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## IOC-McD's divorce a long time coming

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McDonald's had a heavy on-site presence during the 2012 London Games.

Photo by: GETTY IMAGES

Despite sharing a classic sports marketing marriage, McDonald's and the International Olympic Committee no longer could justify staying together for the kids.

McDonald's sponsorship executives had grown frustrated with the IOC on several fronts since the

company's official partner deal was last renewed in 2012, sources said, and the IOC was looking ahead to a new era of global sponsorships that didn't include McDonald's.

Throw in a corporate review of the McDonald's portfolio and you get the extraordinary divorce announced June 16, three years before the contract was up.

"Strong partnership depends on aligned objectives, and we were honest enough to say to each other, 'Look, our interests have changed, our paths have changed,'" said Timo Lumme, IOC managing director of television and

marketing. "From our perspective it made no sense to hold onto something for the sake of it."

Signs of strife in the McDonald's-Olympic marriage had been evident for years, according to Olympic agents, consultants and sales executives who closely watch the major sponsors. McDonald's declined to comment for this story.

Last year, McDonald's Head of Global Alliances John Lewicki was the most ardent critic of the IOC's new waiver system that allowed Olympians to appear in competitors' advertisements during Rio. There's no indication that Rule 40 was a tipping point, but it added to long-standing indignation over Subway's encroachment on the fast-food category.

Also, sources said, McDonald's was already running into accommodation problems for Pyeongchang, a repeat of issues faced just last year in Rio, crucial for its usual plans of sending elite employees to staff restaurants at the Games.

In 2016, McDonald's Olympic activation was understated. It ran local contests to choose children to participate in the opening ceremony in Rio, eschewing new athlete deals, a domestic campaign with Team USA and a major in-store presence. It had just one limited-menu store available to Olympic fans on site in Rio.

Simply put, McDonald's didn't show much enthusiasm, said Evan Morgenstern, an agent who represents retired swimmer and McDonald's endorser Dara Torres. In 2014 and especially in 2016, he said, the company trailed far behind other Olympic partners in signing athletes and organizing its program. "It seemed over the last couple of cycles it started later and later," Morgenstern said.

McDonald's hasn't developed an Olympic-caliber global message, a la Procter & Gamble's "Thank You, Mom" campaign, in a long time, said Tim Crow, CEO of London-based Synergy.

"To me it's a symptom of the fact that the whole thing wasn't working," Crow said.

A particular failure, he said, came in 2014 when gay rights activists hijacked McDonald's #CheerstoSochi hashtag campaign to pressure IOC sponsors over Russia's human rights record.

The IOC was also ambivalent. Not six months after McDonald's extended its deal in 2012, then-IOC President Jacques Rogge told the Financial Times it was "not an easy decision" in light of the ethical questions raised by the association of high-calorie fast food with Olympism.

Lumme said the nutritional concerns around McDonald's offerings were not a factor in the breakup. By splitting up now, the IOC can focus on the next era of its sponsorship portfolio instead of servicing a lame-duck account.

"It allows us to focus more on where we want to get to," he said. "And the other part, frankly, is it also opens our options. We made the judgment call from our perspective that it was actually an advantage to break off the agreement now because it gives us flexibility in that area."

Some predict that Coca-Cola will expand its rights in non-alcoholic beverages to include pass-through rights to all of its restaurant customers. That would put the Olympic rings in Wendy's, Burger King and many other restaurants.

"I won't comment on specifics, but you're certainly right in the sense that McDonald's is a retailer, so that brought with it many advantages in terms of why we went into the deal originally," Lumme said. "But it also brought some

restrictions on us, and those restrictions are now lifted.”

Longtime Olympic sponsorship salesman Rob Prazmark said the IOC pushed McDonald's hard to get involved with the new Olympic Channel, a nonstarter because McDonald's didn't want to spend more on media. “I think there was a point where they said, ‘Enough,’” Prazmark said. “I do think it was also a review of all of their properties, and they said, ‘Something's got to give.’”

Nearly a decade ago, Lewicki said the company would reconsider its sponsorship if Chicago didn't win the 2016 Olympics, a violation of Olympic bid protocol that requires sponsor neutrality in bid races. Rio beat Chicago and the company still renewed.

But W Partners CEO Wally Hayward, who advised on activation for McDonald's sponsorships at Relay Worldwide in the 2000s, said the lack of Olympics in the U.S. added up. The U.S. generated one-third of McDonald's \$24.6 billion in global sales last year.

“Not having the Olympics here in America over such a long period of time is a huge impact,” Hayward said. “If Chicago had won 2016, would things be different? Or L.A. in 2024? But now knowing that it may not be until 2028, they're looking at 32 years of the Olympic movement really not building a fan base in America.”

But observers give McDonald's and the IOC credit for breaking up now, which included McDonald's paying an undisclosed breakup fee to exit the deal three years early. “It's a pretty smart business decision at the end of the day, if the negative side of the ledger outweighs the positive side,” Crow said. “Quit while you're behind.”

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