The Walt Disney Company.

Background: Identifying the Opportunity

The opportunity for a Disney/Siemens Alliance first arose in 2004. Siemens is one of the world's largest electronics and electrical engineering companies with offices in over 190 countries and nearly 400,000 global employees. Despite Siemens' size and global success, brand awareness in the United States in 2004 was relatively low. Since the U.S. was one of Siemens fastest growing markets and a global business leader, it was agreed that Siemens would make marketing investments to increase brand awareness and brand knowledge in this critical market.

Considering a multitude of U.S. marketing options, senior leadership at Siemens developed a series of objectives that would define their success:

- Americanize the Siemens Brand
- Increase US sales consideration
- Showcase Siemens technology
- Enhance Business-to-Business sales with partners
- Introduce Science, Technology, Engineering, and Math concepts to a young audience.

Siemens drew from their international experience with various marketing partnerships, such as sports, conferences and community events in considering U.S. sponsorship options. In most cases, traditional U.S. sports sponsorship opportunities, particularly larger leagues and stadiums, indexed well against the objectives and all offered the benefit of corporate hospitality. However, most of these partnerships fell short in two critical areas: 1.) customer focus and 2.) overall cost versus value. Some examples:

- <u>Sports Stadiums</u>: These icons of American sport provide strong awareness and consideration for B2B sales (if under renovation or new construction), however the cluttered advertising environment and limited on-going sales opportunity for the facilities, did not justify an 8-figure annual investment.
- <u>NFL and MLB</u>: Two leagues that are quintessentially American but lack relevant assets since marketing partnerships are driven by on-air media advertising; this provides limited value for a B2B-focused company.
- <u>Olympics</u>: The most nationalistic of all properties, but prohibitively expensive considering the limited time-frame (two-weeks every 2 years).

In addition, the investment within the sports sponsorship space tends to be seasonal which presents many barriers for leveraging programs. This would later be a critical value in the ROI model as Siemens was looking for a property that delivered value year-round.

The analysis of potential sponsorship partners was expanded to include entertainment properties, as these also indexed well against the objectives. This exploration resulted in a conversation with The Walt Disney Company. Disney was transitioning their theme park infrastructure sales away from General Electric who had recently completed the purchase of Universal Studios, a Disney competitor. Siemens successfully pursued and won that business. At the same time, Disney was looking for a partner to lead the redesign of Epcot's iconic attraction Spaceship Earth at Walt Disney World Resort. This opportunity with a global property, with massive appeal and exposure, provided a unique sponsorship property for consideration. What began as a preferred vendor opportunity with Disney led to the consideration for a two-pronged long-term relationship: Business Development [Technology] and Sponsorship [Marketing and Communications].

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As a result, Disney marketing executives reached out to Siemens to meet with The Walt Disney Corporate Alliance Division which manages global corporate partnerships. The resulting meeting was a good fit of business objectives and corporate personalities. Coming out of an initial meeting, Siemens saw that Disney could satisfy their business objectives:

- Americanize the Siemens Brand: Few brands are as globally powerful as Disney, which stands as a symbol of American entertainment via their iconic films, media assets and theme parks.
- Increase US Sales Consideration: The Halo-Effect of being a sales partner with Disney likely increases consideration from other companies
- Showcase Siemens Technology: A Disney attraction provides a unique story-telling opportunity to marry brand attributes with a Disney experience for millions of guests annually (such as Mission: SPACE presented by HP or Test Track present by Chevrolet).
- Enhance Business-to-Business Sales with Partners: Disney provides an immediate B2B sales opportunity to provide multiple Siemens products to Disney's global assets: theme parks, cruise lines, studios, vacation clubs, etc.

Based upon this initial review, Disney extended to Siemens a sponsorship proposal which was reviewed by an independent third-party.

Solution: Evaluating the Partnership

Octagon Music+Entertainment led the detailed analysis of the alliance proposal and delivered a report that translated the value of the partnership into a universally accepted media metric that could be used to compare the Disney marketing package versus other sponsorships. Octagon is the world's largest sponsorship marketing firm and an expert on sponsorship evaluation and negotiation. The Music+Entertainment Division is led by former Disney Corporate Alliance staff that drew upon the industry metrics and a detailed knowledge of Disney's Alliance Partnerships to provide a detailed and accurate valuation. The customized metrics model was designed to "level the playing field" in comparison with other sports properties and evaluated the property on three criteria.

1. **Definitive Assets:** These are assets with a universally recognized and agreed upon value and in some cases have an associated retail value. These assets include elements such as the value of theme park passes, discounts on meeting space and prenegotiated hospitality amenities and the value of sales that Siemens would receive as a partner. In the evaluative stages of the agreement, this was difficult to project, so there was limited value outside of the contractual entertainment entitlements.
2. **Subjective Assets:** This is by far the largest valuation section of the analysis. This section attempted to convert in-park assets to a recognized media metric; since there are no definitive metrics for in-park impressions a comparable medium was selected based upon the way in which audiences viewed the media. As an example, in-park signage was valued based on an outdoor billboard model, mentions during parades were valued based upon radio models, and in-park guide maps were valued as a print publication. This provided a media value that could be compared against similar media-driven properties such as sports.
3. **Property Strength Index:** This valuation placed a multiple on Disney assets based upon the strength of the property and the leverage that Siemens had in negotiations. The property strength took into consideration factors such as property prestige and the iconic nature of the Spaceship Earth asset; the leverage strength considered the value of exclusivity across multiple categories and the clutter of the theme park environment.

The resulting report was a complete valuation of the alliance that provided one number as a value that could be used to identify a "supplemental marketing target". This "target" number represented the percentage difference in value between the measured media and the requested investment. In the case of the Disney Alliance, Siemens would need to leverage the Disney property to generate an additional 17% increase on the projected deal value - to represent a break even. In Octagon's evaluation, and extensive knowledge of the sports environment, Octagon deemed this an acceptable difference and supported that claim with a "supplemental marketing target", comparison with other sports properties. The following is a sampling of those results and the rationale for the difference.

- <u>Disney Alliance: 17%</u>. This "gap" could be closed through aggressive property marketing and leverage – such as an increase in product sales to Disney, use of licensing, and increase in exposure due to the new attraction to "close the gap" between media value and fees.
- <u>NFL Partnership: 50%.</u> NFL partnerships are heavily media driven consumer properties in which a significant majority of value is in the television package. The NFL charges this premium due to their popularity and exclusivity of relationships in select categories. Though Siemens does not possess a significant consumer brand category, the NFL would still require a steep premium for the rights to use the logo and the demand for corporate hospitality at the Super Bowl over their competitors.
- <u>Olympics: 100%.</u> The Olympics represents the highest premium in sports and no brand does a better job protecting or leveraging the iconic "Olympic rings".

Negotiation: Crafting a Partnership

With a solid base for our valuation and clear objectives for the partnership, Siemens engaged in contract negotiations with Disney. Siemens business interest covered such a wide spectrum of technology industries that the partnership needed to be broader than just a single attraction. Disney and Siemens had identified Epcot's Spaceship Earth as the premiere attraction partnership due to its messaging on technology, massive post-show experience and VIP hospitality lounge, all of which supported key Siemens objectives. It was also important that Siemens negotiate a program that featured presence on both the US east and west coasts to provide access for a myriad of Siemens business units and customers. The selection of shows and attractions were carefully considered to ensure there was a relationship fit between the in-park asset and the Siemens story of global innovation. During this asset review process, several themes and platforms for telling the Siemens story became natural fits, such as Innoventions at Disneyland and the Electric Light Parade (an ideal showcase for *Sylvania**) at Disney's California Adventure. In securing these assets, Siemens' negotiation strategy was driven by two philosophies that helped create mutual benefit.

Siemens Brings Value to Disney. Siemens' B2B focus and unique collection of hi-tech categories are not traditionally competitive categories for Disney Alliance partners. Disney realized that Siemens offered a unique brand fit to sponsor the Spaceship Earth attraction due to the focus on future innovations (the new storyline of the attraction). Disney places a premium on story-telling in their parks; Siemens' brand provided Disney with a credible technical partner for a futuristic and iconic attraction. Finally, General Electric's purchase of NBC Universal meant that one of Disney's traditional infrastructure vendors was now a competitor; this created a need for a brand such as Siemens to assume that vendor relationship.

Prioritize Value and Find Mutual Benefit. Siemens and Octagon created a grid that covered the four key negotiation areas within the agreement – Theme Park assets, Marketing, Hospitality, Term and Fees - and looked at which areas would provide the greatest intensity of negotiation based on Siemens needs and Disney's deal objectives. This grid laid out the negotiation with a series of mutual benefits based upon what was important to Siemens while giving Disney the value it needed.

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As a result of preparation and focus, negotiations moved smoothly with both sides working together out of mutual respect and value in the potential partnership. The result was an agreement that served both companies fairly and provided a set of success criteria to judge the performance of the deal over the long term.

Performance to Date

The Siemens/Disney Corporate Alliance is presently more than half way through the 12-year term of the agreement, Siemens can reflect on the performance of the deal to date. Consider how the alliance has performed against the following metrics that were put into place at the outset of discussions.

- **Americanize the Siemens Brand**: Siemens has benefitted from the association with Disney by leveraging the association throughout the four sectors of the company; from co-branded Siemens Hearing Instrument and Siemens Medical Diagnostics campaigns featuring Disney and Marvel Studios licensed characters and logos to Disney feature film private screenings for customers, and the Siemens sector (Energy, Healthcare and Industry/Mobility) technologies featured throughout the sponsorship assets at Walt Disney World Resort (FL) and the Disneyland Resort [(CA).
- **Increase US Sales Consideration**: Siemens now features and actively markets products placed throughout US and International Disney Destinations. The Alliance also provides Siemens with perhaps the most unique executive briefing venue in the industry: Siemens VIP Center. The VIP Center is the Siemens managed corporate executive briefing and hospitality center that is located in the Epcot theme park adjacent to the Spaceship Earth attraction. Siemens VIP Center provides executive conference rooms, a customer/employee visitor lounge and VIP access to the Siemens sponsored attraction, Spaceship Earth, and serves as a home base for the 360 business account. The briefing center hosts has hosted an average of 14,000 visitors per year and 180 private events that help drive sales preference and showcase the Siemens story of innovation.
- **Showcase Siemens Technology**: The Spaceship Earth Post show, Project Tomorrow, features Siemens technologies throughout the exhibit space as well as Disney-designed interactive games to communicate the significance of these technology solutions. Siemens has also moved their presence online to a co-branded Siemens-Disney website featuring information and interactive games that help explain Siemens technologies that are all around us. For Siemens the site is intended to inspire young adults interested in the fields of science, technology, engineering and math.
- **Enhance Business-to-Business Sales with Partners**: Siemens is on track with its projected sales activity with the various sourcing and purchasing groups within The Walt Disney Company.

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In addition, our evaluation of the alliance was extended to include a comprehensive Return on Sponsorship (ROS) calculation. This ROS was calculated through the following formula:

Tangible Value	÷	**Fees and Capital**	=	**Return on Sponsorship**
Includes all media based partnership elements as well as the tangible value that Siemens receives from the partnership through multiple channels such as the value of the negotiated entertainment entitlements. The tangible value also includes net sales proceeds that have resulted from the Disney Alliance.		This totals the annual fee and capital investment (amortized over the term of the agreement) that Siemens puts into the partnership each year.		The resulting ROS of 145 is the highest score that the partnership has delivered to date and the highest comparative ROS that Octagon has seen in an entertainment environment (average 50 index).

Finally, Siemens can point to significant increases in brand awareness among Disney guests over the first three years of the relationship. Octagon, in partnership with Disney's in-park research division, has conducted two quantitative research studies to identify Siemens brand awareness, favorability and presence in Disney parks. The results were overwhelmingly positive with increases in key metrics such as

- 68% increase in overall brand awareness
- 78.6% brand recall
- 8% increase in brand perception after visiting the Spaceship Earth attraction

Key Learnings

Based on the results and on-going relationship that Siemens enjoys with Disney, we consider these initial years of the partnership a success. That success is the result of a strong management team that assertively leverages the partnership and has remained focused on the key philosophies that have driven the Alliance since its inception:

Stay focused on Objectives. Through negotiation, creation and management, Siemens has remained focused on the four objectives that led them to this partnership. In addition, we have maintained a focus on those objectives to drive evaluation of new opportunities and further leverage of the Alliance.

Identify Mutual Value. Leveraging the partnership has always been positioned as win-win situations. Disney appreciates Siemens request for additional assets and marketing when presented in the context of how this helps Disney as well (promotion, exposure, etc.). This philosophy of maintaining mutual benefit incentives both parties to work together.

Respect Each Other's Strengths. Siemens and Disney are very different companies, but both global leaders in their respective industries of engineering and entertainment. One of the reasons for the Alliance success is that Siemens has allowed Disney the freedom to be creative with their brand and products. Conversely, Disney defers to Siemens for insight on new technologies and solutions platforms that help to enhance their visitor experience and drive the creative process forward.

*Sylvania was formerly part of the Siemens U.S. enterprise until their IPO was successfully launched on July 8, 2013. SYLVANIA/OSRAM is a separate entity from Siemens as of the IPO date of record.