Beijing Olympics: Games of epic proportion

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Abstract

This paper is a real-world case based on the corporate sponsorship program of the 2008 Olympic Games, and is intended for use in management, sport management, or marketing courses.

Key Words: Beijing, Olympics, marketing, sponsorship, IOC

INTRODUCTION

Sponsored by Visa, brought to you by GE and made possible, in part, by Coca-Cola, the Beijing 2008 Olympic Games floated in a sea of corporate sponsorships. The Olympic Games have long been a valuable marketing platform for multinational companies, but commercialization around the Beijing 2008 Olympics reached a whole new level as virtually every facet of the Games was auctioned off to the highest bidder (Wedeskind, 2008).

The Games of the XXIX Olympiad, held August 8-24, 2008, in Beijing, China, marked an unprecedented opportunity for marketers to showcase their companies' brand image in association with the world's largest sporting event that took place for the first time in the world's most-populous country. According to Nick Griffith, director for Olympics consulting at Octagon, an international sports and entertainment marketing company, the Beijing Olympics attracted more international brands than previous games (Hilgers, 2008). Twelve global sponsors were joined by 51 domestic sponsors in the most successful Olympic revenue-generating program to date. Coverage of the Olympic Games was broadcast in every country, to an estimated television audience of 4.3 billion people, and in the United States, NBC provided more coverage for these games than all the previous Olympic Games combined (Marketing Report, 2008).

In the months following the 2008 Beijing Olympic Games, the people who market the rights to the Olympic brand sought to assess the impact of the recently concluded Olympic corporate sponsorship program. Micaela Smith (fictitious name), the marketing director of the International Olympic Committee (IOC), summoned her Chinese marketing colleague, Diane Yuan (fictitious name) of the Beijing Organizing Committee for the Olympic Games (BOCOG), as well as her counterpart from the London Organizing Committee for the Olympic Games (LOCOG), Kylie Hamilton (fictitious name), to a marketing strategy meeting at IOC headquarters in Lausanne, Switzerland.

At about the same time, corporate marketing executives who spend princely sums out of their companies' advertising and promotions budget, independently analyzed the mountain of data to determine the value of their association with the IOC and its trademark five interlocking rings (see Graphic A, Appendix). The French aristocrat who is credited with re-establishing the Olympic Games in the modern era, Baron Pierre de Coubertin, was also the genius who devised the brand symbol (Elam and Hamakawa, 2008). While the Olympic rings comprise one of the most recognized symbols in the world, leveraging their companies' sponsorship to demonstrably benefit from this association has proven to be one of the marketers' greatest challenges.

Of the IOC's 12 global sponsors (referred to as TOP, for The Olympic Partners) for the 2005-2008 sponsorship cycle, longtime Olympic sponsor Kodak and first-time sponsor Lenovo previously signaled their decision to discontinue their sponsorship after 2008. In addition, Johnson & Johnson and Manulife have not renewed their sponsorships, although computer maker Acer has replaced Lenovo in the computer technology equipment category, putting the current number of TOP sponsors for the 2009-2012 quadrennium at nine. Table 1 lists the dozen Olympic global sponsors for the recently concluded sponsorship period (from Olympic Marketing Fact File, 2009). See Table 1 in the Appendix.

Thus, while BOCOG's Yuan is appreciably less concerned about revenue for the now-in-the-books Beijing Olympics, the IOC's Smith and LOCOG's Hamilton are anxious to understand the reasons for the three TOP sponsors' defections.

BACKGROUND

The Olympic Games – which take place once every four years in various cities throughout the world – are a sporting spectacle that consists of some 10,500 athletes from more than 200 countries who compete in 28 sports over a period of 17 days. It is the largest and most prestigious sporting event of its kind, and draws the attendance of presidents, prime ministers, and members of royal families, in addition to millions of ordinary citizens from around the world.

Given the unquestioned power of the Olympic Games to bring together to the same place and at the same time competitors from every country to participate in sporting contests of international goodwill, the IOC has for many years claimed for itself the mantle of an important social cause, which it refers to in lofty terms as the "Olympic Movement." Former IOC Vice President Dick Pound defines the Olympic Movement as "the aggregation of the IOC, international sports federations, national Olympic committees, athletes, officials, and organizers" (Pound, 2004), which comprises the constituent parts of this global enterprise. The IOC, of course, owns the worldwide rights to the Olympic Games, including their organization, broadcasting, and exploitation of any related intellectual property (Olympic Charter, 2009), and in recent decades has become more sophisticated in reaping significant financial gain from its marketing efforts. According to the IOC's Olympic Marketing Fact File (2009), the objectives of its marketing program are to:

- Ensure the independent financial stability of the Olympic Movement, and thereby to assist in the worldwide promotion of Olympism.
- Create and maintain long-term marketing programs, and thereby to ensure the future of the Olympic Movement and the Olympic Games.
- Build on the successful activities developed by each Organizing Committee for the Olympic Games, and thereby to eliminate the need to recreate the marketing structure with each Olympic Games.
- Ensure equitable revenue distribution throughout the entire Olympic Movement – including the Organizing Committees for the Olympic Games, the National Olympic Committees and their continental associations, the International Federations, and other recognized international sport organizations – and to provide financial support for sport in emerging nations.
- Ensure that the Olympic Games can be experienced by the maximum number of people throughout the world principally via television coverage.
- Control and limit the commercialization of the Olympic Games.
- Protect the equity that is inherent in the Olympic image and ideal.
- Enlist the support of Olympic marketing partners in the promotion of the Olympic ideals.

When the IOC awards an Olympic Games to a host city, the city creates a corporate entity called an Organizing Committee for the Olympic Games (OCOG) that is tasked with preparing for and staging the Olympic Games seven years hence. The IOC and OCOG enter into a joint-marketing agreement, which generates the funding necessary to sustain the worldwide Olympic Movement. In the case of Beijing, the OCOG was denominated "BOCOG," for Beijing Organizing Committee for the Olympic Games, whose logo (games emblem) incorporating the Olympic rings is shown as Graphic B (Appendix).

Among the marketing rights enjoyed by Olympic sponsors is the ability to use the Olympic logo and games emblem in sponsorship-related programs and activities. One need only recall a handful of the Olympic sponsors to visualize the logos emblazoned on their myriad products and collateral material. For example, McDonald's – one of the largest corporate sponsors in the world – views its Olympic sponsorship as a way to tap into something that consumers feel passionately about (Klayman, 2009a) and incorporates the Olympic rings into its advertising campaign, including on its paper placemats, cups, and sandwich wrappers.

Table 2 (Appendix) shows cause-related revenue generated by the IOC and respective OCOG over the past four quadrenniums (from Olympic Marketing Fact File, 2009). It is important to note that the broadcast rights and sponsorship fees paid by corporations for the privilege of associating with the fabled five rings are exclusive of activation costs. In other words, broadcasters incur significant production costs and sponsors must create and deploy multimedia advertising campaigns, the expenses of which are above and beyond the fees paid to the IOC.

It is obvious that broadcast rights fees provide far and away the largest share of Olympic marketing income, consistently accounting for roughly one half of all revenue. The sharpest increases, however, are seen in global and domestic sponsorships, with gains of 210% and 191% respectively, over this four-cycle period. While the steady growth of the Olympic marketing program through the quadrenniums is readily apparent, it is all the more fascinating when one realizes that as recently as 1977-1980, total Olympic revenue amounted to a mere $350 million (Puig, 2006).

Media Rights

Media coverage of the Olympic Games began with newspaper accounts at the inaugural Olympics in Athens in 1896, followed by radio broadcasts in the 1920s, and Germany's experimental in-country telecasts of the 1936 winter games in Garmisch-Partenkirchen and summer games in Berlin, respectively (Barney et al., 2004). But the dawn of truly international television broadcasts, which went a long way toward assuring the Olympics' continued viability and growth, did not occur until the 1960s (Senn, 1999). With television – and particularly American network broadcasters – taking a greater interest in the Olympic Games, the broadcast rights fee for successive Olympics has grown exponentially. For example, while CBS paid $445,000 in U.S. rights fees for both the 1960 winter and summer games, NBC will pay a whopping $2 billion to broadcast the 2010 Olympic Winter Games in Vancouver and 2012 Olympic Games in London (Martzke, 2003). Table 2 illustrates the nearly 50-year evolution of worldwide Olympic broadcast revenue (from Olympic Marketing Fact File, 2009). See Table 3 in the Appendix.

Micaela Smith, the IOC marketing director, is confident that television rights fees will continue to increase in the foreseeable future, owing to the universal popularity of the Olympic Games and the penchant of the relatively few broadcasters to fiercely compete in a bidding war over this prize. But corporate sponsors form the backbone of the Olympic marketing program, and in order for the Olympic coffers to remain flush, Smith and Kylie Hamilton, her LOCOG colleague, must succeed in not only renewing their existing sponsors, but attracting new sponsors to the lineup as well.

Global Sponsorship

The IOC's TOP – The Olympic Partners – program is a novel marketing initiative because it sells sponsorship rights on an international basis (Pound, 2004), allowing these global sponsors to automatically exercise their rights in virtually every country, versus having to negotiate with each country's National Olympic Committee (NOC) one by one. The TOP program consists of exclusive product or service categories that are sold in four-year sponsorship cycles and include one Olympic Winter Games and one Olympic (summer) Games. TOP sponsors are protected against competitor encroachment and market confusion because the OCOGs and NOCs are not permitted to sign other companies in the same product or service line. Since TOP's creation in 1985, this elite group of sponsors has not exceeded 12. Table 4 (Appendix) shows the evolution of TOP over six sponsorship cycles (from Olympic Marketing Fact File, 2009).

Domestic Sponsorship

Domestic sponsorships are sold to companies that are interested in supporting the OCOG and the respective Olympic Games, and thus marketing rights are limited to activation in the host country. For the 2008 Olympic Games, the Beijing Organizing Committee for the Olympic Games (BOCOG), under the direction of the IOC, signed 51 companies in what was the most comprehensive domestic sponsorship program ever, generating a record $1.218 billion (Olympic Marketing Fact File, 2009). In addition to many Chinese companies, BOCOG's domestic sponsorship stable included such notable brands as Volkswagen, Adidas, UPS, Budweiser, Snickers, and Staples.

BOCOG's Diane Yuan will be able to lend her expertise to her fellow global marketers Smith and Hamilton on how BOCOG was able to capitalize on the corporate feeding frenzy at the trough that was the Beijing Olympic Games. But the 2012 Olympic Games in London will present a different set of dynamics because the U.K. is not a virgin territory for multinational corporations and does not present the kind of fertile opportunities as were present in China.

Ticketing

The event ticketing program for the Beijing Olympics, which was managed by BOCOG, resulted in the sale of 6.5 million tickets that generated revenue of $274 million (Olympic Marketing Fact File, 2009). On the occasion of China's first hosting of an Olympic Games and owing to the host country's desire to make attendance at these Olympic Games accessible to the relatively poor Chinese citizenry of 1.33 billion people, the average ticket price was just $23, with 14% of all tickets priced between 75¢ and $1.50 (Marketing Report, 2008). Consequently, ticket revenue for the Beijing Olympics experienced a precipitous drop from previous Olympic Games (see Table 2) despite having sold more than 95% of available tickets, an all-time record (Olympic Marketing Fact file, 2009).

Licensing

Licensing allows companies to associate their product with the Olympic marks (for example, the Olympic and BOCOG logos) in order to spur sales, and results in revenue splits between the Olympic-licensor and the distributor-licensee. In addition, Olympic licensing agreements are intended to generate excitement for the Olympic Games through the sale of games-related merchandise and souvenirs. As with the ticketing program, the Olympic licensing program was directed by the IOC but managed by BOCOG. For the Beijing Olympics, there were 68 official licensees in 13 categories that produced over 8,000 items of merchandise, which generated revenue of $185 million (Marketing Report, 2008).

MARKETING CHALLENGES

Ambush Marketing

In exchange for payment of a sponsorship fee (for 2005-2008, TOP sponsors paid an average of $72 million each), Olympic sponsors obtain the right to fully exploit this relationship by incorporating Olympic themes, terminology, and marks into their marketing programs. Importantly, sponsors expect that they will be protected from third-party, non-sponsor marketers, who pay nothing to bask in the aura of the Olympic Movement. So-called ambush marketing threatens both the Olympic brand and sponsorship value, and so the IOC and its OCOG and NOC partners have teamed up to form aggressive anti-ambush campaigns (Marketing Report, 2008). Some prominent examples of ambush marketing during past Winter Olympics include fast-food restaurant chain Wendy's winter-sport themed commercials and an American Express ad campaign poking fun at Olympic sponsor Visa's claim that Visa is the only credit card accepted at the Olympics, by intoning "So if you're traveling to Norway, you'll need a passport but you don't need a visa." At the 2006 Torino Winter Olympics, American big-box department store and non-Olympic sponsor, Target – which did not even do business in Italy – managed to get its red-and-white bull's eye logo plastered all over the sides of the trains that ferried locals and tourists alike to and from the competition venues, which created a moving billboard of sorts and a prominent backdrop for many a photo-op.

Olympic officials take seriously any attempt by non-sponsors to encroach on sponsors' marketing rights and engage in robust public awareness campaigns designed to educate consumers that official sponsors are true heroes for their support of the Olympic Games and participating athletes, while at the same time implying that non-sponsor companies that insinuate a sponsor relationship to the Olympics are nothing more than shameless villains and parasites.

Brand Devaluation

There always exists, of course, the potential for a brand to lose value owing to calamitous events. For example, the Tour de France in recent years faced numerous defections from corporate sponsors after a series of doping incidents that brought cycling's premier event to its knees (Mattheis, 2008; Carvajal, 2007), and we have seen any number of athletes who either forfeited existing deals or lost the opportunity for future endorsements due to personal mishaps. Most recently we have witnessed the virtual meltdown of the iconic Tiger Woods brand following a domestic incident and his admission of having had multiple adulterous affairs. While the Beijing Olympics averted the loss of top-line sponsors over controversies surrounding China's human rights record, crackdown in Tibet, and backing of the Sudan government's violent control of the Darfur region, there is always the looming possibility that one or more countries would again boycott an Olympic Games – as happened in 1976, 1980, and 1984 – over differences with the host country's government policies. And lest it be forgotten, the IOC itself was caught up in a bribery scandal relating to the Salt Lake City bid campaign that rocked the organization to its core and for a time raised questions about its continued viability.

Economic Downturn

Global recessions undoubtedly impact the ability of would-be corporate sponsors to join the fray, or at least at a premium price point demanded by the Olympic rights holders. With an estimated price increase of more than 10% every four years, the $100 million benchmark for a single TOP sponsorship is not far in the offing. In the midst of the 2008-2009 financial crisis that required a federal bailout of several of the United States' largest banks and automobile manufacturers, close scrutiny understandably was given over the propriety of some of these companies' spending on sport marketing. In addition to spiraling sponsorship fees, rates for Olympic-related advertising have increased twenty-fold since 1984 (Shaw, 2008), putting even more pressure on the sponsor industry to justify its value to shareholders.

Return on Investment

Harvard Business School marketing professor John Quelch says that global brands attach themselves to big-time international sporting events to "boost brand awareness, preference and sales over competitors who cannot afford the global sponsorship prices set the International Olympic Committee" (Quelch, 2008). In the aftermath of what was in many respects an Olympic Games like no other, the corporate sponsors that collectively shelled out $2.4 billion over the four-year period must ask themselves whether it was worth it. The answer, it seems, is yes for some and no for others. Four TOP sponsors – Kodak, Lenovo, Manulife, and Johnson & Johnson – have declined to renew their sponsorships, while three others – Visa, Coca-Cola, and Omega – have already extended their contracts to 2020 (Klayman, 2009b). In some cases, the return on investment (ROI) is not so much about a short-term increase in sales and revenue, but about enhancing brand identity. McDonald's has signed through 2016, and its chairman and chief executive officer, Jim Cantalupo, explained that his company's long-term sponsorship commitment parallels the Olympics' core principles of teamwork and excellence (Marketing Matters, 2004).

CONCLUSION

The IOC's Micaela Smith knew that the 2008 Olympic Games presented a special case because ever since Beijing was awarded the games in 2001, countless businesses have been clamoring to gain a toe hold in the Chinese market that represented the world's largest single-country consumer base. Unequivocally, for many of these companies the global platform that the Beijing Olympics provided was an unparalleled showcase opportunity. Now, in the period preceding the 2012 Olympic Games in London and the 2016 Olympic Games in Rio de Janeiro, Smith must persuade current and prospective sponsors that the Olympic brand remains a powerful, viable, and valuable force in the marketplace. She knows from the IOC's own market research that the Olympic Games enjoy extraordinary visibility and appeal among consumers worldwide (Marketing Report, 2008) that she hopes will help push the TOP sponsorships above the $1 billion mark (about a 15% increase) for the first time; but she must also reconcile the fact that at the present moment, the IOC's TOP sponsorship stable has only nine out of 12 categories filled.

While the Olympic sponsorship program has climbed to unprecedented heights since its inception, Smith is convinced that revenue has not peaked and that there is still room for growth. Sponsors, on the other hand, are wary – if not weary – of ever-increasing fees and the seemingly tenuous relationship to ROI. Smith is emphatic in her insistence that the Beijing Olympics, which heralded China's arrival as a full-fledged first-world economic power, was not a marketing trend outlier but rather an historically unique condition (Barney, 1986, 1991) that will set the stage for a new generation of unbridled corporate enthusiasm and support.
Smith is anxious to meet in her office overlooking Lake Geneva with her Olympic marketing colleagues, Diane Yuan of BOCOG and Kylie Hamilton of LOCOG, to glean critical success factors and other key learnings from the IOC's 2005-2008 sponsorship program, as well as to finalize the marketing plan for 2009-2012.

At this stage of the four-year Olympic marketing cycle, the glaring missing piece to the TOP puzzle is the lingering unfilled sponsorship categories; and among the Olympic marketers' highest priorities is to sign sponsors to these three open categories. Alternatively, if Smith and her colleagues conclude that this is not feasible in the current environment, they should consider reconstituting the TOP program – including possibly eliminating the unfilled categories – because of the negative effects of carrying "unsold property" in inventory long term. Smith and her team must research and identify the leading companies in the open product categories (health care products, reprography/imaging, and life insurance) and send out requests for proposals. Then, depending on the level of interest, she would proceed to meet with prospective sponsors to discuss and understand the marketing goals of the respective parties and finally, negotiate the price of the sponsorship. Ideally, there would be two or more potential sponsors for each category so that Smith could leverage the competitive bidding to her favor, but failing that she should seriously consider withdrawing the category for the time being. At the end of the day, Smith must decide which course of action will result not only in an immediate and short-term gain, but also protecting the long-term interests and viability of the IOC's marketing program.

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APPENDIX

Graphic A: Olympic Logo

Graphic B: BOCOG Logo

Table 1: 2005-2008 Worldwide Olympic Sponsors

Company	Category	Sponsor Since
Atos Origin	information technology	2001
Coca-Cola	non-alcoholic beverages	1986
General Electric	select products and services	2005
Johnson & Johnson	health care products	2006
Kodak	film/photographics and imaging	1986
Lenovo	computer technology equipment	2005
Manulife	life insurance/annuities	1994
McDonald’s	retail food services	1997
Omega	timing, scoring and venue results	2003
Panasonic	audio/video/TV equipment	1987
Samsung	wireless communications equipment	1997
Visa	consumer payment systems	1986

Table 2: Olympic Revenue, 1993-2008 (in $ billions)

Source	1993-1996	1997-2000	2001-2004	2005-2008
Broadcast Rights	1.251	1.845	2.232	2.570
Global Sponsorship	0.279	0.579	0.663	0.866
Domestic Sponsorship	0.534	0.655	0.796	1.555
Ticketing	0.451	0.625	0.411	0.274
Licensing	0.115	0.066	0.087	0.185
TOTAL	2.630	3.770	4.189	5.450

Table 3: Broadcast Revenue History (in $ millions)

Year	Olympic Games	Revenue	Winter Games	Revenue
1960	Rome	1.2	Squaw Valley	0.1
1964	Tokyo	1.6	Innsbruck	0.9
1968	Mexico City	9.8	Grenoble	2.6
1972	Munich	17.8	Sapporo	8.5
1976	Montreal	34.9	Innsbruck	11.6
1980	Moscow	88.0	Lake Placid	20.7
1984	Los Angeles	286.9	Sarajevo	102.7
1988	Seoul	402.6	Calgary	324.9
1992	Barcelona	636.1	Albertville	291.9
1994			Lillehammer	352.9
1996	Atlanta	898.3		
1998			Nagano	513.5
2000	Sydney	1,331.6		
2002			Salt Lake	738.0
2004	Athens	1,494.0		
2006			Torino	831.0
2008	Beijing	1,739.0		

Table 4: The Olympic Partners Program

Quadrennium	Winter/Summer Games	# Partners	#NOCs	Revenue
1985-1988	Calgary/Seoul	9	159	$96 million
1989-1992	Albertville/Barcelona	12	169	$172 million
1993-1996	Lillehammer/Atlanta	10	197	$279 million
1997-2000	Nagano/Sydney	11	199	$579 million
2001-2004	Salt Lake/Athens	11	202	$663 million
2005-2008	Torino/Beijing	12	205	$866 million