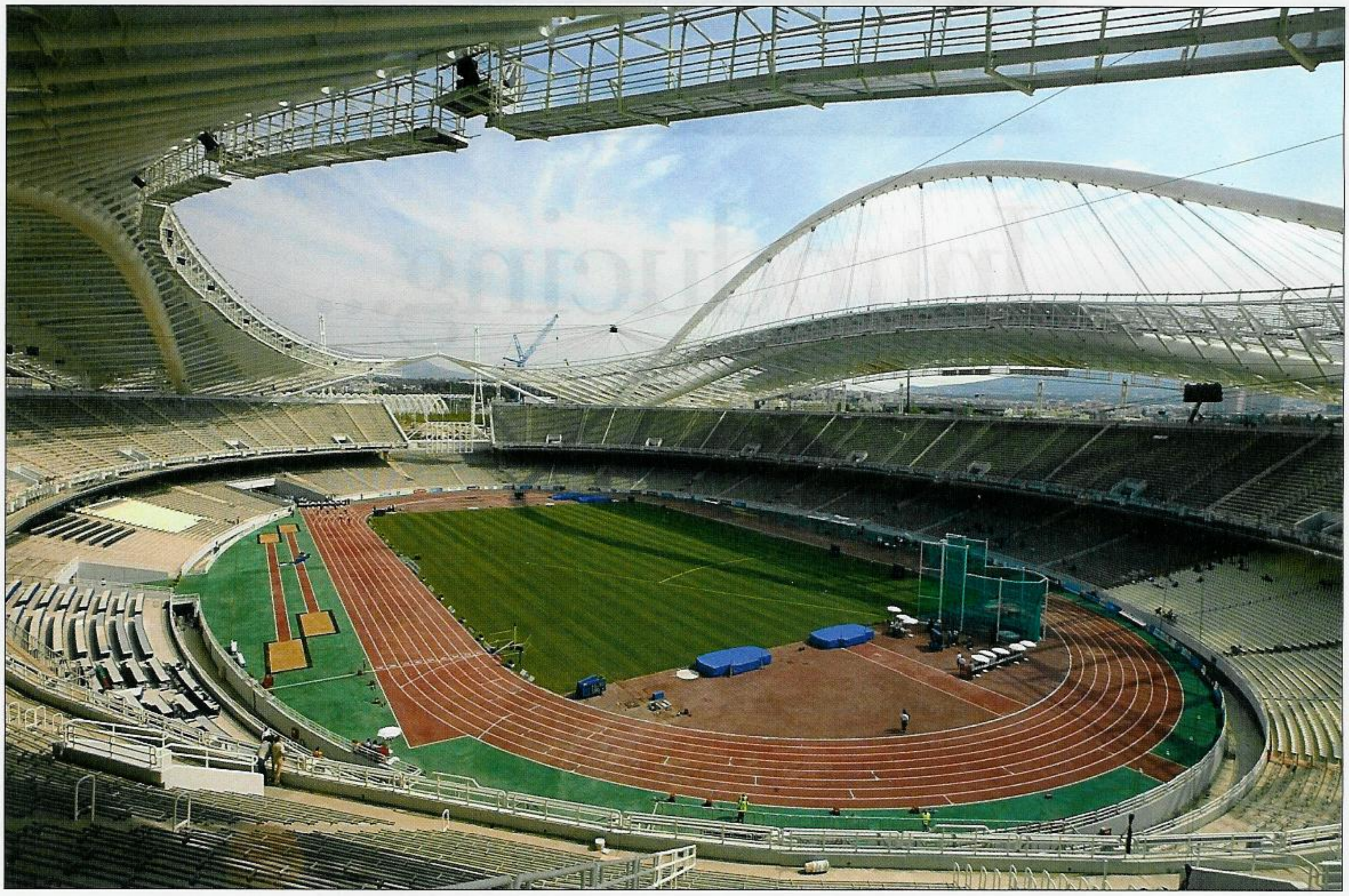
The gold standard

As the 2004 Olympic Games get underway in Athens this month, Alex Blyth asks if sponsorship is good for those companies that are paying so much for it



In 1896 Baron Pierre de Coubertin founded the modern Olympic Games. He wanted to restore the ancient tradition of an international gathering of amateur athletes competing solely for the love of the sport, and so, symbolically, chose Athens as the location for those Games. In 2004, that city will once again host the Olympics, but, were Baron de Coubertin still alive, he would almost certainly be more familiar with the many relics of Ancient Greece still held in Athens, than he would be with the Games that he founded.

There were 245 participants from 15 nations in 1896; in 2004 there will be over 10,000 competitors, many of them from countries the baron would never have heard of, let alone invited to the Games. The athletes will achieve feats that would have been thought impossible 108 years ago. The stadia will be more splendid than anything seen by the visiting late Victorian royalty. Most incredibly, the Games will be watched by an audience estimated at close to 4bn. None of this would be possible without corporate sponsorship, which so far has brought in almost €600m (£400m).

While many complain that the amateur ideals of the Games are impaired by sponsorship, there is little doubt that without the business world's financial input the Games would be greatly diminished. Indeed, as Michael Payne, the International Olympic Committee's marketing director, put it: 'Fewer than 30 countries from around the world could afford to come to the Games without sponsorship.'

It is good for the Games, good for the athletes, and

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good for the spectators. But is Olympic sponsorship good for those companies that are paying so much for it?

Benefits of sponsorship

There are two levels of Olympics sponsorship. Adidas-Salomon, Ben Sherman, Blue Arrow, Cyprus Airways, Easynet, Microsoft, Heineken, Roots, Rover and Weetabix are the sponsors of the British Olympic Association (BOA). Atos Origin, Coca-Cola, John Hancock, Kodak, McDonalds, Panasonic, Samsung, Swatch, Time, Visa and Xerox are the IOC's TOP, or international, sponsors. The global TOP sponsors pay around \$40m-50m (£22m-27.5m) for each four-year period, which includes one summer and one winter Olympics, in return for rights in every market in the world, whereas the sponsor of a National Olympic Association would probably pay a six-figure rights fee for rights in one market only.

In exchange, TOP sponsors receive exclusive marketing rights within their own categories: Kodak for photography, Coca-Cola for beverages, McDonalds for food and so on. They are also permitted to use Olympic imagery, most crucially the famous five rings logo. They receive hospitality and advertising opportunities, as well as product sale and promotion concessions at the Games themselves. It is incumbent upon the sponsor to activate these opportunities although the IOC and BOA provide ongoing advice on how to do so. However, the greatest benefit is intangible. Sponsoring the Games is, more than anything else, an opportunity for a company or product to align itself with the Olympian ideals, in the eyes of its customers, staff and other stakeholders, right across the globe.

How to measure it

There is long-standing confusion about how to quantify the value which sponsorship delivers. Traditionally companies focus on outputs such as media values by calculating the length of time for which a logo or name is broadcast and then calculate what the cost of advertising in that space would have been. However, the two are hardly comparable.

Matthew Osmon of sports sponsorship consultancy, Redmandarin, takes a different approach: 'We advise our clients that they need to evaluate the impact on their business based on their strategic objectives. These could range from raising brand awareness, appropriating certain brand values, developing customer relationships, through to staff motivation and even developing a reputation as a responsible, caring company. We then measure what impact the sponsorship has had on these objectives.'

This measurement is of course complicated by the difficulties of separating out sponsorship from other factors and gauging a suitable timescale. Osmon says it is possible and the BOA claims to have evidence of the tangible benefits of sponsorship. However, neither the BOA, nor any of the sponsors are able to produce it. While this does not mean that sponsorship does not work, it does explain why it is often more popular in marketing than in finance departments.

Managing risk

Philip Pope, communications manager of the BOA, says: 'There are no downsides to sponsoring Team Great Britain. It is just a unique opportunity to buy into the past, present and future of the Olympic movement. As a not-for-profit body, the BOA ensures that all the money raised goes towards the athletes competing at the Games.' Not everyone is so certain. There are potential problems to manage with almost every business activity and it will be of little comfort to sceptical finance directors to hear such rose-tinted optimism from the BOA.

To begin with, if 'the present of the Olympic movement' is about drug scandals, half-finished stadia, or boycotts then it may in fact be damaging to brand reputations. However, many sponsorship consultants steer their clients towards solid events such as the World Cup or Olympic Games, and away from more capricious individuals for precisely this reason. The Games may encounter temporary problems but, by and large, it retains its fundamental values. There is always, though, an element of risk that must be considered.

Getting the right fit

Sponsors must consider whether or not there is a good fit between their brand, product or company and the event, team or individual in which they are investing. In the UK, Heineken is looking to raise £250,000 for the BOA partly by donating 10p on the sale of 1m pints and bottles of lager sold in selected pubs. When Cadbury's offered vouchers on

Winning statistics

The 1984 Los Angeles Olympic Games are seen as the birthplace of sports sponsorship. Nine sponsors paid \$10m each and it was the first Olympics to make a profit. That the Games now attract over six times that amount in sponsorship suggests that it works.

Payment partner

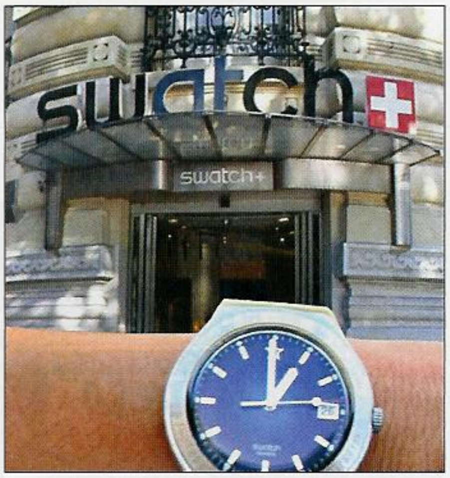
Visa is the official card and payment partner and is using the position in many ways. These include using Olympic themes on point-of-transaction signage contests and even new products.

Visa is also offering promotional trips to the Games for consumers and retailers. It has issued more than 20m cards bearing the Olympic rings.

As corporate communications manager, Rima Awad, puts it: 'No other brand can deliver equities such as worldwide acceptance, reliability, versatility and market leadership.'

The Olympics continues to offer a unique package. There is no other event that charges its sponsors around $10m a year and then refuses to allow advertising inside the stadia for most of them

Keeping good time



Swatch is the official timekeeper of the Athens Olympics.

Since April of this year it has been shipping timekeeping equipment from Switzerland to more than 35 venues in and around Athens. During the Games it will field a team of more than 300 professionals to ensure the accuracy of every timed result.

As marketing manager, Helena Urfer explains: 'Through doing this we are part of the history of sport and are associated with the key values of positivity, enthusiasm and emotion, all of which are central to the Swatch brand.'

confectionery that could be redeemed for school sports equipment, the Food Commission pointed out that a 10-year-old child consuming enough chocolate to earn a basketball through the Cadbury's scheme would need to play basketball for 90 hours to burn off the calories. The scheme was widely criticised and Heineken may be facing the same risk in associating lager with athletics.

Dan Jones, a partner in the sports business group at Deloitte, recognises the risk: 'Sponsors and sports bodies do need to plan out all the likely implications. However, alcohol, confectionery and fast food in moderation are compatible with sport and exercise. For instance, Mars had a long and successful association with the London Marathon.' Despite this, damage has been and could be done to a reputation through inappropriate sponsorship.

Just as important as assessing potential risk, is ensuring potential benefit. Many sponsorship arrangements are established on a whim, often because of a director's personal interests, and these are very often unproductive. Before signing up for a sponsorship deal, any company ought to be certain of the long-term synergy, and so the potential rewards, of associating with that event. If customer acquisition plans are mass market orientated then sponsoring Glyndebourne is unlikely to reap dividends. Similarly, having your logo emblazoned across a Formula One car will do little to help you crack the under-six girls market.

Deals based on personal preference are undesirable, not only for the sponsor, but also for the recipient, as the relationship will almost certainly be short term and probably lead to a funding crisis at some point in the future.

Using what you have

A key measure of the likely success of a sponsorship arrangement is often the extent of internal support is receives. It is also crucial to the successful exploitation of the arrangement. Some sponsorships fail because the company secured insufficient rights; a greater number, however, fail because the company was unable or unwilling to activate the rights that it had.

There is a widespread misconception that sponsorship works like advertising: you pay a large sum of money and have your creative execution displayed in a certain time and space. On the contrary, many sponsors invest as much in using the rights as they do in purchasing them (see boxes). Both Swatch and Visa have worked hard to leverage the association with the brand. Not doing this is one of the most common reasons why sponsorships fail.

From strength to strength

Despite these potential problems, Olympic sponsorship shows no sign of faltering. The 1984 Los Angeles Games are seen as the birthplace of sports sponsorship. Nine sponsors paid $10m each and it was the first Olympics to make a profit. That the Games now attract over six times that amount in sponsorship suggests that it works.

Sponsorship generally is a fast growing industry. According to Dan Jones at Deloitte, in 2001 global advertising spend fell by 5%, promotional spend fell by 6%, but sponsorship spend grew by 6%. More recently, growth in sponsorship has continued to outstrip the recovery of spending in both advertising and promotions.

The Olympics has been at the forefront of this flood of revenue into sport. In terms of scope it is rivalled only by the football World Cup, and it is true that sports sponsorship is dominated by football. To give one example, Vodafone pays £7.5m a year to sponsor Manchester United. However, the Olympics continues to offer a unique package. After all, there is no other event that charges its sponsors around $10m a year and then refuses to allow advertising inside the stadia for most of them. Only the ICT and time-keeping sponsors are allowed their names displayed inside the stadia. In this and many other ways, the Olympics retains an ambivalent attitude towards corporate sponsorship. It needs the money and yet to remain attractive it must keep its aura of amateurism.

Baron de Coubertin might not have been so appalled by the idea of sponsorship. After all, in his day it was mostly only the independently wealthy who could afford to be athletes, and in Ancient Greece, the Games were paid for by wealthy citizens. Perhaps, the Baron would just be pleased to see the Olympic spirit of athletic endeavour alive and flourishing.

For articles on London's 2012 Olympic bid, see Accountancy, *August 2003, p32 and March 2004, p47.*