SPORTS BUSINESS

Nine years out, Los Angeles 2028 Olympic organizers to begin selling sponsorships

“We’ve got the first Summer Olympics in the United States in a generation coming to one of the most important global cities, with a time horizon that no one’s ever had,” said Casey Wasserman, chairman of Los Angeles 2028 Olympic effort.
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By Ben Fischer and Terry Lefton – Sports Business Journal
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In two months, Los Angeles 2028 will launch the largest single sponsorship sales effort in American sports history.

Its target: $2.5 billion in domestic deals, an expression of Chairman Casey Wasserman’s confidence that corporate America will eagerly underwrite the first American Summer Games since 1996 at a handsome premium.

The number is attention-grabbing, but it is not unreasonable. Tokyo 2020 organizers already have eclipsed $3 billion, and the International Olympic Committee has signed five new global sponsors in the last four years at big increases. Still, there are many

LA28 will compete for corporate money with the 2026 FIFA World Cup, celebrations around the 250th birthday of the United States and the emerging world of esports and gaming, not to mention all of the leagues and college properties. Olympic sponsorships include few of the standard assets typically sold across American pro sports. And the opening ceremony is more than nine years away — twice as long as the tenure of the average CMO.

“This is by no means a slam dunk,” said Michael Lynch, the former Visa Olympics marketer who now heads global sports and entertainment consulting for Nielsen. “$2.5 billion is a big number, and it’s going to be a big number for many of the companies that have historically supported the U.S. Olympic movement.”

In 2017, domestic sponsors and licensees such as Nike and Hershey paid the U.S. Olympic Committee $55.3 million for the rights to Team USA, which would work out to $221 million for the current four-year Olympic cycle. To hit its goal during the 2021-28 period in which a USOC-LA28 joint venture will hold the combined rights, the JV will need to get nearly six times that for each of the two quadrennials.

The IOC’s decision to award the 2028 Games four years earlier than normal puts things in a new light. Kathy Carter, recently named chief revenue officer of LA28, will have to help brand marketers show a return on their investments years before the Games even enter the public consciousness.

“Brands will be challenged to think about funding and activating something that big and far away,” said 21 Marketing partner Tom Shepard, the former longtime head of global sponsorship for Visa. "It will take very forward-thinking brands and a very forward-thinking sales effort."

The sponsorship packages include rights to Team USA for the Beijing '22 Winter Games, the Paris '24 Summer Games and the to-be-assigned '26 Winter Games, but 2028 is by far the biggest asset. To get comfortable with the long-term deals and price hikes, brands will need to believe they can generate value annually.

Wasserman thinks the longer lead time ultimately will be helpful.

"We've got the first Summer Olympics in the United States in a generation coming to one of the most important global cities, with a time horizon that no one's ever had," Wasserman said. "Those things create a good environment."

In interviews with 19 senior sports marketers, two primary questions emerged:

1. To what extent will brands spend money on the Games that wasn't already in a marketing budget?
2. How will sponsors be able to extract an immediate and continual return when the main payoff is so far away?

The onus is on LA28 to convince potential sponsors that the Olympics are a generational touch point, not just one more on a long list of available properties.

"Something's going to have to give for everybody," said Phil Pacsi, recently retired after 36 years in marketing at Bridgestone, a global Olympic sponsor since 2014. "Everybody can't afford to be in many places at one time, especially when you're looking at the Games and price tags like this."

Bolstering Wasserman's confidence is the strong track record of U.S.-hosted Olympics. In 1984, Los Angeles organizers revolutionized Olympic marketing with exclusive categories and corporate naming rights on Olympic venues, which generated a rare budget surplus. Both the 1996 Atlanta Summer Games and the 2002 Salt Lake City Winter Games set records for total sponsors. Atlanta holds the Olympic record for attendance.

“The historical performance on the commercial stage of the Olympic Games in the U.S. has demonstrated the passion,” said Dave Mingey, managing director of the North American consulting unit of CSM Sport & Entertainment, which represents global Olympic sponsors Visa, Atos and Dow.

Momentum Worldwide, which built its business on longtime Olympic sponsor Coca-Cola’s activations, generally advises clients not to sign long-term deals. But this may be different. “For brands, the fact that they are coming back to America is massive,” said President and CMO Kevin McNulty. “I am optimistic on them meeting that [$2.5 billion] goal largely based on the history in L.A.”

Even for those enthusiastic about the Games, Olympic sponsorships are notoriously costly and challenging to activate. By definition, the Olympics have no regular season in which to embed fans day-to-day. Its deals usually don’t include media time, access to data, branded content, guaranteed impressions, or any of the other assets now commonplace in big American deals. Activation can cost as much as the rights fee.

“It’s some of the most valuable intellectual property in the world,” said Bob Heussner, CEO and founder of StrongBridge Sponsorship, who used to advise Olympic sponsors Liberty Mutual, BMW and Samsung. “For everyone in the Olympic world, it’s about activation. And that requires a significant amount of [additional] cash.”

There’s more optimism than skepticism in the sponsorship community. Yet, a walk-up of nine years is largely untested. Outside of naming rights and other founding sponsorships for new arenas or stadiums, few sports sponsorships of 10 years or more have been offered, much less sold.

LA28 declined to discuss its plans in detail, but industry experts say the key will be bundling and building: Inventing events and other assets that can be sold and activated along the way to 2028.

There’s plenty to work with — after all, the 33 sports that comprise the current Summer Olympic program collectively touch millions of Americans. They just aren’t packaged together very often. “It will require a nationwide commitment to the Olympics on an ongoing basis,” Lynch said.

New inventory is key, otherwise, “They’ll be selling rights to use marks and designations, and that business is just not as impactful,” said Darren Marshall, executive vice president of consulting and research at sports marketing agency rEvolution. “Unless sponsors can really add value to that or to the fan experience, it’s all a bit too vanilla.”

“If you’re able to put forward a credible eight-year program that’s got real marketing substance in there, then the money question changes,” said Michael Payne, a former IOC marketing director and architect of the Olympics’ global TOP sponsorship program.

“It’s one thing to say to a company, ‘You’re going to invest $300 [million] to $400 million’ and they’re thinking it’s pretty end-loaded, and another thing to say, ‘No, you’re investing $30 [million] to $40 million each year, and there’s sufficient substance to justify that,” Payne said.

Updating sponsorship assets also will be vital. The most obvious additions — camera-visible signage and on-athlete signage — currently are severely limited by the IOC. Everyone involved expects digital and social media elements will continue to increase in importance and impact, likely becoming the most critical sponsor inventory.

“By the time 2028 rolls around, they will naturally have built a more sophisticated model that will be broader and deeper,” said Andy Pierce, North America president and CEO of Lagardère, which represents Bridgestone and former USOC sponsor Citi. “Across our agency, we are already thinking about assets differently.”

Sponsors have an insatiable demand for content for their own social channels and ad campaigns.

Since 2015, both the IOC and USOC have invested heavily in launching the Olympic Channel and creating original content for the platform, but sponsors have, by and large, not been impressed by the audience it’s delivering so far.

Historically, Olympic sponsorship deals don’t include content at all, said Terrence Burns, executive vice president of global sports at Engine Shop and a veteran marketer for past Olympic host committees, bid cities and sponsors.

“That’s got to [change],” Burns said. “It has to happen to get to the numbers they want to get to. … Every brand we work with is hungry for one thing: content. … It’s a huge challenge to Olympic properties.”

In an interview prior to starting at LA28, Carter acknowledged that possible sponsors will have high expectations at the price and contract length they’re seeking, but she said the committee is eager to think differently.

“I think we’ve got the ability, given the joint venture and the great partnership between LA28 and the USOC, to reimagine how those packages are really brought to the marketplace,” Carter said. “But I think we’re also going to hear a lot from clients, because there’s a ton of experience out there.”

Athletes have won some relaxation to the anti-commercialism rules in recent years, and they likely will ease further by 2028. On the corporate side, most don’t think the IOC will ever allow a host to use corporate names on venues.

One of the biggest competitors to LA28 for sponsor dollars is the new NFL stadium in Inglewood, which will open as the home of the Rams and Chargers eight years before it hosts the 2028 Olympic ceremonies. One interesting question: Can LA28 find a way to generate value from Olympic venues without violating IOC rules? (Legends, hired by LA28 as a sales agency, is also selling the stadium.)

“From the time we were putting together the TOP program, there was always debate about branding at the venues,” said Chris Renner, former president of Europe and Asia for Olympic consultancy Helios Partners, now the CEO of World TeamTennis. “I still don’t believe it’s necessary. In some ways it could be counterproductive.”

Veteran Olympic marketer Jeff Bliss, once the director of corporate relations for the 1984 Los Angeles committee, said the most value will come from tools more modern than branding. “Half or more of value in those sponsorships should be driven by data and that will only increase,” he said.

One early new asset for LA28’s sales efforts could be the Games-funded effort to pay for uniforms for every youth sports program in Los Angeles starting in the fall of 2019.

LA28 also could work with individual sports governing bodies to bring new events to Southern California or otherwise leverage their network of national competitions. In May, for instance, USA Triathlon announced a new annual race in Long Beach intended to build a public following for the sport in Southern California.

Likewise, LA28 could find ways to generate sponsor value out of international sports federations' events. Eventually, all federations will run "test events" in the Olympic venues in the year prior to the Games, but if a schedule of major international Olympic-related events could be developed in the out years, it would make it that much easier for LA28 to convince sponsors to buy in now.

Los Angeles '28 and Paris '24 also could jointly sell sponsorships, which could add valuable hospitality assets four years earlier.

Talk of bundling sponsorship sales with Paris 2024 is gaining steam, Wasserman said this summer, at least in categories that provide operations, infrastructure or technology solutions to organizers. Such a bundled package would be a first in the Olympics, creating a new tier below the global level that would include exclusive rights to consecutive major-market Summer Games and the French and American teams.

Details on how exactly L.A. and Paris would share revenue and obligations are still to be developed, but access to Paris '24 assets could emerge as a major selling point to brands, consultants said.

LA28 still is developing the framework of its offering. IOC representatives were in Los Angeles earlier this month, hashing out which categories are available.

Before Los Angeles agreed to take the '28 Games, the committee's budget for the 2024 Games envisioned at least 10 top-tier sponsors each paying about $100 million, with two other tiers below that worth $40 million and $10 million, respectively. That document is out of date, LA28 officials say, and domestic deals recently signed by the organizers of Beijing '22 and Paris '24 suggest some sponsorships could be sold for $200 million or more, particularly in light of LA28's unique position of selling rights to four Olympic Games.

"Look at the [sales] success in Tokyo," said John Shea, president of marketing and need to align with major global opportunities. There are only so many and that should move the market.''

Adam Lippard, head of global sports and entertainment consulting at GMR, which represents General Electric and other Olympic sponsors, is also bullish despite the troubles that have roiled Olympic sports.

"If you look at ... how sponsorship spending has evolved, it's been on a northerly trajectory and it feels to me like the pie keeps getting bigger," Lippard said. However, he and many others caution against expecting Los Angeles to match Tokyo 2020's $3 billion in sales in a different culture. "I do not believe this is going to be Tokyo, where you're getting political-national pressure to support the number. These are deals that are going to be extremely scrutinized," Lippard said.

The IOC's success at the global tier is a bit of a double-edged sword. That money gets distributed globally, but it can undercut domestic efforts. Insurance would have been one of LA28's best revenue opportunities, along with retail banking and beer, but the IOC signed Allianz to an exclusive global insurance sponsorship in September.

The so-called "new money" is also a key variable. Can LA28 sell sponsorships to companies that infrequently invest in sports, specifically West Coast tech giants like Facebook, Apple, Google and Salesforce or even Spotify, Netflix or movie studios?

"It's going to be driven by what new money comes in," said Jan Katzoff, former GMR consulting head, now an adviser to Engine Shop.

The entire technology sector is complicated by complex, narrowly drawn categories, and uncertainty. At the global level, Alibaba owns cloud computing; Intel owns virtual reality, drones and 5G connectivity; Visa owns payments; Samsung owns mobile phones; Panasonic owns audio-visual equipment. Also, most of those deals are up for renewal before 2028.

Insiders say brands will have to be comfortable with a different understanding of exclusivity.

"You could see brands buying content or platform rights, instead of category director of the bid committee for the 2026 FIFA World Cup in Canada, Mexico and the U.S. "You saw a lot of innovation happen with the U.S. Olympics in 1984 and 1996. I really believe coming back to this market with these kind of North Star events inevitably pushes the limits."

Added Shepard, "You'll see less of what we call 'carpaccio marketing,' where categories were being cut thinner and thinner. It has to be more about owning platform ideas or concepts than categories."

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