

Winners and Losers of the Olympic Dream

How some Olympic sponsors are generating ten times the ROI of others for their investment

- **Coca-Cola, Yili leading Olympic marketing war**
- **Giant enterprises such as Air China, China Netcom, State Grid behind**
- **Massive changes in digital usage , expectations for Olympics**

BEIJING – July 2008 – Marketing Consultancy R3 and their partner CSM Media Research, have recently announced the results of their latest wave of research into China’s consumers and their Olympic preferences. “With less than a month to the games themselves, we now have a clearer picture than ever of the likely winners and losers in the sponsorship war” said Greg Paull, Principal of R3. “Those that have chosen athletes wisely and maintained consistency have performed ten times better than companies who haven’t” he added.

R3 and CSM’s Olympic research is uniquely face to face, interviewing over 1,500 Chinese consumers in the ten most important cities. “We’ve now met with over 12,000 different people on a regular three months basis to track changes in their views – and to link that with media viewership and expenditure data to close the loop” said Matt Brosenne, International Client Service Director at CSM Media Research in Beijing.

Consumer Interest highest at 93% – but with new concerns

More than 93% of those surveyed have a strong interest in the Olympics – the highest of any previous wave. “There’s a fever pitch in China towards this event like no other in its history” said Mr Paull. But there are also some new concerns tracked this wave – “Terrorism and Inflation have been mentioned before, but they are now by far the two most dominant negative issues – Chinese are worried how these games may affect their hip pocket and their country’s security” he added.

Sponsors invest at new levels - 49% up

Measured Advertising Expenditure by the top sponsors for the last three months was RMB9.1b, a 49% increase from the previous three months, as all the large companies try to leverage their sponsorship investment. “Not only are sponsors dominating the mass media, we’re seeing them extend this activity to activation events, both around the Torch Relay and standalone activities” said Mr Brosenne. “While these are harder to independently track, there’s never been more onground

activity in China's main cities that right now he added

In addition, there's been unprecedented investment in TV sponsorship in the last three months. There was a 65% increase in the sponsored broadcast hours this wave, led by live Torch Relay programs associated to Coca-Cola, Samsung and Lenovo. And it's not only the sponsors pushed for more content – local milk company Mengniu sponsored over 50 hours of national TV through this period, four times more than any other company. Their China Music Chart Awards was dominant in viewership through this period, adding confusion to the consumer perception. “Despite the fragmentation of media, prime time TV viewership is still strong this year in China, and marketers continue to invest to get returns” said Mr Brosenne

Is it worth it?

On the question of return on investment, R3 and CSM have linked sponsorship cost and total media investment to both consumer perception results and published business data for mainland sales.

“We have developed a proprietary method called the OP (Olympic Performance) Index, which weights awareness, purchase intent, value and recall” said Mr Paull “While some companies such as China Mobile have invested close to RMB5b in measured media over the last two years, their “cost per OP point” is RMB31,000. By comparison, Coca-Cola is a cost per point of RMB4,000 – while some giant enterprises such as China Netcom have a cost per point of RMB50,000. So purely from a consumer impact point of view, some companies are outperforming others by ten times” he added

“In terms of sales , for some such as Coke with US\$30b in sales, a US\$100m investment in Olympic sponsorship, along with supporting activities might still be less than 0.1% of their sales, less than 10% of their annual marketing budget – so the returns are there” said Mr Brosenne.

“In the case of Yili, their China business has seen a 21% growth in the first quarter of 2008 and is on track now to be over RMB20b by year end, something that without an Olympics association would have been difficult to achieve” he added

The winners - Coca-Cola, Yili increase their association by +20%

Drink giants Coca-Cola and Yili both showed the greatest improvement this wave in their awareness , purchase intent, values and promotional recall. “Coke's secret is just the right combination of experience, athlete management and focus that a lot of other sponsors have lacked” said Mr Paull. “They have an 86 year

head-start over most companies in this area , with the longest sponsor history and great shared learning across the Olympics and World Cup” he added. For the first time, close to 50% of all respondents spontaneously mentioned Coke as a sponsor – and more than 86% recognized the brand on a prompted basis. Meantime, local milk company Yili continued to improve its position. “Yili has made some smart choices on stars such as Liu Xiang, Guo JingJing and Li Jian Lian – but used them in a relevant and creative way. Using Liu Xiang with his parents is a strong method to build differentiation and drive impact” said Mr Paull.

The losers – Giant enterprises more than ten times poorer ROI

Amongst this stiff competition from more than 60 active sponsors, there are some that have failed to leverage their Olympic investment. “A lot of the SOE’s are relatively new to consumer marketing, and don’t have the experience of Coke or talent pool of companies like Yili and Mengniu” said Mr Paull. “Sinopec, Air China, China Netcom and others have all done tactical work to support their investments, but the payback has been poor. This has been a great learning curve for them though, to see how other world class Chinese companies such as Lenovo and Yili have generated a positive return” he added.

Life after the Olympics – more sophisticated marketing, more digital choices

The Olympics will dramatically change the marketing landscape in China for the better according to R3 and CSM. “You have to first remember, the marketing industry is just twenty years old in China – countries like India have a sixty year head start in terms of development” said Mr Paull. “That said, there’s been more developments in the last few years that the previous decade – standards towards sports and athlete exploitation, onground activation and increasing consumer sophistication have generated much more professional and more targeted thinking” he added.

“Our research also shows massive changes in consumer behavior in two years” said Mr Brosenne. “Internet daily usage has moved from 1.4 hours to 2.0 hours a day, not to mention the huge increases in the total online population. 40% of respondents are now expecting IPTV and Mobile TV as vehicles for Olympic updates – so marketers need to migrate their thinking to serve this digital community” he added

WAVE 8 TOP FIVE SPONSORS

1. Coca-Cola
2. Yili
3. Lenovo
4. China Mobile

5. Adidas

WAVE 8 CSM-R3 TOP TEN LOCAL COMPANIES

1. Yili
2. Mengniu
3. Lenovo
4. China Mobile
5. Li Ning
6. Bank of China
7. Haier
8. Tsingdao
9. Arawana
10. China Netcom

Methodology

Unlike other research, CSM and R3 employ a face-to-face approach interviewing 1,500 consumers in ten Chinese cities every three months – allowing for more indepth discussions and the testing of visual stimulus. Fieldwork is conducted for one month every three months, with increased frequency around the games

About R3

R3 is an independent marketing consultancy whose aim is to improve the efficiency and effectiveness of Asian marketers and their agencies. Founded in 2002, it works with more than ten of the Olympic sponsors on analyzing and improving their sponsorship return on investment. For more information , visit www.rthree.com or write to emma@rthree.com - +8610 6552 5269

About CSM Media Research

Part of a global group, CSM Media Research manages China's largest ongoing media research in China, reaching 224 cities and 54,000 homes on an ongoing basis. Founded in 1997, it is a joint venture between TNS, the world's largest custom market research company and CTR, China's leading market research company

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