Payne: there is gold for Olympics in offering more digital and social media rights

By Steven Slayford

THE INTERNATIONAL OLYMPIC Committee's TOP sponsorship programme is missing an opportunity for bigger revenues by failing to offer brands digital and social media inventory, Olympics marketing expert Michael Payne told *Sports Sponsorship Insider* this month.

The first Olympics of the current 2013-16 cycle begins next month in Sochi. The TOP (The Olympic Partners) programme will generate over $1bn (€737m) in 2013-16 for the first time. Evolving the TOP programme will fuel further increases, Payne said.

The IOC was looking to sign a TOP sponsor before the Sochi Games in the computing equipment category but failed to do so. Taiwanese electronics company Acer had filled this position for the 2009-2012 cycle.

"There is an untapped scope for the IOC and its partners," he said. "But it means extending activation rights beyond the current windows," referring to the lack of digital and social media inventory on offer. "The nature of the rights benefits structure has not really changed since the programme started. It still remains focused on the four core anchors: showcasing, branding, marks and hospitality.

"There are also CSR opportunities for brands and I am sure that Thomas Bach will pursue this." Bach is the current president of the IOC, who was elected in September 2013.

Payne, a sports marketing consultant, was director of marketing and broadcasting at the IOC from 1988 to 2004, and devised the TOP programme for the committee in 1985 while working at ISL Marketing, the company selected by the IOC to develop a global marketing programme. The TOP programme is credited with generating huge growth in commercial revenues for the Olympics since its inception (see table, page 5).

The IOC offers TOP partners limited digital and social media rights at present. For example, there is no prominent branding from TOP partners on the IOC website or social media pages.

Sports Sponsorship Insider understands that the IOC is not currently considering any major overhaul of the rights on offer. It is however, understood to be reviewing the sponsorship categories it offers, for example to reflect new product areas such as tablet computers. Payne said this narrow focus would only limit the programme's potential and focus should switch to the rights offered.

"Identifying this as the solution is part of the problem," he said. "The whole programme needs significant updating, not just parts of it."

IOC still in market

The IOC is still looking for TOP partners for 2013-16. *Sports Sponsorship Insider* understands that manufacturers of tablet computers are among its main targets.

Each of the 10 partners in the 2013-16 cycle is understood to be paying about $25m per year on average, or $100m over the four years. The cycle covers the 2014 Winter Olympics in Sochi, and the 2016 Summer Olympics in Rio de Janeiro. Each of the 11 TOP partners paid $21.5m per year on average for rights from 2009-12.

The increase in revenues for the TOP programme, which is run by the International Olympic Committee, represents growth of at least 5.3 per cent compared to the previous cycle, 2009-12.

TOP revenue growth has slowed in the last few cycles, after huge increases in the first three cycles of the programme (see table). Payne said this was to be expected. "It would be wrong to compare growth from the early stages of the programme to its current mature position. The key is renewal rate and the incredible loyalty level of the IOC's sponsors. It has to be viewed in that sense."

Seven of the 10 sponsors in the IOC's current programme have contracts that run until 2020, a commitment he described as "unheard of" in sports sponsorship.

The key, he said, for the IOC now was to evolve the rights that were on offer.

Sochi reaches domestic high

The Domestic Partner programme for Sochi 2014 is generating $1.3bn, a record for a domestic Olympic sponsorship programme, including the Summer Olympics, beating the $1.218bn record set by Beijing in 2008. Domestic Olympic sponsorships are sold by the local organising committee.

Sochi 2014 Domestic Partners only receive rights within Russia for the duration of the Games, including signage, rights to use the Sochi 2014 logo, and hospitality. They do not get rights to use the Olympic rings – these rights are reserved for TOP partners.

In September 2013, Timo Lumme, managing director of IOC television and marketing services, suggested that the IOC would consider cutting the number of TOP partners, increasing the price of the positions and allowing the domestic programmes to sell sponsorships in the same categories. Olympic sponsors currently receive category exclusivity – for example, a TOP partner deal with a soft drinks brand would rule out a domestic programme doing a deal with a soft drinks brand.

Payne believes that this move is unlikely because the advertising space that TOP sponsors buy to activate their partnerships was "incomparable" to the spend of the Domestic Partners and this exposure brought greater value to the IOC.

Olympic revenue allocation

Of the sponsorship revenue generated by the IOC, 10 per cent is retained by the IOC, 50 per cent is split between the two Olympics hosts in the cycle – 30 per cent to the Summer Games and 20 per cent to the Winter Games – and most of the rest is distributed amongst National Olympic Committees and the participating sporting federations.

The commercial opportunities of hosting an Olympics in a particular city or country do not factor into hosting decisions. As Payne put it, "It is purely a sporting decision but the host must prove capable of putting on the Games itself, without dependency on the IOC's commercial revenue."

Hosting costs proved a problem during the 1996 Summer Olympics in Atlanta when the organising committee relied heavily on commercial income to fund the event and was criticised for commercialising it too much.

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Payne minds the revenue gap between domestic and TOP sponsors

THE REVENUE GAP between TOP and domestic sponsorship programmes is likely to reach around $1.6bn (€1.2bn) in the cycle that includes Sochi 2014 and Rio 2016, up from $888m in the previous cycle that included Vancouver 2010 and London 2012 (see table).

Michael Payne, the former IOC director of marketing and global broadcast rights, told *Sports Sponsorship Insider* in March 2012 that the TOP programme is on borrowed time if the revenue gap between TOP and local sponsors continues.

"There's got to be change because of both the dynamic and [price] disparity in local partners versus TOP," he said. "Even if the revenue gap [between TOP and local partners] is not as big as we currently see in Sochi and Rio – if there are multiples then it's not sustainable."

Payne said that the revenue gap has increased from a "defensible" 20 to 30 per cent extra paid by local partners in the two decades before Beijing 2008, to a position where local partners are paying many times more than TOP partners.

The local organising committees of the Summer and Winter Olympic Games currently share 50 per cent of revenue from TOP deals in their four-year Olympic cycles. This share is considerably less than the sums raised from domestic deals done by Sochi 2014 and Rio 2016.

IOC TOP PARTNERS

Soft drinks brand Coca-Cola (until 2020), IT services corporation Atos (2016), chemicals company Dow (2020), conglomerate General Electric (2020), fast-food restaurant McDonald's (2020), watchmaker Omega (2020), electronics company Panasonic (2016), consumer goods company Procter & Gamble (2020), electronics company Samsung (2016) and financial services company Visa (2020).

SOCHI 2014 TOP-TIER PARTNERS

Airline Aeroflot, apparel company Bosco Sport, telecommunications company MegaFon, energy company Rosneft, telecoms company Rostelecom, railway corporation RZD, financial services company Sberbank and carmaker Volkswagen Group Rus. *Each Domestic Partner is paying over $100m. Rosneft is paying $180m.*

Olympic sponsorship revenue (1985-2016)

Olympic TOP Programme Revenue				Domestic Programme Revenue		Difference between domestic revenue and TOP revenue
Years	**Games**	**Value**	**% change**	**Value**	**% change**	**Value**
2013-2016	Sochi/Rio	$1,000m	+5.3	$2,600*	+41.4	$1,600m
2009-2012	Vancouver/London	$950m	+9.7	$1,838m	+18.1	$888m
2005-2008	Torino/Beijing	$866m	+30.6	$1,555m	+95.3	$689m
2001-2004	Salt Lake City/Athens	$663m	+14.5	$796m	+21.5	$133m
1997-2000	Nagano/Sydney	$579m	+107.5	$655m	+22.4	$76m
1993-1996	Lillehammer/Atlanta	$279m	+62.2	$535m	N/A	$256m
1989-1992	Albertville/Barcelona	$172m	+79.2	Undisclosed	N/A	N/A
1985-1988	Calgary/Seoul	$96m	N/A	Undisclosed	N/A	N/A

**$1.3bn of this total is the lower estimate target made by Rio 2016.*

Source: *Sports Sponsorship Insider*

William Morris Endeavour adds firepower to IMG's rights acquisition capability

By Matthew Glendinning

THE ACQUISITION IN December of sports and entertainment marketing agency IMG Worldwide by Hollywood agency William Morris Endeavour Entertainment and its private equity partner Silver Lake could affect the global sponsorship market in three main ways, industry experts said this month.

First, by releasing agency personnel into the market place. Second, by allowing IMG to invest more aggressively in new and existing sporting events, particularly in emerging markets. Third, by creating a multi-platform company operating across music, film, sport and entertainment.

People

In terms of people moves away from IMG, the first $750m (€551.4m) takeover of IMG by private equity firm Forstmann Little in 2004 suggests that a churn of personnel is likely in the first year of the new venture.

IMG's chief executive during the Forstmann Little years, the late Ted Forstmann, was noted for hiring and firing senior vice presidents – the second rank of IMG executives – in the early stages of his ownership.
Experienced personnel who do not fit WME's vision for the company, or in departments that do not meet their growth expectations, could migrate to other agencies or set up independently.

It is also reported that the WME has identified cost savings of between $60m to $100m, primarily at the administrative level, from the merging of the two organisations.

Even if the transition under WME is smoother than expected from an employee standpoint, employees with