



Global marketing and no-name sponsorship

Interview with Michael Payne, former International Olympic Committee Marketing & Broadcast Director

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Michael Payne made his name by developing the first global marketing strategy, the TOP Programme, for the International Olympic Committee. In 1988 he became the organisation's first ever marketing director. In 2002 he took up the new post of director of Olympic global broadcast and new media rights. During his career at the IOC he oversaw the marketing of 15 Olympic Summer and Winter Games. He has been nominated as one of the world's most influential marketers by Advertising Age and has recently written the book Olympic Turnaround, the story of how the Olympics was saved. In 2005 he became special adviser to Bernie Ecclestone, with a brief to help develop commercial opportunities in Formula One.

SR: In your book *Olympic Turnaround* you describe the Games as being on a knife-edge in the early 1980s. How close was the Olympic movement to folding?

MP: I think far closer than people realise, when you consider that Samaranch took over in the summer of 1980 and within a few weeks seriously considered resigning – because in his view the problems and challenges were just too great. There were no cities wanting to bid, the Olympics were mired in geo-political battles and continual boycotts. There was

no funding mechanism, and coming off Montreal, and then Moscow, where the cost was billions and billions, there was a perception that there wasn't a business model that would make this viable. The serious discussion in play at the time was whether a UN- or UNESCO-type organisation should take over the Olympics as a sort of cultural heritage project in order for it to survive.

Looking back now, one of Samaranch's great achievements was that he didn't let the Olympic organisation fall into an international UN-style bureaucracy. He maintained a very entrepreneurial



Interview with Michael Payne

fast-moving vision that was unique in the international world, and it was that ability to respond that was a key reason for success.

SR: One of the interesting stories in the early part of the book was the TV deal for Calgary 1988, in which sealed bids drove the price to \$309 million, a level beyond which the US TV giants could profit. Do you think in hindsight that even though TV companies took a tougher line in subsequent negotiations, it was worth doing to get the money in at that time?

MP: We needed an important deal without question, but if we had closed at \$280 million instead of \$309 million, and \$280 million was already way beyond what people had expected, we would have more than fulfilled our mission and vision. It was more about how the process spun out of control that really upset ABC, who, it should be remembered, refused to come back to bid for 20 years – that's a long time.

An important lesson there is that if you are running an ongoing franchise, it's got to work for both sides. If you push it so hard that the other side is suffering and cannot come back to the table afterwards, there will be a price paid. If you don't have to renew any contracts and you are just selling, you go and get the best price. But if you have to go back to the negotiating table four years later, you have to make sure that it works as a partnership.

SR: During the 1980s there were many political shadows over the Olympics. Obviously the global political climate has changed significantly. Do you think that political interference has now gone?

MP: The politics is now involved in a different form. In the early 1980s you had the superpowers using the Olympics as a pawn in a much bigger chess game. They were using the Olympics in a negative sense as a punishment by flexing their muscles and showing their power. They were saying 'We're not going to play', or 'We're going to prevent others from playing'. There was a total lack of understanding among the

political leadership regarding what the Olympics was all about in bringing the world together as a catalyst for development and rejuvenation.

Now you've got a very different political involvement, evidenced by how the political leadership of the greatest nations in the world got behind the 2012 bids. They saw what it would mean for their country, for the youth of the world and the true power of what the Olympics stood for as a vehicle for national and global social development. So now you've got the political leadership involved in a positive sense, bringing their strengths and insights to the party.

SR: Is the choice of where the major events go now driven primarily by money because political pressures have eased?

MP: I think that if you take Formula One, for example, it was historically a very Euro-centric sport with the occasional sorties into Japan or South America. If you look at the last decade and the sheer focus on Asia for business in general and for the auto industry, and you want to claim to be the World Championships, you should spread your programme around the world.

Formula One going to the Middle East opened up the region to sport and put Bahrain on the map as 'open for business'. Countries are now beginning to understand the value of hosting these big events from a promotional economic development standpoint. There are not many opportunities to get out on the world stage, to present the brand identity of a city or region. Those cities that host a Formula One Grand Prix join a collection of dynamic locations such as Monaco and Barcelona. That makes them part of an elite club. Rights holders receive an economic benefit because it makes the overall property stronger and more valuable – more interesting to sponsors and to other cities to take it on.

It is not, however, necessarily a case of someone paying more up front. If you take the Olympics, there is an unwritten rule to move it around the world so that's why it's unusual to have consecutive games in



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the same continent. If you look at 2016, you see a strong bid developing from Rio [de Janeiro] in South America. It hosts the Pan American Games next summer and if it does a good job there, it will be a very strong contender for 2016 because the games have never been to South America. By then, you will have had the 2008 and 2012 games in Asia and Europe, so in that sense there is some politics in play in terms of whose turn is next.

The Olympic brand has developed because of moving it around the world. If the Games had always stayed in Greece, the brand wouldn't have the vibrancy and energy it has now. Look at what Sydney contributed to the Olympic image, look at what Barcelona did and look at what London might do. Each one is taking the Olympics as the core product and value proposition and then adding its own magic, identity and national, cultural DNA, which helps to enrich the whole brand.

SR: You mention here the value to sponsors of the strength of a sports brand. One of the topics in your book is the development of the Olympic TOP [sponsorship] Programme, which was instigated at a time when sponsors struggled to understand that value. Were you optimistic at the time that the TOP Programme would be a success?

MP: The first two or three years were very tough and there were not a lot of people believing it would happen. After we got the first two sponsors, Coca-Cola and Kodak, and everybody was expecting them, there wasn't a long queue of companies wanting to join. Everybody else was politely, and in some cases not so politely, slamming the door in our face. Parallel to that we were trying to get all the nations to sign up to a single marketing strategy, and there were many leading countries who were interested in the vision but didn't really believe it was going to happen. They didn't want to give up their control and revenue because we didn't have a queue of sponsors lining up.

We were saying "Sign up to the plan", but they were saying "Yes, but where are the sponsors?". We'd reply "Well, there's Coke and Kodak" and they'd come back saying "Yes, but that's what you told us eighteen months ago – who else has come on board?".

We then had some countries who said "We're quite happy controlling this ourselves – why would we want to give all the control to Lausanne?". We also had countries, such as some of the former Eastern Bloc group, who said "Why would we want to give more money to the nations? Why would we want to give them more independence? If you end up just giving more money to America and Britain, we're going to have to increase the government commitment just to stay level".

We were in a situation where we had a lot of people with a completely understandable, albeit maybe selfish, nationalistic view, that they wouldn't be losing any sleep if this whole thing collapsed and went away.

Lay on top of this the perception that we were introducing a very commercial agenda to a conservative organisation – and through the late 1980s – did anyone believe that the TOP Programme would develop into what it is today? Very few!

SR: The catalyst to the TOP Programme taking off was the signing of Visa and 3M. Both were new to sports sponsorship and yet didn't worry too much about not getting the stadium branding. Was that a problem when talking to other people?



Interview with Michael Payne

MP: That was a big issue because the perception of sponsorship back then was fundamentally driven by exposure – waiting for your name to appear on TV or a picture in the press. Because we didn't offer any of that, many companies asked "Well, what is the benefit?". The idea that you would take the power of a brand identity and integrate that into the company to use it as a marketing platform was totally new. Visa and 3M came in with no preconceived ideas about sponsorship. They looked at it purely from a marketing standpoint, with some very clear objectives as to what they wanted to achieve. They totally integrated it into their mainstream marketing, as opposed to treating it as an add-on bit of exposure, brand awareness and tickets.

SR: And how did the first two companies, Coca-Cola and Kodak, feel about the restrictions on branding?

MP: Well, Coke did it because they've always been involved with the Olympics and they could see some of the branding opportunities, but it was partly just a tradition within Coke. Kodak did it as a knee-jerk response to Fuji's involvement in 1984. Fuji was perhaps one of the very first case studies on the power of sponsorship in major events. It took the rights for 1984 from under Kodak's eyes and proceeded to clean up in the American market. Fuji went from one per cent to ten-to-twelve per cent market share in two years with no serious marketing spend and Kodak throwing everything they could at them. And that began to show people the real power of what could be achieved if you start adding some structured business discipline.

SR: Although TOP sponsors do not get any stadium branding in the Olympics, this is not universally the case, as athletes can have their apparel carrying logos. Is that an issue for major sponsors?

MP: It used to be more of an issue in that some of the sponsors said "When are we going to get our branding and exposure?". Coke at one stage was the most vocal

because they couldn't even take a can of Coke into the stadium and all the drink containers had to be clean. Over time, Coke began to realise that one of the things that made the Olympics so special was this clean field of play. They later said "Actually, if you were to change the rules and introduce advertising, we'd probably withdraw because you would fundamentally change what has made it so special". With sports goods, you're not suddenly going to be able to re-brand all of the running shoes etc – they've been there for a long time. Equally, you're not suddenly going to let somebody run round the stadium with a great big 'Adidas' across their strip. The only exception is the time-keeping equipment which, historically, has always been allowed to carry the brand name.

SR: What would happen if branding were allowed?

MP: You'd fundamentally change the Olympics to make it look like everything else. Part of the value proposition is that it looks totally different. Until fairly recently people didn't realise there was no branding in the stadium. I've won numerous bottles of wine on the subject because people are less aware of what's not there than they are of what is there, but in the subconscious it is different.

One of the key strategies that we introduced was a much stronger branding for the Games, with greater use of the Olympic rings. If you go back to the 1980s, you don't actually see much of the rings – they were not on athletes' bibs, for example. So we created a unique athlete environment.

SR: Could the Olympics exist without sponsorship?

MP: No. It's not just about the finance generated for the organising committee. It's also the finance and cash generated for the teams. Governments are not lining up to increase spending on the teams. Second, the back-of-house infrastructure for what you need – technology, telecomms, environmental management – is enormous and you need a partnership with industry to deliver it.



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SR: One of the key resources needed to host the Olympics is IT. What is the value of the technology contribution to the games?

MP: Much of it has to be bought rather than done through contra deals because the total technology budget is now well north of \$500 million. The cost of the host broadcast production is \$200 million.

SR: On the subject of costs, the budget for the 2012 London Games is obviously under public scrutiny at present. The organising committee has set a target of generating £270 million from local sponsorship. Can it achieve that?

MP: The target I've seen is far higher. I think London will set new benchmarks in the value of what's generated, and its target is certainly achievable. You need to bear in mind that London is a very developed, professional sports marketplace for companies understanding how to use sponsorship and get a very strong return on investment.

SR: It's still a staggering amount to achieve just for national sponsorship?

MP: I think it's a fundamental mistake to view it just as a sponsorship – it is de facto a six-year marketing partnership. It's important to consider what can be developed in the rights package and how you can own the country in terms of what it means. Would you rather spend £15 million per year sponsoring the shirt of one soccer team and connect emotionally with one per cent of the population? Maybe exposure-wise you

get a lot more but you could spend the same amount but connect with one hundred per cent of the population for a once-in-a-lifetime experience.

SR: But isn't there a problem that to generate the sort of money needed, it will mean the sponsorship message will be diluted among a large number of sponsors?

MP: The issue of clutter is an important subject and it means the Olympic parties have to get their structure right and that the companies go in with their eyes open. The basis of Olympic sponsorship has always been exclusivity within your business category, so if you own the automobile category, you own all that space – competitors can't come in. The fact that you've got another sponsor in, say, the food area and another in banking isn't necessarily an issue; they're not competing with you. If anything, you can start working together and create some very powerful joint promotional activity.

SR: How long would you say London has to get its sponsors signed up, given that you talk about a six-year opportunity – that's if they are starting now?

MP: They are still ahead of the schedule – especially in relation to previous organising committees. But if I were a sponsor, I would make my agreement through to 2016. I wouldn't stop at 2012 – I'd want another four years and take the whole national post-games high with the British team, the athletes and a schools programme for the full legacy after 2012.

SR: Do you think that the fact that British athletics is currently at something of a nadir will be a problem?

MP: No, not at all. I think a lot of people see the Olympics as an overall experience that is not necessarily tied to a single sport. For the host country in particular, this is the case with the focus extending from the torch relay and the ceremonies to some of the more unusual sports. The strength of the Olympics



is its breadth of offerings, and you'll find that some of the more unusual sports will become some of the most popular.

SR: What marketing advice would you give to London?

MP: What Seb Coe and the team have been doing in terms of building the right structure and really getting everything right with a clear vision before rushing out is exactly the right way to do it. Ask anyone at the IOC and they'll say they are doing it by the text book and are ahead of the game. There will be issues and challenges – you can't stage the world's biggest event and not have a few bumps along the road – but the way the partnership between government and the private sector is developing is certainly making people feel very positive.

SR: Do you think that the media is looking to knock the games in the UK?

MP: The UK has one of, if not the, most aggressive media markets in the world, and people were astonished how the media got behind the bid and understood it. But this isn't going to be plain sailing all the way. They will keep chasing, and they'll howl when there is a timeline or budget change.

In Australia, the national media for Sydney were vicious – there is no other way to describe it. They didn't believe Sydney could pull it off and we kept telling them that things were going really well and the media said we were just spinning the message to be kind to the organising committee. Of course, Sydney went on to be a tremendous success and afterwards the Australian media took the credit. They said "It was only because we were pushing them and driving them forward – without this, it wouldn't have been so successful, so we served our purpose."

Every organising committee will make some mistakes and the media will have a field day when it happens. But talking to those on the inside, there is a realistic appraisal of what is required, and it is being

managed effectively and they don't think the nation's going to be embarrassed.

SR: Your current job description is special advisor to Bernie Ecclestone. What does that involve?

MP: It mainly consists of helping him on branding development and commercial issues.

SR: Formula One is now in China, the Middle East and the US, and TV rights deals seem to be in place globally, so how do you move it forward?

MP: There's tremendous potential to build up a partner programme. Some of the lessons in branding and management structure that were developed at the IOC that significantly increased the value proposition can be taken on board and adapted for F1. It's about taking it beyond the tradition of just the billboards and ticketing. F1 is one of the strongest sports brands in the world and there isn't a sport that owns the technology space like F1 does or that owns the lifestyle space like F1 does. Those are very powerful equities that companies are looking to associate with.

SR: How difficult will that be given that the teams are individually funded through their own sponsors?

MP: This is one of the issues that we have to address, and obviously we are still in the early stages.

SR: Why do you think that in the past F1 hasn't had such high-level commercial partnerships?

MP: F1 has begun to look at it: for example, DHL is a very good fit in terms of what they represent – speed, technology and global delivery using the branding power of F1 to reinforce their strength.

SR: How do you think new technology, such as changes to media consumption, is going to impact on sponsorship – not just in F1 but in general?



MP: I think that there is a seismic shift coming in how people consume sport, but I'm not sure that many sports organisations or bodies are fully ready for it. The concept of search, especially in the case of Google, has been a phenomenon. A tiny fraction of the population was using it five years ago. Now anyone working in an office or a kid doing homework is using it.

What will happen when search is taken into the living room? When you have broadband connected to the big screen, not the computer screen, you will Google your programming and press your red button and will put one dollar or one euro on your phone bill. You won't even think about it and all the barriers of pay-per-view and calling up on your credit card will be removed. The role of branding in that is how you stand out when the basic premise of how you watch sport changes, certainly on a free-to-air basis. There has always been an unwritten deal between the broadcaster and the viewer, which says "I'll give you fifty minutes of free sport an hour if you'll watch ten minutes of ads".

Technology such as Sky Plus and TiVo has taken all those adverts out. Sport, arguably, is the one style of programming that is relatively time-shift proof. There are predictions, for example, that in five years, half of the commercials during a soap opera won't be seen.

On the other hand, there are people I know who use their PVRs to alter the time they watch Formula One. Similarly, some sports are in unfriendly time zones – such as the Ashes in Australia. You wouldn't have to stay up and watch every evening. You could watch highlights and then stay up for the final evening, the technology puts the viewer in absolute control.

The new media environment also opens up choice and allows for a lot of smaller sports to connect with the viewer fan base as never before. But this will make the marketplace far more cluttered.

SR: If people are no longer watching adverts, can companies use sport to replace their lost marketing opportunities?

MP: If you have, for example, a partnership with Wimbledon or Formula One, those properties are very powerful in their own right. If you integrate them fully into a marketing campaign, you are already getting a major return in terms of how your brand shift is perceived, whether people are watching on TV or not. The television exposure then becomes a bonus.

SR: So do you think major events will remain sacred as free-to-air broadcasts?

MP: Sacred is a strong statement. The premise might be better termed 'available to the whole country' rather than 'free-to-air'. Currently cable or satellite only reaches half the UK population, for example. That's not going to be true once the country goes digital with the analogue switch-off. I don't think the free-to-air agenda will be as relevant in ten years – for the World Cup, for example. If you remove all the barriers and make it accessible and add interactive options such as which language you watch in, it becomes a very different proposition.

SR: How else do you see sponsorship changing?

MP: Well, the other big question will be how sponsors can bring a meaningful experience to the fan and consumer. When I speak to senior marketing people and ask "What are you looking for?", the answer comes back more often than not "Digital content – how can I take my current sponsorship into the digital space and provide a meaningful experience?". If you look at Anheuser Busch in the US, it is forming its own TV channel on the web to create content and experience in a community environment. I think the technology offers great potential in building new community experiences. Sport has always been about community; taking that online is a whole new phenomenon.

Michael Payne's book Olympic Turnaround is published by London Business Press, price £19.99. The book is available in 10 languages.

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