

Editorial

Professor Michel Desbordes, ISC School of Management, Paris, & University Paris Sud 11, France
Tel: +33 (0)1 69 15 61 57 Fax +33 (0)1 69 15 62 37 Email: mdesbordes@iscparis.com



Rio Grander?

London 2012 proved to be a watershed for the Olympic movement for many reasons. The Games, not for the first time, were embraced by a previously sceptical, even cynical, press and public. The sporting success of the home nation helped, of course, but most events were sold out long before the first medal was awarded and record TV audiences were reached around the world – most notably in the US, where TV rights revenue funds a huge portion of the International Olympic Committee's income.

From a sponsorship point of view, London also broke new records, with domestic deals worth in the region of \$1.5 billion, a massive increase over the amounts raised in Athens and Beijing. Of course, the UK is a more mature sponsorship market than either Greece or China, so the fees would be higher, but the size of some of the deals raised eyebrows. The likes of BP, LloydsTSB and Adidas were thought to have spent in the region of \$100-\$140 million in rights fees for the cycle of the Games.

Moving on from London, both Sochi in 2014 and Rio in 2016 are looking to push domestic sponsorship deals to new levels. Rio 2016, for example, now has three major deals signed with telecoms company Embratel, car manufacturer Nissan and banking group Bradesco. The latter is thought to be worth a minimum of \$320 million, roughly twice the size of the largest deals for London 2012. Over the course of the sponsorship, this works out at approximately \$45 million per year.

Given that TOP sponsors, with global rights, pay in the region of \$25 million per year (which cover the winter and summer Games), the question begged is why brands are willing to pay such vast sums for a one-off competition with only domestic rights.

Essentially the domestic rights aren't significantly greater than those for TOP sponsors. Both receive hospitality tickets, both have the right to use an Olympic symbol (TOP sponsors, the five rings; domestic sponsors, the national logo) and neither are allowed any branding within the Olympic sporting environments.

The key for both parties is that the sponsorships work through activation. London 2012 saw some innovative campaigns, with social media, not unexpectedly, cleverly utilised. The general consensus was that TOP sponsor P&G did best, with its 'Moms' campaign, which included a TV commercial depicting the role of mothers in helping children to participate in sport and ultimately becoming successful Olympians. The campaign received more than 750,000 'likes' on Facebook. The important point is that the campaign was global, whereas a domestic sponsor can only activate within the boundaries of the host nation.

The problem then for domestic sponsors is that they spend a fortune but have limited geographical rights. A problem for the TOP sponsors is that domestic sponsors are now spending more and making a bigger impact and potentially creating sponsorship clutter.

With most TOP sponsors now signed up until 2020, the IOC will not need to panic about this issue. For Rio 2016, the hope is that simple supply and demand economics (or national pride) will persuade sponsors to fill the vacant slots (oil, energy, airline and sports clothing), regardless of the high price.

But in the long term this is an issue that will have to be addressed. The IOC needs its TOP sponsorship programme, which brings in nearly \$300 million per year, and the local organising committees need their domestic rights deals to stage the Games. Something will have to give, and it will be a major challenge for the IOC in the years to come to find a new strategy which satisfies all.

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