

VALUATIONS & PRICING

PRICE THE GAP: TURNING A BUDGET SHORTFALL INTO VALUE YOU CAN SELL

Monster Energy's deputy CFO, four-time Vegas to Reno winner Ryan Arciero and longtime K&N sponsorship manager Tony Yorkman explain how to work backward from your budget, create enough value to cover the shortfall, and decide what to ask for.

By Alex Striler · 6 min read · Read online at sponsorshiptactics.com/library/price-the-gap

How much should I charge? That's the question I get more than any other. At the Off-Road Sponsorship Summit we gave it a whole session, Valuations & ROI, with two guests who see it from both sides of the table. Matt Burroughs is deputy CFO of Monster Energy and races UTVs in Baja. Ryan Arciero had just won Vegas to Reno for the fourth year in a row, and he is president of 1Nine Industries, the race shop that runs Terrible Herbst Motorsports.

Neither of them gave a magic number. What they gave was a method: work out your gap, and then go and create enough value to fill it.

START WITH WHY YOU RACE, THEN WORK BACKWARD

Burroughs started with something that sounds more like advice for a racer than for a finance department. "I think the first thing you need to do is remember why you started racing. We all started racing because we enjoyed it and we have fun. And sponsorships were not the reason you were racing," he said. "Because if you're racing purely for sponsorships and dollars, you're probably in the wrong playground for that."

Once you've decided you're racing either way, the arithmetic is simple. "So then you start working backwards. And if you said, OK, Baja to me is \$400,000 a year commitment. I'm not saying that's what mine is. But suppose that's your budget to do Baja. Then you work backwards and say, OK, I can fund half of it. Then you've got to go out and you've got to try to raise the funds to close that gap."

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THE GAP TELLS YOU HOW MUCH VALUE YOU NEED TO CREATE

Those were hypothetical numbers, but they show something most racers miss. Your shortfall isn't the amount you ask a sponsor for. It's the amount of value you have to deliver. As I put it in that session: "If you know that there's going to be a cost of four, and you can put up two, and you need to look for another two, and you intend to race, well, now you know that you have to create \$200,000 of value for somebody somewhere."

Then you have to be honest about where that value will come from. "Is it going to be a sticker on the hood, the helmet, and the suit? Probably not," I said. "Is it going to be activating at certain events that they can't go to, which is going to cost them 20,000 per event, and you're going to go to 10 events? That might cover it."

Brands already set aside money for staff, travel and expenses to promote at events they can't always attend. If your team can do that work for them, you're no longer competing for the sponsorship budget. "If you can do that for them, then you can actually tap into that budget." [▶ WATCH THE SESSION](#)

BUILD NEW VALUE ON PURPOSE

I asked Arciero whether his team deliberately creates new programs when it knows money will be short. "Oh, 100%. You have to, because you always have to be thinking, what's next? What are we doing next?" he said. "Unless you have a multi-year deal with a sponsor, next year's never guaranteed."

One reason is the people on the other side. At big companies, he said, "the heads of marketing change quite often," and the person who loved your program can be replaced by "somebody else that would rather spend their money on soccer or baseball or something else."

The quickest way to fill a gap, in Arciero's view, is to start with sponsors who already believe in you. "If you're trying to figure out how to bridge that gap on that shortfall, and what you're doing right now is working, then you need to figure out how do I tap into my current sponsors I have now that already believe in what we're doing and create additional partnerships beyond them, that they're attached to, that makes sense for them." [▶ WATCH RYAN ARCIERO ON THIS](#)

His own team does this. It connects Monster's long partnership with the Herbst family to the family's convenience stores, looking at which products sell there and which of those companies could become partners. With BFGoodrich, the relationship goes beyond a decal: "Not only are they a partner and sponsor of ours, but we actually actively go out and sell their product as well."

SHOW MORE VALUE THAN YOU CHARGE

Once you know what you can deliver, put a value on it and then ask for less. "You want to show a high value of your program but then charge far less for it," I told one Summit audience, "and if you can show three, four, five times the value of what you're asking in terms of sponsorship costs, sponsorship price, I think that that attracts a lot of attention." [▶ SEE THE FULL SESSION](#)

Tony Yorkman, who handed out K&N Filters' sponsorships for about two decades, gave the same rule from the brand's side. A valuation from a platform like Hookit tells you what you're worth, not what to charge. "Even when it comes out and you have a Hookit valuation on your program as a racer and you can go, hey, I'm worth, throughout the year, I'm worth five hundred thousand dollars, okay, then you should be charging two hundred fifty thousand dollars, and exactly figure out how you're going to make that work," he said. "You stay aligned with what your valuation is, but you still have to keep in mind under promising, over delivering."

When I pressed him for a range, Yorkman said it depends on how much of the brand's plan you cover. If a brand needs exactly one person to represent it in a category, that person could get the whole budget, "which could be five figures, it could be seven figures, whatever that budget is for." Usually, though, the amount is "going to be based off of how many of those pieces you get to check off."

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MAKE THE MONEY THE LAST THING YOU DISCUSS

Burroughs was honest that there's no formula for the final number. "When there's more competition from sponsors, so when you've got your bigger properties, and there's more competition, the price goes up. But really, I think it's an individual call on what you think that space on your car is worth," he said. "I think you need to ask what you think is fair. And also ask around maybe what some of the other people are getting if they will share that information with you. Nine times out of 10, they probably won't."

When he looks for sponsors for his own racing, he leaves the money until the end. The discussion about "what the company can do for me... that's the last thing we talk about." He leads with what he can deliver, and he's specific about it: "Maybe it's, look, I can give you 20 videos a year. Here's the videos we have. ... Or if you're not the content person, look, I have five championships, I can go win another five championships for you."

He also told racers to expect partial answers and to add them up. "You're going to be told, we can do 30% of what you're looking for, 20% of what you're looking for. And maybe it's 20% from a big group and that gets you the number you want." ► **WATCH MATT BURROUGHS' ADVICE**

THE TAKEAWAY

- Work out your real season budget and what you can fund yourself. The difference is how much value you need to create.
- For each prospect, list specific work you could take off their hands, such as event activations, sampling, content or dealer visits, and put a price on it.
- Ask your current sponsors first: their customers, retailers and partners are where new value is easiest to find.
- Show a total value several times larger than your ask. If a valuation says you're worth \$X, charge noticeably less and over-deliver.
- Lead with what you'll deliver, raise the money last, and be prepared to fill the gap with several partial yeses.

VOICES IN THIS ARTICLE: Matt Burroughs — Deputy CFO, Monster Energy · Ryan Arciero — Off-road racer and President, 1Nine Industries · Tony Yorkman — Motorsports Marketing Manager, Team RTR (formerly K&N Filters)

Alex Striler runs SponsorshipTactics.com, a video library of motorsports sponsorship sessions with the brands that write the checks. Quotes come from recorded Sponsorship Summit sessions and interviews, lightly edited for clarity and length. Click any

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