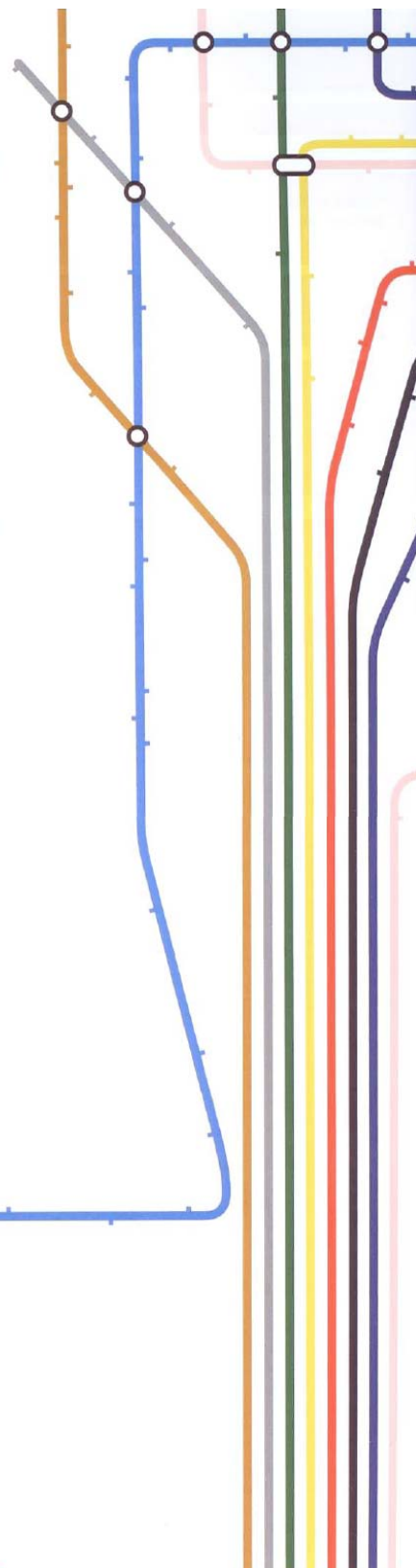


Apr 10

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What are the London 2012 Olympics worth?

It's not just the official sponsors but brands from retail sectors including finance, transport and tourism that are set to benefit substantially from the Games. By William Grobel, director of Intangible Business



1 Host with the most
Ten billion pounds is being spent on hosting the London 2012 Olympic and Paralympic Games, which take place for just 17 and 12 days respectively. That's about £350m a day, or quite a lot of new schools and hospitals. Scepticism exists criticising this extravagance but the reality, it seems, is more positive. Especially for UK retail brands.

Sophisticated number crunching isn't required to conclude that an additional influx of a million people to London for a couple of weeks will have a positive impact on the economy and the retail sector. In addition, media coverage centred on London will reach many more. On top of this, there are significant benefits during the seven-year build-up to the Games and its ongoing legacy.

As host city, London is expected to be the major recipient of the economic impact. Retailers throughout the nation, however, should also benefit.

2 Importance of public support
Public sentiment is important because the majority of the benefit to UK retailers will not come from foreign visitors but from UK consumers spending money in pubs and restaurants, travelling to London, buying gifts, visiting attractions, postponing foreign travel and being uplifted by the presence of the Games sufficiently to spend more. During Euro 2004, research from the London Retail Consortium found this 'feelgood factor' boosted sales and activity generally in London, in areas such as food, drink, flags, T-shirts and souvenirs. Food and drink sales were boosted by £160m and the retail sector as a whole benefited by an extra £200m – or £80m a week. Having the support of UK consumers is therefore vital for UK retailers and retail brands.

Since London was announced as the winning candidate city in July 2005, public support for the Games has consistently increased. 'An enthusiastic country' is one of the five selection criteria cited by the International Olympic

Committee, alongside 'The best Olympic Plan', 'Low-risk delivery', 'Clear benefits of a Games in London' and 'A professional, likable and trustworthy team'.

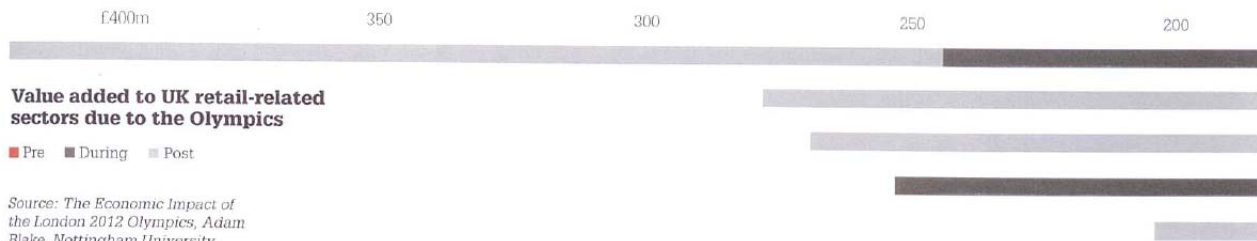
'An enthusiastic country' was the focus for the communications team of the London Olympic Games Organising Committee (Locog) headed by Lord Coe. Before the winning city was announced, 61% of Londoners strongly backed the bid, although 57% were having 'conversations' about it with more being negative than positive. By 2007 public support for the Games had increased to 76%, by 2008 78% and by 2009 79% of the UK was pleased that the UK is hosting the Games. The most ardent support is among 35- to 44-year-olds (85%), 25- to 34-year-olds (84%), 16- to 24-year-olds (79%), and from London (80%). Retail brands targeting these younger demographics through the Olympics are likely to benefit most.

3 Economic impact of previous Olympic Games
History teaches us that Olympic Games organisers do not always benefit: the 1972 Munich Olympics lost £178m, the 1976 Montreal

Olympics lost £692m and the 1992 Barcelona Olympics made just £2m. However, the regional and national economies of host nations always appear to benefit in terms of economic impact and job creation.

The economic impact of the 1984 Los Angeles Olympics on Southern California was \$2.3bn and supported 73,375 jobs. The Seoul Olympics in 1988 generated an economic impact of \$1.6bn with 336,000 new jobs. Barcelona in 1992 generated \$30m with 296,640 new jobs. Atlanta in 1996 produced an economic impact of \$5.1bn with 77,026 jobs created.

Sydney in 2000 generated an economic benefit of \$4.7bn with 114,966 jobs created. A study conducted following the Sydney Olympics found that a quarter of this economic benefit. ▶



Source: *The Economic Impact of the London 2012 Olympics*, Adam Blake, Nottingham University

▷ or \$1.2bn, can be attributed to the retail sector throughout Australia during the Games. Forty per cent of tourist spending was also in some form of retailing with only 5% spent on Olympic merchandising. Following the Games, the New South Wales Government in Australia found that the Games generated up to £2.4bn worth of international publicity. An additional 1.6 million visitors came to Australia in 2001, spending more than £2bn, and there was a substantial improvement in the international perceptions of Australia in offering customer service, quality, value and reliability. This would knock on to visitors' perceptions of Australia as a tourist destination. The most successful Olympic Games to date was Athens in 2004, which produced an average economic impact of \$13.05bn with 372,700 new jobs.

The expectations from 2012 candidates were equally positive with Washington/Baltimore predicting a \$5.3bn impact, Houston \$4.3bn and San Francisco \$7.5bn.

Other sporting events have also been found to bestow significant economic advantages on host cities and nations. Mastercard carried out research from the 2009 UEFA Champions League Final that found Rome stood to earn more than £45m from hosting the 2009 Final, with this boost resulting from a short-term positive commerce flow through fans spending in bars, clubs, shops, hotels, city attractions and bookmakers. From the same event, the UK benefited by an extra £21m from fans generating economic activity at home, from extra sales of goods such as food and drink.

4 Economic benefit to the UK
The UK was expected to feel the biggest economic impact of London 2012 during the build-up, from 2005 to 2010. During this period, the total gain is expected to be £3.610m with over 90% coming to London. The construction industry is the main beneficiary of this, receiving more than £500m and a gain of 14,354 full-time equivalent annual jobs created. The broader UK is set to experience the best net gain period during 2012, when it is expected to receive an additional

£1,067m compared to London on £925m. The legacy from the Olympic Games, from 2013-2016, is expected to generate a further £1,613m for London and £622m for the rest of the UK.

While three-quarters of the total economic impact of the Olympics will benefit London, a quarter of this value, or nearly £2bn, will benefit the rest of the UK. This equates to an approximate gain over the 11 year period of £787 per person in London and £36 for each person throughout the rest of the UK.

5 Economic benefit to retail sectors
The UK retail market is expected to fare pretty well. The hospitality category is the biggest winner within the retail sector. Hotels are the main beneficiary within the

broader retail sector, benefitting to the tune of £371m, with London generating just over half of this and the greatest impact being felt during the legacy period following London 2012. An additional £232m is expected to come to the restaurant sector because of the Olympic Games, with London forecast to receive 72% of this. Customers are expected to spend an additional £232m in bars due to the Olympics with this largely evenly distributed throughout the UK.

Brands within other retail sectors such as finance, transport and tourism are also forecast to receive a substantial economic benefit. This is due to increased activity and spend within the UK, and the increase in tourist numbers because of the interest London 2012 is expected to generate throughout the world.

6 How retailers can benefit official sponsors
Official sponsors of London 2012 will be best placed to benefit from the Olympic Games. The retail sector has provided a number of official sponsors including McDonald's, Coca-Cola, Samsung, Panasonic, Visa, Adidas, British Airways, BP, Lloyds TSB, Cadbury, Thomas Cook and Holiday Inn. However, these are unlikely to be the only retail brands to benefit from their multimillion-pound investments.

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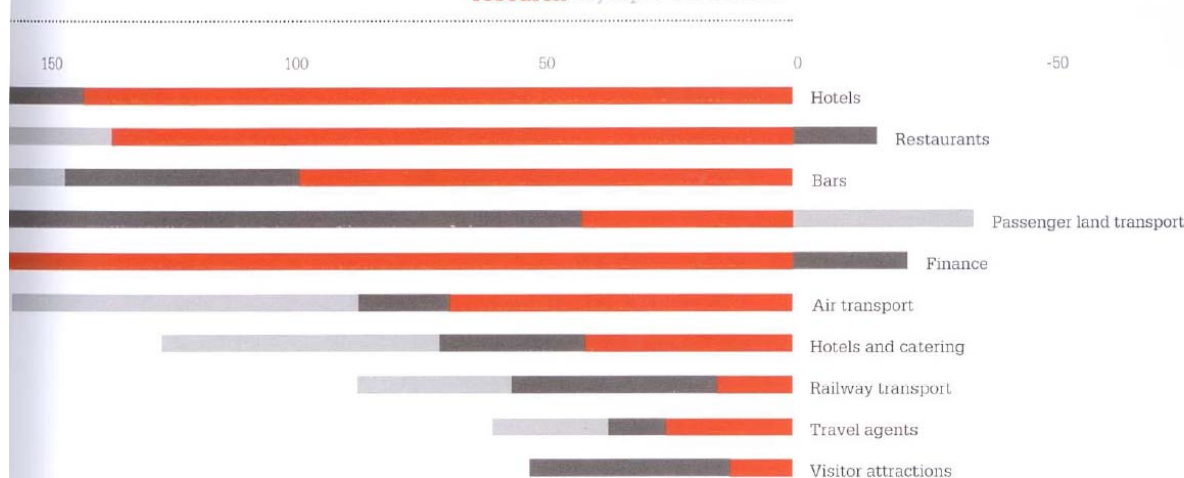
Other retail brands can benefit from both the potential increase in interest in the categories or from a passive or proactive case of consumer confusion.

Ambush marketing is the deliberate attempt from rival brands to undermine the effectiveness of official sponsors by piggy-backing advertising opportunities around the Games. In the past ambush marketing has been rife. Research conducted from the 1988 Winter Olympics in Calgary found that 11 of the 20 identified official sponsors were not official sponsors. Only in four of the seven product categories did the respondents recall the official sponsors more often than the ambushers.

Since then, and in order to protect the investment from sponsors, the Games organisers and host cities have become more vigilant in defending sponsors' rights. But still, consumer confusion is inevitable. Lloyds TSB's drive to encourage a stronger relationship between customers and their bank will inevitably benefit rival banks. Visa's sponsorship will inevitably cause confusion as Mastercard is also a big sponsor of sporting events. McDonald's boasting of the health credentials of its burgers will inevitably lead some customers to think the same of Burger King's. Leakage is inevitable. Retail brands that are aware of their competitors marketing messages will be well placed to capitalise on this.

Apr 10

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Non-sponsors' promotion restrictions

The majority of retailers are not sponsors and therefore more limited in their ability to leverage the value of the Olympics. It is especially difficult for non-sponsors as the use of images or text relating to the Olympics is prohibited and deemed unlawful. All of the official names, phrases, trademarks, logos and designs related to the 2012 Games and the Olympic and Paralympic movements are protected by the law in a variety of ways. This includes words such as Olympic, Olympian and their derivatives, symbols such as the Olympic rings and the 2012 logo, and the mottos of the IOC and IPC.

Additionally, the London Olympic Games and Paralympic Games Act 2006 prevents the creation of an unauthorised association between people, goods or services and London 2012. Even the use of the Olympic symbol in company newsletters, client bulletins or other marketing collateral is not allowed. This goes as far as stipulating a number of 'Listed Expressions' that are banned from use. The 'Listed Expressions' are any two words of the words in list A, or any word in list A with one or more of the words in list B.

These restrictions significantly inhibit the ability of retailers to capitalise on the Olympic Games. Phrases such as 'Olympic Discounts', 'Backing the 2012 Games', 'Supporting the London Games', 'Celebrating London in 2012', 'Going for Gold in 2012', 'Win Paralympic Games Tickets' or even 'Summer 2012' are prohibited. Additionally, an unlawful association can be created without any use of the Listed Expressions or other Olympic words or images. For instance, a picture of a runner holding a torch against a backdrop of the London skyline with the text 'Lighting the flame' would be unlawful.

Additional footfall

Despite these restrictions retail brands will be able to take advantage of London 2012. According to research agency Oxford Economics, an additional 908,000 visitors are expected to visit London for the 2012 Games. Five hundred and eighty-six thousand are domestic visitors

from the rest of the UK and 322,000 are from overseas. This is just during the period of the Games. The extra footfall created by the pre-Games build-up and the boost in tourism following the Games

is likely to dwarf this. London's population of approximately 7.7 million people will therefore be temporarily expanded by 12%.

In addition to these extra people, Londoners will also be encouraged to visit outdoor events, free concerts and viewing stations. London 2012 also coincides with other popular cultural events bringing people on to the streets, such as the Notting Hill Carnival and the Queen's Diamond Jubilee celebrations.

Retailers based at travel terminals such as Gatwick, Heathrow and St Pancras will be obvious beneficiaries. Likewise, retailers based around Olympic Park will benefit. Two-hundred and forty thousand spectators are expected at Stratford station every hour. Westfield is opening a new shopping centre at Stratford to coincide with the launch of London 2012 with capacity for around 300 stores. Retailers including John Lewis, Waitrose, Marks & Spencer, Primark, Adidas, Boots, WH Smith, H&M, Next and Topshop have already signed up or expressed interest. This new development helps promote the area's destination status, which is good for retail brands throughout east London. Westfield claims the area has a population catchment of 4 million people with a weighted spend of £1.8bn, 58% are ABC1, 33% aged 25-44.

The development of east London with initiatives such as the Westfield retail centre, stadiums, facilities and new transport links opens up the east of London for retail opportunities. Following the Games the area is expected to become more residential, attracting a relatively wealthy consumer with its close proximity to London. Retail space is now available so now is the time to capitalise on this potential.

Increased visibility of British brands

Nearly 5 billion people are expected to watch London 2012 round the world. According to Nielsen, 4.7 billion watched the Beijing

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Olympics, 3.9 billion watched the Athens Olympics and 3.6bn watched the Sydney Olympics. This level of international exposure is likely to be of significant benefit to British retail brands abroad. If Team GB is successful, this benefit would be particularly augmented. Britain will be showcased to the world. It will be an opportunity for British retailers and retail brands to leverage this attention and create a lasting beneficial impression.

7 Financial gain

London 2012 is one of the biggest opportunities of recent years for UK retail brands, especially those in London. A million extra people are expected in London for the Games and millions of others due before and afterwards. Nearly 5 billion people will be watching round the world and the economy is set to benefit by billions of pounds. Public support for the Games is high, and increasing as the Games comes closer. And while restrictions are in place inhibiting non-sponsors from capitalising directly from any association, UK retailers are inevitably set to receive considerable financial benefit. ●