

The future of TOP sponsorship

The International Olympic Committee's TOP programme has long set the benchmark for sports sponsorship but how should it evolve in the future? Writing exclusively for *SportsPro*, Olympic sponsorship expert Rob Prazmark sets out his proposal for change.

By Rob Prazmark

As one of the founders of the TOP programme, I am always asked about its history and, most importantly, its future. Has the TOP programme outlived its usefulness and should it be discontinued or does there need to be a total conceptual overhaul? I prefer the latter course of action.

In 1983, the Olympic Movement was in trouble. Nearly bankrupt, having just barely survived more than a decade of turbulence – Munich (terrorism), Montreal (financial disaster), Moscow (boycott) – and, facing a 1984 Olympic Games in Los Angeles, a city that did not want the Games and could fall victim to another boycott, the Olympic Movement's future was very dim. Its bright spot was that Peter Ueberroth was quietly revamping the Olympic sponsorship model, selling more rights to fewer companies and asking huge amounts of money for the exclusive association. As one of the aforementioned companies, Coca-Cola paid handsomely for

sponsorship rights, but grew frustrated when it tried to activate worldwide because no internal mechanism to buy global rights from a global organisation, the International Olympic Committee (IOC), existed. Coca-Cola approached the IOC and said that if the IOC wanted Coca-Cola, a global brand, to continue after 1984, the IOC had to sort out the problem. In addition, Coca-Cola pointed out that a growing number of companies were thinking globally and that the key to solving many of the IOC's financial problems may indeed be controlled global commercialisation of the Games. After two years of debates, lawyers and negotiations, The Olympic Problem (TOP) became The Olympic Programme.

After nearly 26 years of success, some US\$4 billion in rights money paid and probably another US\$20 billion in additional activation spent, the original goal of TOP has been clearly achieved. The inaugural programme raised US\$100 million from nine companies over four years. Today, a four-year relationship

with a single company costs in excess of US\$100 million and a quadrennial raises a billion dollars. The IOC is financially sound; the Olympic Movement is on solid ground and Baron Pierre de Coubertin would be happy to know that his vision is monetarily secure.

So what is The NEW Olympic Problem?

From a commercial perspective, the TOP programme has changed only slightly and has never kept pace with the evolving needs of the marketplace. The TOP programme is basically the exact same programme that it was at its creation in 1985. What have changed are the needs of the marketplace and the compositions of the corporations that make up the list of participants – from Coca-Cola to GE – especially from the perspective of their ever-expanding product categories and the muscle that these companies now exercise when negotiating future TOP deals with the IOC. For modest increases in rights payments, the participants receive expanded product categories that not only include what they represent,

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but also establish wider exclusivity from competitors. In addition, a greater number of international companies have entered the mix. In TOP I, three of the nine companies were non-US; today, in TOP VII, five of the eleven companies are non-US.

Gone are the likes of Xerox (copying and duplicating), Kodak (still imagery) and IBM (information technology). Now, the TOP programme has to sort out the massive overlaps of Atos Origin vs. Samsung vs. Omega vs. Panasonic. Then, of course, there are the huge categories gobbled up by GE (generally everything), McDonald’s (every solid that goes into a stomach), Coca-Cola (everything liquid and non-alcoholic that goes into a stomach),

P&G and their hundreds of products, and Visa (everything money-related other than old-fashioned retail banking). Over the past 26 years, all encompassing companies have expanded their categories so wide that there is little left over for organising committees to sell on their own. Yet the obligations of these organising committees have grown exponentially.

It gets more complicated. While an average four-year TOP sponsorship runs to a cool US\$100-US\$125 million, the remaining and remnant local categories such as banking, telecom and automotive are raising massive amounts of money and commitments for activation. The value of domestic Olympic sponsorship has grown at such a rapid rate it has ▶

outpaced the pricing paid by TOP sponsors, a fact the TOP sponsors are well aware of. For Beijing, Volkswagen paid in excess of US\$100 million and, in Rio, Nissan is reported as paying over US\$250 million for one Games in one country. Lloyds paid a reported US\$160 million for London and Bradesco Bank was reported in excess of US\$300 million for 2016. These companies also must pledge and commit to large-scale activation programmes, sometimes adding an additional 50 per cent to their total commitment. In essence, the TOP programme has created a drag on the economic value of the Olympic sponsorship and has created a hardship for future organising committees. The pricing per category for a TOP sponsor has not kept up with the value of the association and the TOP companies have swallowed expanded rights without paying for the privilege.

One fact that must be understood is that the two organising committees only keep 50 per cent of all revenues generated from a TOP sponsorship. They keep 100 per cent of monies raised locally. For example, if automotive was to be a TOP category for 2014-2016, the category would raise US\$125 million. Sold separately, automotive earns the various Olympic committees far beyond the percentages that it would garner from TOP. It has been reported that VW paid US\$100 million for rights for Sochi, Nissan paid US\$250 million for Rio and the USOC will command US\$25 million when it renews BMW.

The IOC is in a catch-22. Most of the TOP companies – the big boys with expansive product categories like Coca-Cola, Visa, Panasonic, Atos Origin, P&G, McDonald's, Omega – have signed up through 2020. Only Samsung sits on the fence, eyeing a bigger, wider category that, since the departure of Acer, would include computing. How does the IOC, in fairness to companies who have been with them for many years, go back to those companies and adjust accordingly?

Within the current agreements, nothing can really be changed. A deal is a deal. However, for the programmes set to begin after 2020, the whole structure must be changed. I truly believe that, in the same way that Peter Ueberroth did in



Rob Prazmark advocates a 'TOP 2' programme

1984, the IOC should reinvent the TOP programme. It is time to provide more rights to fewer companies at a higher price. The biggest difference will be that the categories that fall out of TOP will be handed over to the OCOGs and NOCs, who will then be able to set their own pricing and therefore deliver more value and generate more revenue for their cause than they could by accepting the heavily discounted values coming from TOP companies. Consider this: there will be fewer companies in TOP, but those that make it will be the most relevant to both global and domestic application.

The new TOP 2 programme should take effect in 2021 and run through 2030. TOP 2 should be a ten-year programme that will include five Olympic Games, three winter and two summer. TOP 2 should also include the Paralympics and the Youth Olympic Games. The five largest changes to the programme are:

1. There will be no more than six companies included in TOP 2
2. Companies will be selected by relevancy to the IOC and the Games
3. Each company will be awarded a platform, not a category
4. The commitment will include global media
5. The commitment will cost US\$1 billion over ten years

In 2016, the IOC should formally inform the remaining TOP companies that the programme has been redesigned and that a company's participation

will be based on either that company's history or that company's relevancy. Remaining TOP companies will be given the first opportunity to review the new programme and to decide whether or not to continue. By 2018, available categories – which are now called platforms – that have relevancy will be tendered to the open marketplace. Again, the goal should be to reduce the number of TOP partners to six; each partner will pay US\$100 million per year for ten years. The rights will be enhanced with embedded media and global media. The sheer nature of reducing the number of partners from 11 or 12 to six increases the value of the IOC relationship.

The fact that the IOC would move away from product categories and grant exclusivity for platforms, such as health, technology, nutrition, energy, innovation, education, is the game-changer. Categories appear and disappear regularly, but platforms have and will remain consistent and relevant for decades. The concept of moving from product categories to platforms was first developed by Tom Shepard 21 years ago when he was executive vice president for Visa.

In the past, when a pricing correction has been made, every company answered the call. While the IOC may be concerned that the plan may not succeed, the IOC must be made aware that, by using the exact same strategy, the World Cup, the Premier League, the National Football League and many other high-calibre, voluminous organisations are driving value. The IOC has the most recognised and respected brand in the world and I believe the marketplace will pay accordingly for the brand's value.

This plan will work. The benefits are that the IOC will reduce the number of companies that they have exclusive relationships with, without losing financial support. The IOC will work with truly "like-minded partners." The plan will return extra categories back to the organising committees who will be able to drive pricing way beyond the shares that the old TOP model would earn. ■

Olympic sponsorship expert Rob Prazmark is the founder of 21 Sports & Entertainment Marketing Group