

YOUR MONEY

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Investing in the Olympics

Q. I've been glued to my TV watching the Olympics and was wondering if there is any way to benefit from the Games as an investor.

A. You pose an interesting question. As a former elite athlete myself, who competed at the national level in Canada, I can definitely relate to your Olympics addiction. It's inspirational to watch world-class athletes performing at their best, and the world coming together for two weeks of exceptional athletic competition and camaraderie.

The Olympics are about athletes but it's hard to miss the level of corporate sponsorship. The top twelve Olympic sponsors, known as The Olympic Partner Programme (TOP) companies, contribute nearly 40% of the Olympic Games revenues for which they receive exclusive worldwide marketing rights. This year's TOP companies are Coca-Cola, Atos Origin, General Electric, Johnson & Johnson, Kodak, Lenovo, Manulife, McDonalds, Omega, Panasonic, Samsung, and Visa.

The Olympics is already one of the most effective international marketing platforms anywhere, reaching over 200 countries and territories around the world. In the case of Beijing, the gold medal for the TOP companies would be securing first place in the Chinese marketplace.

The marketing potential is not only greater than other games, due to the size of the Chinese population (1.3 billion), but there is also the significance of these games to the people themselves. Looking back at the 1996 Olympic Games, interest was very high in Atlanta but diminished in the U.S. as you moved further across the country. In China it is very different. A survey found that 93 percent of the population showed a strong interest in the Games. By aligning themselves successfully during the Games, the potential for the TOP sponsors to increase market share in China is huge.

Consider one of the TOP companies: Coca-Cola, the world's largest beverage manufacturer. Coke's four largest markets are the US, Mexico, Brazil and China. China is fourth in terms of sales volume only because per capita consumption rates are still low. However, the Chairman of Coca-Cola recently announced a goal of a six-fold increase in China's per capita consumption and Coke executives expect that China will eventually become their top market.

Coke has wasted neither time nor effort in its marketing drive, beginning immediately after the announcement of Beijing as host city and culminating with two commercials: one featuring NBA stars Yao Ming and LeBron James and the other focused on the Bird's Nest Stadium. The effort is paying off. A Chinese research firm found that half of surveyed respondents planned to buy from Olympic sponsors, and Coca-Cola was the brand most associated with the games.

Getting back to your question about benefiting from the Games as an investor, you could consider buying shares of some of the TOP sponsors. With the recent market volatility, the timing could be perfect because many stocks, like Coca-Cola, have pulled back over the last year. It is reasonable to conclude that Coke will succeed in increasing its stake in the Chinese markets, given the combination of potential and their marketing effort, and is therefore worth a close look. With a well-diversified range of products and a correspondingly diverse revenue base, Coca-Cola could prove to be an excellent Olympics investment.

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