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USOC aims to rebound

Sponsors' exits reverse a trend

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One year from the start of three straight Olympics in Asia, the U.S. Olympic Committee has been uncharacteristically hit by a slew of departing sponsors in key categories.

At least five corporate partners have left the program since the Rio Games, blowing a hole in reliable revenue streams and opening categories that, in some cases, had been occupied since the 1980s. It's an unusual turn for the USOC, which has solidified its finances since the 2009 recession thanks to strong, sustained growth in its sponsorship business.

More than a year ago, CMO Lisa Baird acknowledged 2016 would be a challenging renewal cycle, because of the remote locations of the upcoming Games, the uncertain fate of the Los Angeles 2024 bid and the sheer amount of expiring contracts. Her concerns proved prescient.

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But other factors came into play as well. Discussions with multiple sources in the sponsorship community indicated some were frustrated during the Rio cycle by the USOC's large roster and narrowly tailored categories, which made it difficult to stand out. Rights fee increases also played a part.

Despite the losses — AT&T, Budweiser, Hilton, Citi and TD Ameritrade — Baird says they're on track to meet revenue goals for the 2017-2020 cycle, thanks to new sponsors such as Comcast and Mondelez and the rising value of the deals that were extended. Two sources said the USOC opened negotiations by seeking 20 percent hikes for the 2017-2020 cycle.

"I'm very positive, and we are tracking right where we agreed to be with our board and with [CEO] Scott [Blackmun], and we're pretty excited about where we are," Baird said, declining to address the specific rights fee increases.

Of 26 total partners heading into 2016, the USOC has renewed 11 of the 18 sponsors whose contracts expired in

2016 and were eligible to return. Another seven were already locked up through 2020, and BMW was supplanted by Toyota's global deal. The USOC cannot sell beyond 2020 while the Los Angeles bid to host 2024 is pending.

CMO Lisa Baird predicted that 2016 would be challenging.
Photo by: MARC BRYAN-BROWN

Five sponsors left, and the status of two remains unclear. BP and 24 Hour Fitness' contracts both expired in December, but neither company officials nor the USOC would comment on their status. 24 Hour Fitness is listed on the USOC website, while BP is not.

Of those that left, AT&T was quickly replaced by Comcast, which joined Mondelez and MilkPEP as newcomers in 2016. The remaining vacancies are beer (Budweiser), banking (Citi), online brokerage (TD Ameritrade) and hotel (Hilton). Those relationships were believed to be worth between $3 million and $4 million annually, and were each renewed in 2012 or 2013 for two more Olympics.

These developments come after several years of vastly improved sponsorship sales for the USOC, credited to Baird, the organization's overall stability and the performance of Team USA.

Financials from the all-important 2016 Olympics year are not yet public, but the USOC reported $300 million in marketing revenue in the first three years of the quadrennial, on pace to far surpass the 2009-12 total of $313 million.

Five losses in a single cycle is a significant hit, said Mary Scott, president of sports/experiential at United Entertainment Group. But she added the USOC has been on an "incredible trajectory" under Baird's leadership, she said, and there doesn't seem to be a common thread to the nonrenewals.

"That's a big chunk out of the portfolio, but the real test is how quickly they will be replaced," said Scott, whose firm handles communications for global and domestic Olympic sponsors.

Despite the doping and governance crises facing the Olympic movement, not to mention demographic challenges and declining TV ratings, the rights fees associated with sponsorships are steadily rising at both the USOC and International Olympic Committee. At the global level, Alibaba Group just signed a 12-year deal worth more than $800 million, more than twice what global sponsorships were going for as recently as 2012.

That benefits the USOC. Three categories previously sold domestically have since been transferred to that higher tier — automobiles (Toyota), tires (Bridgestone) and cloud computing services and e-commerce (Alibaba.). In each case, the revenue generated for the USOC by those IOC deals far eclipses the prior domestic-only deals.

"We see the value continue to rise, and the deals getting bigger, especially on the IOC level," said Angela Ruggiero, a member of the USOC board and the IOC. "That's a really good thing, and I think Lisa's done a really good job. That's why I'm not too concerned. My main question will be, 'What is the plan to sell that [open] category?'"

As they look to fill the vacancies, Baird said she's open to reconsidering category definitions and selling fewer, more expansive deals. The USOC aggressively carved out new categories to add partners in both the 2013-16 and current cycles, a strategy that has grown revenue but also created issues and conflicts at times.

"We definitely heard that, and it's something we're sensitive to, absolutely," Baird said. "We're always trying to figure that out."

Take financial services. Now-departed TD Ameritrade's online brokerage rights prevented Citi from promoting its own brokerage business, while Visa's worldwide rights in payment processing can be passed through to Visa-issuing commercial banks that compete directly with Citi.

"When we look at the market with financial services, Visa has strong rights as a TOP sponsor, so that's something we're absolutely going to take into consideration," Baird said. "That's a great example where we need to really think about that."

On the other hand, the USOC added MilkPEP as a sponsor for white, unbranded milk — a newly created category that comes very close to Coca-Cola's extensive nonalcoholic beverage rights. In the fall, the USOC sold cookies and crackers exclusivity to Mondelez, rights that previously had been lumped together with breakfast cereal with Kellogg's, which renewed two months earlier.

That's been by design in consumer packaged goods, Baird said.

"We've definitely found where our strengths are," Baird said, referring to the Olympics over-indexing with women — moms, in particular — who are generally targeted by grocery store mainstays. The USOC has built a retail partner program that encourages stores to help promote Team USA-sponsored products together, leading to large retail displays matching up Kellogg's cereals, Hershey candy, Chobani yogurt, Coke products and more.

"It's because we have a property that has a unique competitive advantage with moms, and it's one we're in a position to really grow," Baird said.

In hopes of justifying the price increases for renewals and new sponsors, the USOC points to its heavy investment in social media and digital content, offering new inventory to sponsors, along with new sports properties like the Winter Champions Series.

The work continues to find new partners in the vacant categories, Baird said. But there may be a lull in new sponsorships pending the IOC's vote on the 2024 Olympic host city, said veteran sponsorship salesman Rob Prazmark, who sold on behalf of the USOC at IMG in the 1990s and 2000s.

If Los Angeles wins, current partners get limited first-negotiation rights to stay after 2020 as 2024 host committee sponsors, but generally must compete on the open market for rights that may quadruple in value. Totally open categories can be sold immediately as six-year deals starting in 2019, which would be sold by the LA2024-USOC joint venture that would be created. Prazmark said some interested partners may be "holding their powder" until the September vote.

"If their revenue projections are being hit and they still have open categories, for me, that represents upside," Prazmark said.

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