

# THE OLYMPIC EFFECT?

*Zhang Dan assesses the economic and sporting impact the 2008 Beijing Games can be expected to have on China and examines the opportunities and barriers for brands looking to get into the Chinese market.*

**HUMAN WISDOM** compels us to look to the past in order to project into the future. And when there are two versions of the past, it is logical that there are two different visions for the effect that the Beijing Olympics can be expected to have on China.

The optimistic view cites the 1964 Tokyo economic take-off, the 1984 Los Angeles money turnover, and the 1988 Seoul democratic confirmation to paint a rosy post-Olympic picture for China after the coming out party in August this year.

The more cautious view points to the economic slowdown experienced by the host countries after the 2000 and 2004 Games and the fact that Sydney has had to tear down some of its extra stadiums.

So which is it to be for this most fast-moving and competitive of countries?

Unfortunately, China's Olympic Year has not started well on the economic front with high inflation exacerbated by hyper real estate prices. A severe winter blizzard swept through half of the country paralysing industry, and there has been an accelerated depreciation of Chinese currency against the US dollar, hampering exports.

Finally an acute energy shortage is increasing industrial costs. The economy is set to register a slower than initially projected growth rate (at around 8-9 per cent), losing the momentum of a robust 11.4 per cent GDP hike in 2007.

## Must succeed

But China is determined that the wider economic picture will neither impact on the hosting or on the legacy of the 2008 Beijing Games, nor be attributed to it having taken on the Games.

China is determined the Olympic Games will succeed. Broadcasters expect to attract some four billion viewers global viewers for the event and according to Morgan Stanley estimates, China's advertising industry will grow from an already substantial 12 percent rate in 2005 and 2006, to 15 per cent in 2007 to RMB245 billion (€25 billion) in 2008, up a whopping 25 per cent.

Mindshare, the media-buying arm under WPP Group PLC, reports that advertising revenues directly generated by the Olympics in 16 months running up to and including the Games, will reach \$5 billion.

Domestic sports consumption and participation is expected to bring in \$6.2 billion extra in 2008 for the 3,000 plus Chinese sports merchandise manufacturers who produce 65 per cent of sporting goods sold all over the world and generate more

than half of China's annual \$40 billion sports business market, according to Du Wei, Executive Chairman of Beijing Olympic Economy Research Association. The rest of the Chinese sports business market is split between the state-operated sports lottery with sales of \$3 billion annually and advertising and sponsorships, events sales, and club operating revenues.

Economists expect the 2008 Olympic Games to boost the country's sports business market to take a one per cent share in China's total economy measured by GDP. "This percentage is still very small which means the sports business in China still has a great deal of room in which to grow after the Olympics," says Du Wei.

## Wider effect

Participation too is set to grow in the wake of the Games. Outside China's elite circles, the Chinese public, as it gets richer, is demonstrating an increasing appetite for sports and leisure activities, and for paying for them, and the Olympic effect has definitely boosted the sports consumer market.

Then there are the facilities, put in place for the Games, that will be transformed for public use, for example, the 17,000-seater National Aquatics Center, nicknamed the Water Cube, which will be converted post-Olympics into a public water sports facility for both private members and the general public. Tennis courts as well as a gym, shops and office spaces will be added.

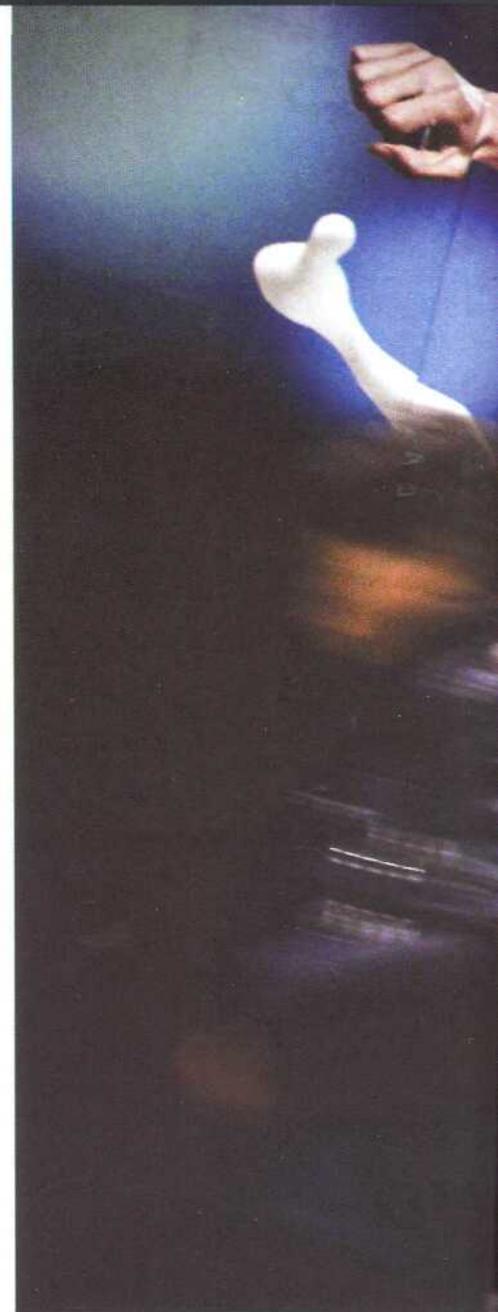
So what does all this growth and development in the Chinese market mean in terms of opportunities for brands and would be sponsors of Chinese sport? The answer is perhaps a little surprising.

Obviously perhaps, for those brands serious about getting into the Chinese market, associating with a major event in China, like the Olympics has to be the primary strategy - that either means paying between \$80 million to 100 million to become one of BOCOG's 55 official partners (there were only 38 for Athens 2004), or simply ambushing.

Because beyond the Games companies could find their ambitions stymied by a surprising lack of opportunity.

The Chinese authorities have long put in place what they call the "whole country system" and it has become something of a buzzword for the country's sports officials.

Under the system, the government concentrates resources and investment in some 17,000 elite



Liu Xiang is high impact - Getty Images Sport

athletes chosen from across the country from their early teenage years, to participate in closed training camps and prepare for high-level competition and to win Olympic gold medals.

The system has certainly been effective in boosting China into a powerful sports nation, set to challenge the United States' leading position in the medals table come August in Beijing (although critics say that if the government investment were evenly allocated to each Olympic gold medal won, the average cost per medal would be around RMB700 million (€70 million)).

## Medal winners

Whatever the criticism, the system will definitely push China's gold medal count - and China only counts gold medals - to a new record in Beijing, but in the meantime it has served only to widen the detachment of the nation's wider population to Olympic sports.

Among China's potential gold-medal sports only badminton and table tennis are popular among



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the ordinary people, with basketball also well-liked thanks to the success of Chinese players Yao Ming and Yi Jianlian in the NBA.

All of which creates an interesting conundrum for international brands and would be sponsors interested in getting into the Chinese sports market.

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#### **Premium prices**

The available and attractive choices are so few and far between that entry prices for sponsors interested in Chinese table tennis and badminton endorsements have already skyrocketed to 8-digits, not to mention those associated with Yao Ming and Liu Xiang, China's hugely popular 110m hurdles Olympic champion and China's poster boy for the Beijing Olympic Games.

While China and BOCOG's greatest wish is that Liu Xiang will become an Olympic champion again, his fellow Olympic champions in gymnastics, diving and weightlifting just don't feel like a good option for brands.

Successful as they have been, their skills have been nurtured exclusively out of the elite athlete system and the images of tearful children forced to over train do not necessarily mean they are seen as role models with the wider Chinese population.

And with the few truly popular athletes, clutter is already becoming a real problem. A recent poll conducted by R3-CSM Media Research, two Asian marketing and research firms, showed that despite a \$70 million global endorsement deal between Yao Ming and Reebok, those questioned who thought he had signed with Nike outnumbered those who thought he was associated with Reebok by a staggering one to 15.

Knowing how a host country prepares for its Games can sometimes be instructive in predicting what legacy can be expected from hosting the

world's biggest sports events. On January 10 2008, the Beijing Olympics Organising Committee (BOCOG) invited dozens of media to visit one of its unnamed training schools, this one for the girls that will help present medals and flowers during the official ceremonies.

The time and attention to detail involved in honing the fine details of the award presenters' rituals (an exhibition of the girls' ability to stand still with books balanced on their heads, to carry heavy trays, always with a fixed smile) shows that China is determined to make the Olympic Games present an impeccable image of the country.

#### **Whole country system**

For China the Olympics can be seen as nothing but a success and it will continue to build on the legacy of the Games in the same way that it is preparing for the Games by committing the whole country's efforts and resources to the disposal of the Beijing Organising Committee for the Games of the XXIX Olympiad.