

# BUSINESS VANCOUVER

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## **Winning the Olympics investment game is a long-shot at best**

The Olympics Games are a showcase of athleticism, perseverance and sheer determination. For athletes, the Games represent the culmination of their life's work. For corporations, they are a platform for building brands and profits. The Olympics also have the potential to benefit the savvy investor.

The International Olympic Committee says 220 countries and territories broadcast the 2010 Vancouver Olympic Winter Games, reaching a record potential audience of 3.8 billion people worldwide and approximately 1.8 billion viewers. It's arguably one of the most important international marketing platforms in the world.

In exchange for exclusive worldwide marketing rights the top eleven corporate sponsors, known as The Olympic Partner Programme (TOP) companies, contribute over 40% of the Olympic Games revenue. The 2014 Sochi Winter Olympic Games TOP companies are Atos, Coca Cola, Dow Chemical, General Electric, McDonalds, Omega, Panasonic, Procter & Gamble, Samsung, and Visa.

TOP companies are often repeat customers, having enjoyed success following their Olympics campaigns. Procter & Gamble reportedly received a \$500 billion sales boost related to the London 2012 Summer Olympics. While they expect the figure will drop to a third of that for the Winter Games, the reduction is logically attributed to the difference in size of the two events.

Some sponsors benefit in other ways. General Electric reported that its technology was included all official London 2012 Olympic Games competition venues and commercial buildings, totaling more than \$100 million in sales. GE's infrastructure sales exceed \$1 billion over the past four Olympic Games.

Not all outcomes are what sponsors would want. A Toluna Global Omnibus survey showed consumers' ability to recall 2012 Olympics sponsors was surprisingly low, and some even chose names that were competitors of TOP companies. For example, respondents named Pepsi (28%) and Burger King (19%) as sponsors instead of Coca-Cola and MacDonald's.

Hosts haven't fared well. A 2012 Oxford University Said Business School paper (Flyvberg and Stewart) found that every Olympiad since 1960 went over budget, averaging 179%. According to Fidelity Investments the 2004 Athens Games overspent by more than 300%, and many analysts believe the real accrued debt of roughly \$15 billion was a key contributor to Greece's financial crisis. The 2014 Sochi Winter Olympic Games, originally estimated at \$12 billion, have skyrocketed to roughly \$51 billion. Fidelity says the majority of Olympic host nations have not experienced sustained growth in GDP.

Are the Olympics good for investors? On a broad scale the data are positive. According to Bespoke

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Investment Group, the stock market has historically done quite well during the Summer Games. Bespoke analyzed the performance of the Dow Jones Industrial Average during the Olympics since 1900 (from opening ceremony through closing ceremony) and found the average gain was 3.88%. Overall, the DJIA was positive 69.2% of the time.

Although the TOP companies are all major corporations, investors hoping to profit from the Olympics must do their homework. Investing

solely because a company was a sponsor, or a country was a host, should not form the thesis behind an investment. Investors should properly assess any Olympic advertiser's long-term prospects for growth, and the sustainability of their business plan.

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