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Gold standard at Rio isn't always measured by IOC sponsorship

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Kirill Kudryavtsev | AFP | Getty Images

People pose with the Olympic rings at the Olympic Park in Rio de Janeiro, on August 3, 2016.

As the Summer Olympics in Rio get underway on Friday night, global sponsors such as [Coca-Cola](#), [McDonald's](#) and [Procter & Gamble](#) are going for gold and hoping to get a boost, but some other names may enjoy a healthy run even as nonsponsors.

"A mega-event such as the Olympics provides an unparalleled platform and potential reach either to preserve or build more market share, to launch new branding campaigns or new products or services," said Adam Jones, leader of PricewaterhouseCoopers' sports advisory services practice.

The International Olympic Committee partner corporations pay upward of \$200 million for four-year global sponsorships and special rights, and they can spend millions more for marketing and advertising campaigns on television, the web and elsewhere. Yet, under an update of the IOC's so-called Rule 40 guidelines, there's a chance for nonsponsor brands such as [Under Armour](#) to score big without using Olympic-related words or phrases.



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'Rule 40' changes

"Our presence will be significantly higher than it was in London in 2012, with four times as many athletes representing national governing bodies from more than 30 different countries competing in Under Armour apparel or footwear," UA Chairman and CEO Kevin Plank said last week during the company's second-quarter earnings call.

Goldman Sachs analyst Lindsay Drucker Mann said in a note in June that the Rule 40 changes allow companies such as UA "to compete with sponsor brands for their own advertising campaigns featuring major Olympic candidates, so long as the games themselves are not referenced."

The change in the IOC's Rule 40 effectively ended a marketing blackout that existed previously during the games for nonpartner companies that sponsor athletes. Nevertheless, there are still words and hashtags associated with the Olympics that nonpartners are restricted from using and the IOC will be looking for cases of [misuse](#).

During Rio, UA has some of the most visible Olympic icons, such as American swimmer Michael Phelps, the most decorated Olympian of all time with 22 medals from three games.

Brooks Sports takes on IOC

"To the degree an athlete is sponsored by somebody, that offers a social media opportunity within the bounds of the Olympic rules," said Harvard Business School marketing professor Stephen Greysier.

Still, some believe the IOC's Rule 40 ultimately hurts athletes as it seeks to protect official sponsors.

Brooks Sports, a nonsponsor, recently launched a campaign to highlight how athletes "are forbidden to display any unofficial sponsors' logos during the games." Initially, the campaign by the [Berkshire Hathaway](#) company was done anonymously but Brooks later admitted it was behind the effort, which one executive described in a statement as a "fun, tongue-in-cheek campaign ... about real issues the athletes we look up to and admire face today."

Nike's innovation focus

Rival [Nike](#) — a partner of the U.S. Olympic Committee — has historically used the Olympics as a springboard for innovations and filling its future product pipeline. Nike is the official supplier of Team USA's medal-stand uniforms for athletes during the Rio Games.

"They launched Flyknit in 2012 and the Nike Free running shoe in 2004," said Wells Fargo analyst Tom Nikic. "That kind of carries the business basically for the next four years until the next Olympic cycle."

Phelps wore the Flyknit shoes when he received his 22nd medal on the medal stand during the 2012 Olympics in London. Flyknit is a "micro-

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engineering" technology that today is a roughly \$1 billion business for Nike. The company's Nike Free, a technology designed to "mimic the biomechanics of running barefoot," was launched for the Athens Games in 2004 and today is widely used across multiple shoe lines.

"If you just buy the sponsorship and think that your job is over because you now have the rings, that's where companies fail."

-Rob Prazmark, CEO of 21 Marketing

Overall, around 3.6 billion people worldwide are expected to watch coverage of the Rio Games, which has more than 200 nations participating. In the U.S., exclusive broadcaster NBC Universal will carry coverage across several of its networks as well as live stream around 4,500 total hours.

Global sponsors are preparing campaigns using television and online ads, as well as social media and other platforms.

"If you just buy the sponsorship and think that your job is over because you now have the rings, that's where companies fail," said Rob Prazmark, founder and CEO of 21 Marketing.

P&G's moms salute

P&G joined The Olympic Partner program in 2010 and for the Rio Olympics is leveraging its marketing muscle around a refresh of the company's mom-themed campaign; it plans to have at least 18 P&G brands launch with their own campaigns. The company's "Thank You, Mom" theme was used first during the Vancouver 2010 Winter Games and fine-tuned later for the 2012 Summer Games in London, where it resulted in an estimated \$500 million sales lift.

"This is Procter & Gamble's fourth Olympiad ... and they have found that it does special things for them as a total corporate brand," said Harvard's Greyser. He said P&G has done "very well" in past Olympics executing the mom campaign by building more emotional links to the games.

The Cincinnati-based consumer goods giant known for brands such as Pampers and Tide has been struggling recently and shedding some of its underperforming brands as it looks to accelerate top-line growth and restore market share growth.

Coca-Cola also looks to capture some magic from the IOC sponsorship. The Atlanta-based company is facing challenging conditions in Latin American markets such as Brazil, Argentina and Venezuela but may find success in leveraging Olympics awareness to boost sales in those emerging markets.

Seeking golden arches

Elsewhere, global partner McDonald's looks to effectively leverage the



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fast food company's longtime global sponsorship for promotional purposes.

"For us there's a brand association with sports," McDonald's President and CEO Steve Easterbrook told analysts last month during the company's second-quarter earnings call. "We'll have some fun with it in certain markets where there's promotional activity, where there's tie-ins that allows consumers to get a little closer to it."

Historically, casual dining restaurants as a group have seen challenging headwinds during the Olympics while fast food operators are less impacted. However, one casual dining chain isn't concerned.

"Olympics certainly don't hurt us," Buffalo Wild Wings President and CEO Sally Smith told analysts during the company's earnings call last week. "They are incremental events and times when people gather to watch sporting events."

The IOC and U.S. Olympic Committee did not respond to a request for comment.

Disclosure: CNBC parent NBCUniversal owns NBC Sports and NBC Olympics. NBC Olympics is the U.S. broadcast rights holder to all Summer and Winter Games through the year 2032.



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