



Navigating Olympic Sponsorship: Marketing Your Brand without Alienating the World

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The images were made-for-TV dramatic: Olympic torch-bearers ran through capital cities, encircled by two columns of Chinese guards and local police while protesters dove into their midst, struggling to wrest away the historic torch. The televised scenes in London and Paris early this month appeared to be a worst-case public relations scenario for China, host of the upcoming Summer Olympics, but for the three international corporate sponsors of the round-the-world Olympic torch relay, there was a small blessing: Amid the images of hand-to-hand street fighting, logos for Coca-Cola, Lenovo and Samsung Electronics were not readily visible.

With the Olympics still months away, however, corporate sponsors may not remain so lucky. Human-rights activists, celebrities, political leaders and average citizens accuse China of repressing its population in Tibet, supporting a genocidal regime in Sudan and crushing religious and political dissent at home, and many are gearing up for further public pressure on China during the games. Meanwhile, Chinese authorities have said they will expel Olympic athletes who engage in "propaganda," such as displaying a Tibetan flag. Could there be an unlucky photo or video clip of, say, Chinese police cracking a protester over the head in Beijing with a General Electric, Johnson & Johnson or Visa logo in the background?



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Of the 12 companies who are "Worldwide Olympic Sponsors" -- the highest level of sponsorship, costing an estimated \$70-plus million each -- only one, Lenovo, is based in China. Wharton professors say international sponsors will have to dance a tricky two-step to reap the benefits of sponsoring such a hallowed, high-profile event while maintaining reputations for corporate social responsibility outside China.

"There's been some form of political protest at each Olympics going back decades," says [Kenneth Shropshire](#), director of the [Wharton Sports Business Initiative](#). "With these venerable brands, you hope they were sophisticated enough to ask themselves, 'What is our protest contingency for the Olympics?' If they didn't think of that, shame on them."

Shropshire says he expects sponsors to roll out public relations responses that focus on "the good they are doing in China." So far, some corporate sponsors, along with the International Olympic Committee (IOC) itself, have expressed the idea that by engaging with China through the games, they can generate social good that would otherwise not exist.

As the Atlanta, Ga.-based Coca-Cola Company noted in its statement on Darfur: "While it is not the role of The Coca-Cola Company to directly involve itself in the internal policy decisions of sovereign nations, we do believe that we can have a positive impact by our continued sponsorship of the Olympic Games." In the same statement, the company outlined how it has, and will, continue to donate several million dollars a year to alleviate suffering in Darfur. A similar statement on Tibet from Coca-Cola expressed "deep concern" for the situation in Tibet, but reiterated that the company sees the Olympics as "a force for good.... We believe that the ideals of the Olympic Movement of building a better world through sport, friendship and fair play are more relevant than ever."

Coca-Cola representatives met with the New York-based group Human Rights Watch, where it refused

the group's request to raise human rights issues directly with the Chinese government, saying instead it would express concerns to the International Olympic Committee, according to an April *Wall Street Journal* article. Jacques Rogge, head of the IOC, has resisted calls to pressure China, saying in February, "One should not call on the IOC to solve the world's problems." In April, after Rogge said the Games were in "crisis" following the torch-relay protests, a Chinese government spokeswoman criticized him for bringing up "irrelevant political factors."

Wharton management professor [Witold Henisz](#), who studies political risk management, dismissed the idea that the Olympics are only about sports. "If you look at the 112-year history of the Olympics, it is steeped in politics," says Henisz, pointing to Nazi Germany's use of the 1936 Games to broadcast its strength; the "Black Power" salute by two African-American medalists in 1968; Cold War-era boycotts of the Moscow and Los Angeles Games; and the massacre of Israeli athletes at the 1972 Munich Games. "Corporations that want to sponsor the Games have to navigate the political undercurrents," Henisz adds. Right now, the corporations may need to be seen as taking human rights seriously, "but they can only do something that will not offend China. That's a very delicate balance to strike, and it requires enormous diplomatic skill."

Henisz doubts that the sponsors factored in political risks in advance. "I wouldn't be surprised if many underestimated the potential for [the Games] to turn into an international issue and thought instead, 'We can reach a billion eyeballs; the political stuff will just go away,'" he says. "But politics isn't about money. It's about hope and fear and common purpose and identity."

An Olympic-sized Audience

The 2008 Games offer a special strategic allure to international companies, says [John Zhang](#), a Wharton marketing professor. "The attractiveness of the Beijing Olympics is summarized nicely by the two words: Olympics and Beijing." The Olympics, wherever they are held, offer "a rare advertising opportunity for a global company to reach billions of potential customers throughout the world as they are glued to TV screens and cheering for their national teams. Competition, strength, perfection, beauty and endurance are the Olympic values corporations like to associate themselves with."

Take that effect and multiply it by the mammoth Chinese consumer market just beginning to surface. "With that many customers in front of you and the many business opportunities they represent, you do not worry about your return-on-investment [in sponsoring the Games]. You only worry about being outspent by someone else," Zhang says.

Since the IOC first set up official sponsorships in 1980, big spending has become the name of the game, according to Shropshire, who spent three years working for the 1984 Summer Games in Los Angeles. "In 1984, the cost of sponsorship was \$4 million, up from \$250,000 for the previous Games." For the Beijing Games, the 12 Worldwide Olympic Sponsors have provided an estimated \$866 million, which is divided among the IOC, national Olympic committees and international sports federations, according to *The Boston Globe*.

Besides Lenovo, Coca-Cola, Samsung, Johnson & Johnson and GE, the worldwide sponsors include international IT services company Atos Origin, Kodak, financial services company Manulife, McDonalds, Omega watch company, Panasonic and Visa. As the price tag has risen, so has the sophistication of sponsorship deals, says Shropshire. "Previously, you might have been the official car of the Olympics, but maybe the ski team was driving a different car. Now that clutter in the marketplace has been removed, and the deals offer true exclusivity."

The Olympics present companies with unique opportunities to reach the market of the host country, adds Shropshire, recalling how two Japan-based firms -- FujiFilm and Brother Industries, maker of the Brother Typewriter -- beat out U.S.-based competition to sponsor the 1984 Games in Los Angeles. "They had a specific strategy to get into the U.S. market," he adds. "With the Beijing Games, more than any other, companies are using this as an opportunity to position themselves" in the host country, China.

The one exception is Beijing-based computer manufacturer Lenovo, which acquired IBM's personal computer unit in 2004. As the only China-based World Olympic Partner, Lenovo is "looking in [toward the Chinese market] but also looking out," says [Marshall Meyer](#), a Wharton management professor who

specializes in China. "Lenovo clearly wants to project itself as a global firm on par with the other major sponsors."

Are sponsors whose target audience is inside China, where protests like the torch-relay disruption have been viewed with indignation, insulated from the negative attention of human-rights protests? Yes, says Meyer, but only to a certain extent. "The greatest risk [for sponsors] is restricted TV coverage. The Chinese have talked about but haven't implemented restricted TV coverage of the games, but they don't want the world, or their own population, to see unrest or demonstrations. If someone unfurls a [protest] banner in the Bird's Nest, the TV is going to go blank," he says, referring to the national stadium in Beijing where many Olympic events will take place. "Any clampdown on TV coverage, or even Internet coverage, will reduce the value of sponsorship, and there will be less of a return in terms of brand recognition."

Protests and a 'Turn Off' Campaign

To date, U.S.-based corporate sponsors have seen little specific backlash from protesters, but in the meantime, U.S. public opinion has shifted significantly. According to a poll released this month from the Utica, New York-based polling firm Zogby International, 70% of American adults thought it was wrong for the IOC to allow China to host the Olympics, up from 44% a year ago. Prominent figures involved with the Games have also registered their disapproval of Chinese policies, including director Steven Spielberg, who withdrew from his job as artistic advisor for the opening ceremonies citing concerns about Darfur, and Nobel Peace Prize laureate Wangari Maathai, who dropped out of her scheduled role as a torch bearer over human rights issues. At least two runners in the San Francisco leg of the torch relay displayed small Tibetan flags.

Dream for Darfur, a small New York-based advocacy group, issued a report last year grading corporate sponsors in terms of their responsiveness to events in Darfur. Of the 19 sponsors listed, 12 received failing grades. General Electric received the highest grade -- C-plus -- for donating aid to Darfur, expressing concerns to the IOC and naming a point person to handle issues related to Darfur. "We have a very specific set of requests," says [Ellen Freudenheim](#), who oversees Olympic sponsor outreach for the organization. "We are not bashing China or calling for boycotts. We want companies to use their leverage" to ask the Chinese government to push the government of Sudan to end the conflict in Darfur, she says. "We see [the corporate sponsors] as possible allies to end the genocide."

But if the sponsors are not forthcoming with evidence that they are taking the Darfur issue seriously, Dream for Darfur is ready to raise the temperature. In addition to releasing an updated report card this spring, the organization is planning protests outside the headquarters for U.S.-based Olympic sponsors, including Redmond, Wash.-based Microsoft, which is the software supplier for the Beijing Games, and organizing a "Turn Off" campaign for TV viewers to turn off commercials broadcast during the Olympics.

To Wharton's Shropshire, the pressure on companies invested in China resembles the push by activists in the 1980s for firms and organizations to divest their assets in apartheid South Africa. "People felt strongly about divesting from South Africa, but many companies didn't have much invested there anyways, so it was easier to do. With China, it's much more complicated."

According to the Zogby poll released this month, a majority of Americans (55%) said they would avoid buying Chinese products in response to Chinese violations of human rights in Tibet and elsewhere. Yet a higher number (71%) said a complete boycott of the Olympic Games by the U.S. would be hypocritical because of the many products the U.S. imports from China.

Indeed, the heavy investments in China by corporate sponsors may preclude taking steps that would satisfy protesters. "The vast majority of companies are so entranced by the potential of the Chinese marketplace, they are willing to stay very silent on issues that might offend the Beijing government," says Henisz. "Cisco has shown it is willing to sell routers to help the government monitor communication, and Yahoo has been willing to hand over private information from chat boards that led to the jailing of dissidents. The market is simply too big to avoid, and the only way to be there is to toe the line."

The sponsors would do well to follow the lead of governments, many of whom are also trying to find

ways to register their displeasure with Beijing without boycotting the games entirely, Henisz adds. The British Prime Minister Gordon Brown, for example, has said he will not attend the Games' opening ceremonies, and President George Bush is being pressed to consider the same option. "Both governments and companies will make symbolic protests, like avoiding the opening ceremonies. Sponsors may step aside from some potential benefit or fund schools or pollution [clean-up]. They will look for a way to deflect public concern" over more difficult issues like Tibet, where Henisz says there is no easy "win-win" scenario.

A quieter strategy that aims to ride out the storms of public protests may ultimately prove most successful for sponsors, says Zhang. "I do not see how the benefit and risk tradeoff has fundamentally changed up to this point. The Olympics have always been a big stage for all kinds of players, and sometimes things can get complicated and dramatic. In the end, the Games will go on. U.S.-based corporations perhaps take the least amount of risk if they focus on the spirit of Olympics that their customers care about."

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