



**Your on the
Street Reporter**



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Advertisements of Olympic Proportions

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Hello from Your on the Street Reporter. Two days ago, I was watching the Olympic swimming events. They were presented on prime time TV to this couch potato, who was reposed and relaxed with a bag of potato chips at his side. I was thankful for this avenue into virtual exercise: Pixels instead of push-ups.

Even more impressive, two of the advertising sponsors of the TV Olympics provide, as their primary products, ingestions that assuage my stomach and my layers of fat with sugar-laden liquids (the non-diet Coke ad), and a fine dose of salt and fat (the Mac Quarter-Pounder ad).

Aside from Quarter-Pounders, Cokes, and an increasing waist line, I was especially interested in the water polo contests. I played on an AAU team many years ago. Combined with its characteristics of stamina and aggression, it is the most rigorous and rough sport I have played. No touching bottom or sides. The player with the ball is free game for assaults---close to open-handed slugging. If you look at the players near the net, they too are fighting. Prolonged minutes of total physical exertion, coupled with water-wrestling and quasi-boxing are common parts of the contest. Unlike ice hockey, a sport requiring stamina and aggression, there are usually no substitutes coming in to relieve the weary and maimed. You see those swim caps on the men? They are wrapped over their ears to protect the ears and other parts of the head.

Thanks for permitting this writer a brief escape into his days of egocentric youth. I'm an example of the cliché, "The older I am, the better I was." Enough self-adulation. For this report, I noticed NBC showed one swimming event, then went to several minutes of commercials, then showed another event, then again went to lengthy commercials. After forgetting what I was supposed to be watching, I turned to a mystery show on PBS.

Thus alerted, last night I tuned-in to the Olympics, with watch in hand. Here is what I saw during the first 30 minutes. I use the term *action* to describe the actual deeds of the athletes, not commercials or talk from commentators. The times are not precise to the second. I used a wrist watch to record these events, not a stop watch.

Time	On the Screen
8:00 to 8:01	Advertisements, even before any action.
8:01 to 8:03	Introduction, which focused on the majesty of the games.
8:03 to 8:04	Summaries of contests.
8:04 to 8:07	Advertisements from four companies.
8:07 to 8:11	Action
8:11 to 8:14	Advertisements from five companies.
8:14 to 8:19	Action
8:19 to 8:22	Advertisements from six or seven companies. After a while, I lost count.
8:22 to 8:26	Action

¹ All statistics, as well as the figure, sourced from "Victors and Spoils," *The Economist*, July 21, 2012, 20-22.

8:26 to 8:29 Advertisements from more companies and some promotional shots from NBC.

8:29 to 8:30 I am not sure what occupied this last minute of my survey. I had nodded-off.

Thirty minutes of prime time TV. During which approximately thirteen minutes showed action.² (Maybe one minute more or less---I should have used a stop watch for this type of high-level investigative journalism.)

The remainder of the thirty minutes was taken up by advertisements or commentary. But advertisements dominated these times.

So what? Someone has to pay for showing these breathtaking --- sometimes majestic---events. I'll not bring up the notion of simply putting a camera on the playing field and letting the contestants' actions take-up more of those thirty minutes. And I do value the commentary during the contest. The expert commentators add a lot to the enjoyment of watching the action.

But I also think the Olympics, like the NCAA basketball tournament, the Super Bowl, the baseball World Series, and others have become as much commercial events of persuasion as they are athletic trials of excellence. Just think: Some high-level contests---in the middle of the heat of battle---have commercial breaks. And we couch potatoes just yawn and head for the head. We've become inured to this sort of disruption.

So have the athletes. They may have their opponent on the ropes, simmering in frustrated juices with resultant chocking. A break gives a faltering opponent time to re-wire his thinking.³

Consequently, it is not unreasonable to claim the outcome of live-shown contests---some of world import---are determined by commercial breaks.

Aside from this bothersome idea--bothersome if you are a contestant who has had your opponent on those very ropes---for this report, consider these facts:

- The International Olympic Committee (IOC) has raised \$4.78 billion in broadcast fees for the 2012 summer games in London and the Vancouver winter games in 2010.
- Eleven sponsors (known as top Olympic sponsors, or TOPS) pay large sums of money to use the Olympic brand. Individual sums are secret, but the total for 2009-2012 is \$957 million.
- As an added bonus to the IOC, any advertisement made by these companies must include the Olympic logo, as seen here: 

² Granted, these thirty minutes represented the first segment of the evening broadcast. So, we can assume the other segments were not taken-up with these introductory comments. But because I am attempting to make a point about excessive advertising on commercial TV, I must use any form of skewed data that fits my biased reporting. It's the Rush Limbaugh way.

³ Many supporting examples can be cited.

- Nice work if you can get it: The ICO, the outright owner of the Olympics, charges almost one billion dollars for companies to advertise its very own Olympics! And the five rings are included in the advertisements.
- By the way, the Olympics icon TM, ©, etc. use on the cover of this report and in the note above is being displayed with absolutely no commercial intent and strictly for personal use. We are not allowed to use this hallowed symbol---which was not created by the IOC in the first place---because the IOC will sue our asses for our using it in a commercial endeavor. It does not matter if this symbol belongs to the ages, and not a private enterprise. So, I use it under the lawful doctrine of “fair use.”

Anyway, these large companies think their investment pays-off. In addition, the very size of their budgets can discourage potential competitors from entering the market.

Nonetheless, after watching several days of the 2012 Olympics, I was tempted to record the names of the sponsoring companies and make it a point to avoid buying their products. It would be my own form of protest. But I did not, as it was not worth the effort. I made my complaint by switching channels.

The Masters’ Golf Tournament Model

In contrast, I make it a point to watch the advertisements shown during the Masters’ golf tournament. Again, it is my own personal way of expressing an opinion. At the beginning of a broadcast, a viewer is told how often advertisements will be shown. Even more, these ads are “bunched-up,” to be shown at one or two times during an hour.

This “bunching-up”---and announced ahead of time---tells the viewer the sponsor has the viewer’s consideration in mind. That the sponsor has some respect for... yes, a potential customer. Compare this approach to the 30 minutes I described earlier. The evident regard (Masters’) and disregard (Olympics) for the viewer could not be more in evidence.

The present arrangement in TV advertising, (not just the Olympics) is insulting to its viewers. The advertisers start the program showing an advertisement infrequently. Then, as the program progresses, as its watchers become more committed to watching it, the advertisements become more frequent.

What does a viewer do? “I’m hooked to the plot. I’ll stay with the station.”

The station knows the viewer all too well. It’s too late to change channels to gain a sense of what is happening in the middle of an ongoing program on another channel.

In this regard, the Masters’ golf tournament does not exploit its viewers. Its ads are not very long. I suspect they do not even approach the FCC-mandated time limits. And being shown only on a few occasions, they encourage the viewer to gain a sense of the continuity of the contest.

In the past, Cadillac was one of the sponsors for the Masters’. Several years ago, I was shopping for a new car. I made it a point, only because of the company’s advertising approach on the

Masters' golf tournament, to test drive this car. I did not buy a Cadillac, but the company's advertising led me to visit its local dealer.

Name (since)	Annual share-price growth rate v S&P500, % point difference	
	in 10 years before becoming TOP sponsor	since becoming TOP sponsor
Coca-Cola (1986)	-1.6	4.6
Visa* (1986)	na	24.2
Panasonic (1987)	6.6	-11.1
McDonald's (1997)	14.5	-1.2
Samsung (1997)	13.3	12.7
Atos (2001)	6.6	-6.4
Omega† (2003)	na	na
GE (2005)	4.2	8.8
Acer (2009)	9.0	-10.8
Dow (2010)	-2.2	-4.2
P&G (2010)	4.4	-1.3

Sources: International Olympic Committee; Thomson Reuters *Visa listed in 2008 †Not listed

Paying the Dues

The figure to the left shows the performance of the TOPS companies before and after they became TOPS members. In the ten years before becoming a big sponsor, two companies underperformed the S&P500. Since becoming a TOPS member, six companies underperformed the S&P500. These data seem to contradict the contention that Olympics TV advertisements are beneficial to these companies, or at least some of them.

Other factors enter the picture. Maybe a TOPS company has terrific advertisements during the Olympics programs, but is not tops in the quality of its products. You can put silk on a pig, but it is still a pig. So, I doubt we can draw a definite conclusion about the effectiveness of Olympics advertisings from the data in this figure

But if I were the CEO of Panasonic or Acer, I would be having second thoughts about my TV advertising budget (and maybe some second thoughts about my products).

Irrespective of the data in the figure, the IOC rules the roost...because it is the only chicken doing any roosting. It has a monopoly on which company can be a TOPS advertiser. If you are a proponent of competition and free markets, this story will send chills down your Adam Smith spine:

[Samsung] was once a big dog only in its native South Korea. In 1997, it pipped Motorola to become a global Olympic sponsor. The American mobile-phone maker, a long-time second tier sponsor, wanted to upgrade but demanded a big discount. The IOC was so annoyed that it turned to Samsung, which quickly agreed to pay full whack. Motorola's managers realized they had been supplanted only when they read the headlines. Such ruthlessness keeps sponsors in line.

We likely know the response of Motorola's bigwigs in their trying to be bigwigs against an even bigger bigwig: Moral indignation! ...which has been defined as 1 percent moral, 49 percent "we messed-up but don't tell our shareholders," and 50 percent envy.⁴

The TV companies are consistent losers. NBC lost \$223 million broadcasting the Vancouver winter Olympics. It has so far booked \$950 million in advertising revenue for the London Olympics and has paid \$1.18 billion for the rights to do so. In addition, there are huge costs

⁴ This pearl of wisdom is not mine. But I do not recall whose pearl it is. I took a general idea---mulling around in my quasi-Bob Dylan mind---and quasi-plagiarized it.

associated with cameras, personnel, etc. As of this writing, NBC is some \$200 million in the red for the London Olympics.

The British government has raised its budget for the games to \$14.5 billion. This figure was from an original estimate of about ¼ this amount. It will take a lot of hotel room rentals and quite a few fish & chips ingestions to generate \$14.5 billion in tax revenue. The hotel and café owners in London are happy campers. The taxpayers are not so cheerful.

So, who makes money on the Olympics? The IOC. And because the IOC is the only game in town, it can charge what it wishes to whomever it wishes. It can manipulate its broadcasting, advertising, and governmental pawns to play its own game.

Meanwhile, you and I see the end results: more inaction than action.

Hope is On the Way...But Far Down the Olympian Path

I offer three suggestions to the IOC and its commercial hostages:

- 1) Take a million dollars or so from its income to reduce the fees it charges the TOPS and lesser tier companies for advertising, but only if the results are the showing of more Olympics action.
- 2) Reduce by a few million dollars the fees it charges for the use of its logo.
- 3) Adapt the Cadillac/Masters' golf tournament philosophy.

IOCs Do Not Dissolve IOCs

These suggestions are akin to spitting in an Olympic wind. The IOC has a lock on profits and prestige. What organization could wish for more?