COUNTDOWN TO RIO 2016: SEVEN WEEKS LEFT TO GO

- Brands have much to gain from Olympic partnerships, and 45% off all Olympic marketing revenues come from sponsorships. The Olympic Partner Programme (TOP), introduced in 1985, has dramatically changed the nature of Olympic marketing, and has impressively increased revenues.
- A new set of rules introduced this year allows brands that are not official partners or sponsors to apply to the US Olympic Committee to run advertising campaigns featuring Olympic athletes. The new rules allow athletes who are not sponsored by official partners to gain commercial attention.
- It is estimated that 70% of millennials and 60% of Gen Xers will watch at least some Olympic content by streaming it online, and six out of 10 millennials are expected to watch Olympic events on a mobile device.

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COUNTDOWN TO RIO 2016: SEVEN WEEKS LEFT TO GO

Fung Global Retail & Technology is counting down the weeks until the 2016 Summer Olympic Games in Rio de Janeiro, Brazil, which begin on August 5. The Olympic Games have evolved into one of the best-managed global brand-marketing outlets in the world due to their global reach, and they are one of the largest and most profitable of all media events. We will be tracking developments and news related to business, the economy, politics, retail and technology in the run-up to the Games.

With seven weeks to go before the Olympics begin, this week, we take a look at the brands that hope to gain international recognition through official and unofficial sponsorships, television advertising, and other media.

CONTEXT

Brazil is the first South American country ever to host the Olympics, and it has faced both challenges and triumphs as it has undertaken rapid and expansive development in order to succeed in its role as host.

The Summer Olympic Games, taking place August 5–21 in Rio, constitute one of the most highly anticipated global sporting events and are expected to generate record-breaking viewership numbers. According to Nielsen, the Beijing Olympics attracted 4.7 billion viewers over 17 days in 2008. In 2012, NBC's London Summer Olympics broadcasts were the most-watched television event in US TV history. Thus, all eyes are on Brazil as it prepares to host more than 10,000 athletes and hundreds of thousands of tourists.

Source: Reuters, Sergio Moraes

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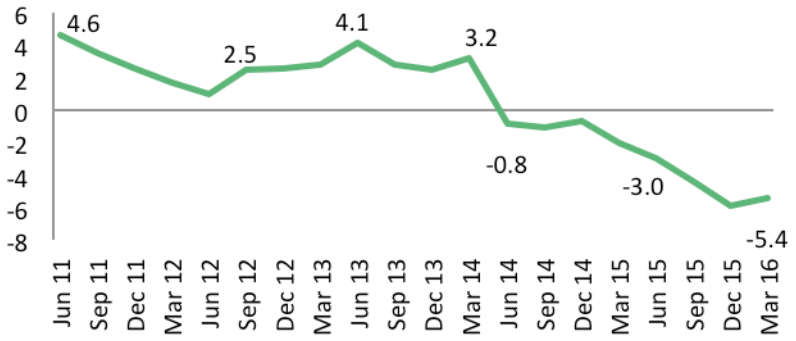
MACROECONOMIC CONDITIONS IN BRAZIL

According to the Instituto Brasileiro de Geografía e Estatística, Brazil is currently facing:

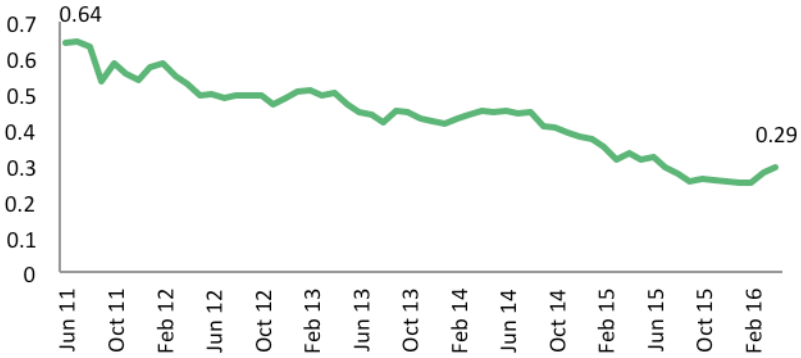
- Unemployment of 11.2%
- Inflation of 9.3% (April 2016 versus April 2015)
- An exchange rate of R$1 = US$0.29
- A 7.0% decline in retail sales volume in 2016

Figure 1. Brazilian GDP: YoY % Change



Source: Bloomberg

Figure 2. Price of the Brazilian Real in USD: June 2011–May 2016



Source: Bloomberg

RIO OLYMPICS BUDGET FIGURES

According to the International Olympic Committee (IOC):

- The 2007 proposed balanced Olympic budget from the Organising Committees for the Olympic Games (OCOG) was US$2.82 billion.
- The 2007 proposed non-OCOG capital investment budget was US$11.1 billion.
- The current operating Olympic budget is R$7.4 billion (US$1.85 billion).

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- Total private and public Olympic-associated expenditures have totaled US$10 billion.

COUNTDOWN: 7 WEEKS

BRAND SPONSORSHIP STRUCTURE & BENEFITS

According to the IOC, 45% of all Olympic marketing revenues come from sponsorships, and an additional 47% come from broadcasting. The remaining 8% is split between ticketing and licensing. The brands that partner with the Olympic Games to sponsor and broadcast stand to generate considerable revenue.

Figure 3. Olympic Marketing Revenue: The Past Five Quadrenniums (USD Mil.)

	1993–1996	1997–2000	2001–2004	2005–2008	2009–2012
Broadcast	1,251	1,845	2,232	2,570	3,850
The Olympic Partner Programme	279	579	663	866	950
OCOG Domestic Sponsorship	534	655	796	1,555	1,838
Ticketing	451	625	411	274	1,238
Licensing	115	66	87	185	170
Total	**2,630**	**3,770**	**4,189**	**5,450**	**8,046**

Source: IOC

The Olympic Partner Programme (TOP) is the worldwide sponsorship program managed by the IOC, which operates on a four-year term. TOP provides Worldwide Olympic Partners with exclusive global marketing rights. Since the introduction of TOP in 1985, Olympic revenue has increased dramatically.

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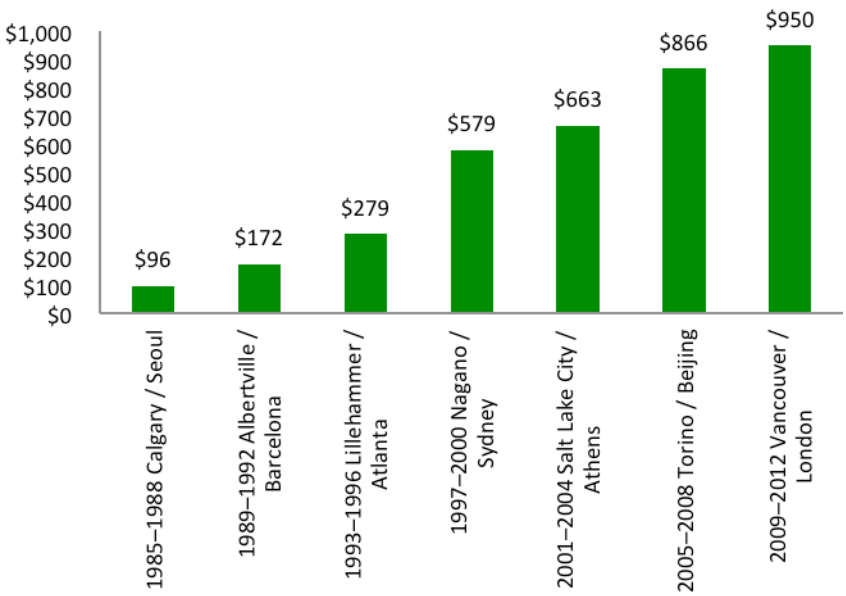
Figure 4. TOP Revenue (USD Mil.)



Source: IOC

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CURRENT OFFICIAL INTERNATIONAL AND DOMESTIC PARTNERS

TOP partners include Atos, Bridgestone, Coca-Cola, Dow, GE, McDonald's, Omega, Panasonic, Procter & Gamble, Samsung, Toyota and Visa.

Current TOP partners include Atos, Bridgestone, Coca-Cola, Dow, GE, McDonald's, Omega, Panasonic, Procter & Gamble, Samsung, Toyota and Visa. These corporations are part of the eighth generation of the TOP program, meaning they provided support for the 2014 Olympic Winter Games in Sochi, and are now supporting 2016 Summer Games.

Source: Foodmag.com.au

The Olympics also involve domestic partners within the host country, which grants corporations marketing rights within the host country or territory only, under the management of OCOG. Domestic official sponsors include Bradesco, Claro, Correios, Embratel, NET and Nissan. Since 1996, the number of official partners has been decreasing, but the revenue and provided support has increased.

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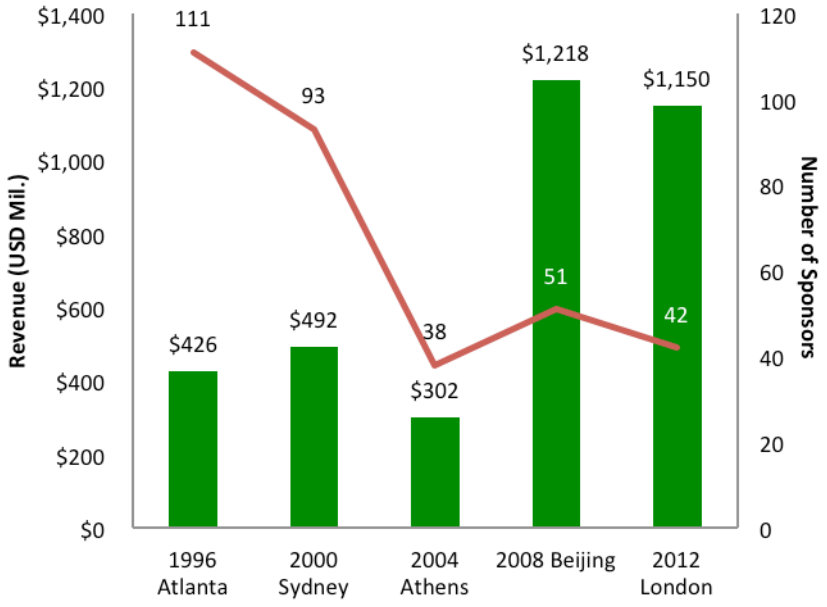
Figure 5. History of OCOG Sponsors' Revenue vs. Number of Sponsors



Source: IOC

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BRANDS SEEK US OLYMPIC COMMITTEE'S PERMISSION TO COMPETE WITH OFFICIAL GAMES SPONSORS

A new set of rules this year allows brands that are not official partners or sponsors to apply to the US Olympic Committee to run advertising campaigns featuring athletes ahead of the Rio Games. Adidas, Asics, Brooks, Gatorade, General Mills, GoPro, Johnson & Johnson, Red Bull, Skechers, Speedo and Under Armour have all applied, seeking a waiver that will allow them to compete with official sponsors.

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Source: Underarmour.com

NBC, the official broadcaster of the Rio Games, has already seen a boost in advertising sales from the change in the rules.

This rule change comes after years of lobbying by athletes who did not seek sponsorship from the official sponsors or partners. They argued that the old rule deprived them of commercial attention and even income during their most marketable time. Under the new rules, the unofficial brands are barred from using words such as "Olympics," "summer," "victory" and "effort." However, consumers are not expected to notice much of a difference between official and unofficial commercials, as many Olympic symbols are not actually owned or licensed by the official Olympic organization. For example, Under Armour has simply used the face of Michael Phelps, known for winning 18 Olympic gold medals in swimming.

The criteria for approval under the new rules are strict, and brands and athletes that breach any of the standards—including those regulating ads on social media—may face legal action or banishment from competition. Brands had to submit all ads and schedules by March 27 in order to seek approval. At the time of writing, the committee's decisions are pending.

NBC, the official broadcaster of the Rio Games, has already seen a boost in advertising sales from the change in the rules, as hundreds of brands have applied for the waivers.

BRANDS WILL DELIVER NEVER-BEFORE-SEEN REAL-TIME ADS

The record-setting moments at this summer's Olympics are going to be used to create record-setting ads that are shown to consumers within seconds of athletes crossing the finish line. For example, if Nike assumes that Jamaican runner Usain Bolt will set a record, the company can bid on a package—targeted specifically at people interested in running and track—that

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includes real-time desktop, mobile and video ads that will advertise the Nike track shoes he wore when setting the record.

Media companies such as Condé Nast, ESPN, The New York Times Company and Mashable are working with advertising network Rubicon Project to share relevant, targeted ads with viewers in real time during the Games. According to Rubicon, nearly 70% of millennials and 60% of Gen Xers are likely to watch the Olympics by streaming them online, and six out of 10 millennials are expected to watch them on a mobile device.

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Source: Reuters

For more on the Rio Olympics, please refer to our report *Countdown to Rio 2016: 8 Weeks Left*.

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