



OLYMPIC OPPORTUNITY

The biggest global sportswear brands are gearing up for the world's biggest sporting event in its most photogenic and body-conscious city. How will they tap the opportunity?

RIO DE JANEIRO, Brazil — Stroll along Ipanema beach at sunrise and you'll find personal trainers barking orders at their sport-obsessed clients as they perform push-ups and burpees. At sunset, the jaw-dropping skills of the 'footvolley' teams attract crowds while toned joggers sweat it out on the sidewalk. Even after midnight you can find soccer on the sand.

Welcome to Rio de Janeiro — a city as famous for its beaches as the toned bodies that populate them — and the perfect platform for marketing sporty, health-conscious lifestyles and for the billion-dollar sportswear brands planning to tap the unique opportunity presented by the Rio 2016 Summer Olympics.

"The Olympic Games are an irresistible opportunity for brands to captivate consumers with sponsorship deals and savvy marketing campaigns that are clever and relevant and will play a major role in generating brand awareness and consumer engagement," says Bernadette Kissane, apparel and footwear analyst at Euromonitor International.

Sales at German sportswear giant Adidas over the last eight years show the significant uplift an Olympic year can have on a brand's financial performance. In 2008, the year of the Beijing Summer Olympics, the brand was up 4.9 percent on the previous year with sales totalling €10.8 billion. The following year sales fell by 3.9 percent. In 2012, the year of the London Summer Olympics, total sales hit €14.9 billion, before falling again in 2013.

And while, for Rio 2016, Nike has supplanted Adidas as the official sponsor of the Olympic Games, other marketing strategies, such as sponsoring individual teams, can be just as powerful. "Many people just focus on the Games sponsorship, when in fact nearly all sports goods manufacturers have a sponsorship relationship with one or other of the Olympic teams," explains Michael Payne, the

former head of marketing for the Olympic Games, who now runs a sports advisory firm. "The Games sponsor has broader rights to create souvenir merchandise programmes, but often only in the host country."

As a marketing opportunity, the timing of this year's Olympics could hardly be better. Spurred on by surging interest in health and fitness, the global market for sports apparel, already worth \$149.6 billion, is likely to grow by 23 percent to \$184.6 billion by the start of the 2020 games in Tokyo, according to Allied Market Research. Combine this with Brazil's affinity for sports, brands and logos — and its tendency to spend rather than save — and the potential is clear.

According to organisers, official Rio 2016 products are expected to generate about \$260 million in sales within Brazil alone, with 30 percent of these sales attributed to international visitors. The host nation could certainly do with a boost. Its economy is contracting: GDP is projected to decline by 3 percent in 2015, interest rates are rising, prices for consumer goods are sky high and the annual rate of inflation hit 9.9 percent in October 2015.

"With 80 million Brazilian people claiming to be actively engaged in one or more sports and approximately half of the population under 30 years old, sportswear in Brazil is a lucrative category," notes Kissane. "The Olympics are also attracting international manufacturers, which are subsequently increasing their product offer, leading to a more competitive marketplace but with better visibility."

So how will the world's biggest sportswear brands — from Nike to Puma, Oakley to Under Armour, not forgetting Brazil's home-grown Havaianas — reap the rewards of an Olympic-sized opportunity that is the world's largest sporting event in the world's most body-conscious city?

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Nike
Market Cap (Jan 2016): \$104.7 billion
Track Record: In the past, Nike has used the Olympics to introduce new products and services, including its Flyknit shoes and Nike+ activity trackers, capitalising on the Games through non-traditional marketing strategies as well as traditional sponsorship. In 2014, it signed up to extend its sponsorship of Team USA through the 2020 Tokyo Olympics. (The six-year deal is said to bring the US Olympic Committee more than \$15 million).

Olympic Opportunity: For the first time since 2000, Nike is an official sponsor of the Olympic Games for Rio 2016 in a deal reportedly valued between \$25 million and \$40 million. Nike is also set to sponsor the USA athletics and Brazilian soccer teams. “Sports moments like the Olympics are when Nike brings our best innovations to help athletes redefine what’s possible,” said Nike brand president Trevor Edwards. Additionally, Nike has entered into a five-year partnership, called Vem Junto, with the city of Rio de Janeiro, to refurbish 21 community and sports recreation centres. “We believe in the power of sport to help inspire communities to be more active,” added Edwards. As part of the initiative, the city’s Encantado Olympic Village will be entirely revamped, with a new dance studio, beach volleyball court and playground covered in Nike Grind, a flooring made from recycled athletic shoes and manufacturing scrap.

Adidas
Market Cap (Jan 2016): \$18 billion
Track Record: In the five years leading up to London 2012, the German sportswear giant – which also owns Reebok – spent £100 million sponsoring individual athletes and teams. It was also an official sponsor of the Athens (2004), Beijing (2008) and London (2012) Summer Games. While Nike’s powerful non-traditional marketing tactics may have stolen some of its more conventional, paid-for thunder, Adidas reported selling £100 million worth of Olympics-related merchandise alone in the year leading up to the London 2012 Games.

Olympic Opportunity: While Adidas has been displaced by Nike as the official sponsor of the Games, the company will flex its marketing muscle through its sponsorship of France, Canada, Germany and Great Britain. Adidas has also introduced a special Brazil-inspired soccer ball for the event. Collaborations with local brands are another pillar of the strategy. “One way we’ll be looking to activate this important period for the country will be to work with local Brazilian talent to create products that will resonate around the world,” explains Simon Cartwright, Adidas’ senior director of team sports and Olympics. “Following on from our

highly successful collaboration with [Brazilian fashion label] The Farm Company in 2014, we will be working in 2016 with [swimwear line] Salinas on a new set of performance ranges.”

Puma
Market Cap (Jan 2016): \$2.9 billion
Track Record: Puma was acquired by Kering in 2007 at a valuation of over \$5 billion. But the brand’s weak performance has fueled rumours of a sale. The brand gets bragging rights for sponsoring Usain Bolt and the Jamaican Olympic team, however, which took home 12 medals in London in 2012.

Olympic Opportunity: Bolt is at the top of the roster of Puma-sponsored athletes for Rio 2016. The hope is that his stardom will help to further establish Puma as a credible performance brand – and boost lagging sales. “The brand will push forward its Forever Faster mission of providing the fastest products to the fastest athletes in the world,” said Adam Petrick, Puma’s global brand director. That includes setting up an outpost in Rio – Puma House – which will serve as a base-camp for a series of marketing and PR events.

Havaianas (Alpargatas)
Market Cap (Jan 2016): \$3.9 billion (Alpargatas)
Track Record: Brazilian flip-flops brand Havaianas has no track record at the Olympics, as sports sponsorships typically go to performance-driven brands. But brand marketing opportunities have opened up on Havaianas’ home turf. Unlike during the 2014 FIFA World Cup – when lesser-known rival Amazonas won an official contract to produce 1.5 million pairs of FIFA-branded flip-flops – Havaianas will have an official presence at Rio 2016.

Olympic Opportunity: For this year’s Olympics, Havaianas has created a series of Rio-inspired flip-flops. During the World Cup, it sold sandals with player numbers and the names of countries emblazoned on the foot bed. Whether or not the brand will do the same for Rio remains to be seen. Whatever else Havaianas pulls off, it’s unlikely that the Brazilian government will be much help. “Unfortunately, the Brazilian government and leadership has completely missed the opportunity and have not developed any coordinated brand strategy for the nation,” argues Payne. “Given the stage and the visual image of the games against the backdrop of one of the most beautiful, unusual cities in the world, it’s a pity that they’ve not carried that opportunity into product.”

Speedo
Market Cap (Jan 2016): n/a
Track Record: The privately-owned, Nottingham-based company has outfitted dozens of national swim teams



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and individuals for this year’s Olympics, though not always without controversy. The high-tech LZR Racer suit worn by Michael Phelps at the 2008 Beijing Olympics was highly scrutinised, perhaps because 98 percent of swimming medals at the Games were won by athletes wearing the same LZR suit, according to the company.

Olympic Opportunity: In the lead up to Rio, Speedo USA – a perpetual license owned by PVH Corp – has signed on to sponsor several potential Olympic juggernauts, including American four-time gold medalist Missy Franklin, British hopeful Michael Jamieson and the consistently strong Australian team.

Under Armour
Market Cap (Jan 2016): \$17.2 billion
Track Record: Under Armour has had a relatively short relationship with the Olympics. At the Sochi Winter Olympic Games in 2014, the company was put under the microscope after the US speed skating team, which wore its suits, failed to place (critics blamed the suits). The US team, however, seems to have put the blame squarely on themselves, re-signing with Under Armour for eight more years, including two winter Olympics.

Olympic Opportunity: Along with sponsoring more than 100 athletes from over 12 countries, Under Armour will also back the US gymnastics and boxing teams. (The financial terms of the boxing deal were undisclosed, although it’s said to continue through Tokyo 2020.) Presence at the Games is a significant part of the brand’s international push. In the third quarter of 2015, the company reported that 11 percent of overall sales – \$11.4 million out of \$104 million – were generated internationally, a 52 percent increase from the same period in 2014.

Oakley (Luxottica)
Market Cap (Jan 2016): \$27.8 billion (Luxottica)
Track Record: In Sochi, 500 athletes wore the ‘80’s Green collection, an emerald-coloured range of ski goggles and sunglasses made by the Luxottica-owned Oakley. The brand saw double-digit increases in both website traffic and resulting e-commerce sales during the Games, said the company.

Olympic Opportunity: As the official eyewear supplier to Team USA through Tokyo 2020, Oakley will release a Rio 2016-inspired collection featuring 10 sunglass styles in 11 different colours, as well as one prescription frame designed specifically for athletes.

\$25 million

Minimum price Nike paid to be lead sponsor of the Games

80 million

Number of Brazilians actively engaged in sports

\$260 million

Expected sales of Rio 2016 products within Brazil alone