

Speaker	Dialogue
Steve Smith	Hi everyone this is Steve Smith and Rich Young from Bryan Cave Leighton Paisner and welcome to our podcast. Today we're talking about sponsorship and marketing and more broadly on where the money that funds the Olympic movement comes from. Rich you wanna give us a quick overview of what that looks like?
Rich Young	<p>Yeah, let's start at the top. From the last summer games and winter games, the IOC's revenue was about 5.7 billion. A lot of that went to putting on the games and subsidizing the local organizing committee for the games.</p> <p>Another part of that goes to special events that the IOC does like the youth Olympic games and solidarity programs, and the like. About 750 million gets split between, is given to the international federations and they split that based on a formula, athletics and swimming and gymnastics are at the top of that formula pyramid.</p> <p>And then another 750 million or so goes to the national Olympic committees. National Olympic committees have private donations, a lot of them have government support; but let's just talk about the U.S. right now. They don't have, the U.S. Olympic committee doesn't have government support. It has donations, it has some television rights. It has money from the IOC and other revenue. And then it makes distributions, largely performance based and you can talk more about that, to the national governing bodies.</p> <p>And when you get down to the national governing bodies their sources of revenue include membership, which for some of them, like swimming for example is a large source, and USOPC money and sponsorships.</p> <p>So, why don't, you've done sponsorship deals for...</p>
Steve Smith	You don't have to mention the number of years Rich!
Rich Young	Yeah, I was trying to think of the number of national governing bodies, but either somewhere between most or a lot!
Steve Smith	<p>Yeah, so obviously sponsorship is a very important lifeblood for national governing bodies. They do get revenues from the USOPC, but I think some, especially the larger NGBs don't rely very heavily on that. And so sponsorships become a very big part of what they do.</p> <p>And so let's talk a little bit about how the sponsorships work. One of the hardest issues in the whole process is understanding what as an NGB you can do and you can't do because you have a few organizations over you that you have to work within the framework that they provide.</p> <p>So take a USA Swimming or any other national governing body you have at the top of the pyramid, if you will, is the IOC which controls the Olympics, the Olympic rings and the like.</p> <p>And then below the IOC, but above an NGB, you have their international federation which governs their sport across the world. And they have their rights within the sport and with international events involving that sport.</p>

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	<p>And then you have the National Olympic Committee in this case, the United States Olympic and Paralympic Committee. And they have licensed rights from the International Olympic Committee to use the rings, the term "Olympics" the game, things like that in their particular country, so in this case the United States.</p> <p>And within that framework, then you have the national governing bodies who can grant sponsorships, but have to make sure that you don't infringe on any of those things. So it becomes very important for a sponsor to understand that if I happen to become a sponsor of USA Basketball, it does not give me the right to promote myself as an Olympic sponsor or to use the rings or something like that.</p> <p>It also, you know, the intellectual property becomes a big part of this because sponsors want to be associated with all the goodwill of the Olympics and you see these great stories on the television screen every two years and you want to be associated with it.</p> <p>The easiest way to do that is to do that with the International Olympic Committee, but that costs a heck of a lot of money. So one way to do that is to be involved with the USA Swimming or a USA Badminton or whoever it might be.</p> <p>And so understanding what rights can be granted become really important, and a lot of those tend to become focused on working with and promoting events. The NGB they'll have national championships, they'll have other events that they do. So you can get a lot of exposure from that. Some of those end up on TV, and so you get even more exposure when it's on TV.</p> <p>And you have the ability to access the membership. I mean some NGBs have memberships in the hundreds of thousands or even in the millions for some of the very largest. You know, if you're a business to be able to communicate directly with a million or more potential customers can be really huge and be very valuable.</p> <p>And so that becomes an important right in a sponsorship. And then obviously, these are very complicated agreements, dozens of pages long, but one thing that's become really much of the focus in the last year is what happens when something goes wrong. What happens if you have a worldwide pandemic that means you can't put on the national championships in your sport? How does that work? What does the sponsor get? You know, does the sponsor get to terminate the agreement and pull out?</p> <p>Or if not, what are they, are they able to get the same benefits in another year? Maybe the next year, or are they expecting a refund of some of the money that they've paid? All of those things have to be addressed in the contract. As well as just trying to think through any other problems that may come up over the course of what often is a four year deal, but can be longer, can be eight years, can be 12 years.</p>

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	<p>A lot changes in 12 years. You know you think back, we're in 2021, and you know, in the early 2000s, there really wasn't a whole lot of social media. And you think about how much that's impacted the world now. So, how do you take advantage of that as a sponsor and what happens if you can't.</p> <p>So all of those are the kind of is issues that NGBs end up having to think through and to deal with in their sponsorships.</p>
Rich Young	<p>So, I'd be interested in your thoughts on ambush marketing? That has always struck me as one of the more interesting parts of the sponsorship game because the nonsponsors who want to profit off their exposure during the event can be really creative. When I was an arbitrator at the Sidney games, I was at a volleyball competition and a Chinese electronic company; it was China versus somebody.</p> <p>It was hot, it was really hot inside; it was indoor volleyball. And the Chinese electronic company had given fans, you know the fans out to the spectators. Well when you opened up this fan, it was an advertisement for an electronics company. And it was a competitor of one of the IOC's sponsors, you know! I mean really great creative stuff but, it significantly impacts the economics of what somebody paid many, many millions of dollars to get. How have you dealt with that as a guy who works with sponsors?</p>
Steve Smith	<p>You know, that's one of the issues that keeps everybody up late at night I think, you know, thinking through how to stop that because if you're the IOC and you're getting tens of millions of dollars from a sponsor, the last thing you want is for somebody to be able spend tens of thousands of dollars to get exposure through the Olympics which has you know, billions of viewers.</p> <p>I'll share one of my stories that I always thought was a really clever way to ambush marketing was at the World Cup, the Soccer World Cup when it was in South Africa. And I believe it was a Netherlands beer brewing company that was known by its color orange, it was a big part of their logo and their marketing. They hired a bunch of models who walked in the stadiums in long coats, but underneath it they were wearing orange dresses. And at an appointed time they all took off their coats and it drew a lot of attention to see you know, 24 beautiful women in these orange dresses and it got a lot of TV and a lot of coverage.</p> <p>Of course FIFA, the International Governing body was very upset because they have a beer sponsor and they didn't want somebody taking advantage of the exposure from that and so they tried to come down very hard on that. Which then including having several of the women who, you know, wore the dresses being arrested and having to appear before the courts in South Africa. Which kind of backfired because then it number one, led to more attention on them and what happened.</p> <p>And then number two, drew a lot of sympathy around the world to these four women who just, you know, were doing their job and now are having to spend a night in jail. And so, you know, it actually just furthered the ambush marketing aspect of that.</p>

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	<p>So, I think you, as a property, you need to make sure that your sponsors need to know that you're stand up for them and you're gonna do whatever you can to shut things down. And so you'll certainly be policing your event and making sure that you don't see anything out there that you can stop.</p> <p>But at the same time, you also have to make wise decisions and sort of think them through. The FIFA example is a good one where by coming down maybe a little too hard, which is understandable, and that's what your sponsor wants, that's what you want to do to protect your brand.</p> <p>You end up either giving the ambush marketer more exposure than you ever hoped. So, it's a delicate balance for sure. But always a very interesting one.</p>
Rich Young	Great! Should we talk to Tim?
Steve Smith	Yeah, that sounds great.
Rich Young	So Tim, a pretty open-ended question, where does swimming's money come from?
Tim Hinchey	<p>Yeah, no great question and then again, one of the things coming from the private sector to now and NGB, and now I enjoy the fact that we get to be transparent about all our financials. So great question.</p> <p>So for us, and I'd like to talk pre-Covid if I may. Pre-Covid we were about 63 to 65% of our revenues were coming from membership across the spectrum of the USA Swimming. So of the 400,000 members of the 3,000 member clubs, about 63% of that came through our membership fees – right?</p> <p>Beyond that, there's two other big blocks. Block number one would be sponsorship and about 12 to 15% of our revenue will come through corporate sponsorship from a USA [<i>inaudible</i>] perspective of our partners.</p> <p>And then another you know, 12% or so would come from the USOPC and high performance grants and then the rest is kind of miscellaneous opportunities that come to you, [<i>inaudible</i>] E-commerce and some other small grants and so forth that come across our desk. But the three big buckets are really membership, sponsorship and the USOPC High Performance.</p>
Rich Young	Does swimming get any money from the International Federation FINA?
Tim Hinchey	We can apply to some grants, they're not very large that help us with some of our volunteer travels, some of our officials' travel. Some athlete grants for some travel and those types of things. But nothing from a true revenue stream that we can count on every single day.
Rich Young	And with Covid and everything how has that affected the money that we get from USOPC?
Tim Hinchey	So the USOPC has maintained our high performance level incomes and revenues to us, which has been really, really important and I think that's why, you know, we had a great chance to be successful here and in Tokyo and why I think that even now that we're down to a three year quad, if you will, going to Paris you know, we should be in good shape from a high performance perspective for our national team athletes and our perspective Olympic athletes.

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	<p>You know where we really took a hit Rich, was really in the membership side of things. And we were down about 30% overall. From a membership perspective we lost nearly that much in clubs. We're down to about 2,700 clubs. There is certainly still current good standing members of USA Swimming.</p> <p>Primarily from access to facilities in water. The reality of last Covid, not only did it discourage people from doing a lot of things, even though swimming was safe, and we proved that very early on with our partnership with the CDC.</p> <p>The reality is a lot of our major facilities are on college and high school campuses. And those institutions and those local governments were far more conservative and restrictive than some other community opportunities. So that was really difficult. We created an aquatic's coalition that we led starting probably about May of 2020, Shana Ferguson our Chief Commercial Officer took the lead here.</p> <p>And we rallied the other aquatic NGBs, we rallied other institutional partners within aquatic sports. We got corporate partners, we got coal builders and manufacturers. We got medical personnel and we worked together to get some PR help to work with the CDC, to partner with the CDC and find ways to get the message out that it's safe to swim.</p> <p>And then we came up with guidelines and we work those guidelines all the time utilized our web services and we funded all of it on behalf of all 25 aquatic coalition partners.</p>
Steve Smith	<p>And so Tim when talking about sponsorship, when typically an NGB sponsorship will be for four years to run through the Olympics. How did the postponement of Tokyo to 2021; how did that impact USA Swimming and how did it work now suddenly having a five year quad? And then how do you, and then we'll talk about a three year quad in a minute.</p>
Tim Hinchey	<p>The reality was we were very blessed. We had phenomenal blue chip brains that have invested in USA Swimming for a long period of time. So when you look at Toyota, you look at Xfinity, Comcast Xfinity, you look at Marriot, you look at our endemics and arena tiered speed out, just phenomenal partners across the board.</p> <p>The larger ones to your point that are typically in that quad, quadrennial type of commitment are the endemics in particular. And again, when you're in position where you're supposed to be helping them sell suits and helping them sell their products and the pools are closed, it becomes challenging.</p> <p>When they're here to support our largest event Olympic trials, some of our other national events, our [inaudible] if anything happens across and we can't have those events because of Covid, we need to be flexible.</p> <p>And I think we decided to be very upfront and transparent and we did not expect anyone to have to pay their rights fees, at the same level knowing</p>

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	<p>that we weren't going to be able to deliver on all those types of assets and activations.</p> <p>So we sat with them all individually, we worked a plan with both of them. We told them we were confident the Olympic trials was gonna take place. And in this case, you know, going back to the wave one, wave two kind of concept that took place, wave one also allowed us to do some make-ups.</p> <p>We got Olympic channel to cover wave one, so we had more television inventory to help our partners out. We had another chance to activate within the city. So the good news is we had some made goods that made that relationship feel better.</p> <p>But overall, we took a hit because we didn't expect them, and their one year, what would have been their one year commitment in 2020, we spread over two years, and that was the right thing to do I think with partners.</p> <p>The good news, or the silver lining that did take place was we found that as we started to turn the corner, as we became leaders in our voice and we were confident that we were going to deliver on our events, we were confident that swimming was gonna be safe, we knew our athletes were gonna be ready for trials; we had quite a few new deals that came in this year.</p> <p>Albeit one year deals, which to your point is not traditional, but we had to do it – right? We needed the opportunity so it was great to have these. And we had Air Force, we had Beken Dickensen [SP], you know, we had Bic, we had some great brands that also wanted to come in and help us.</p> <p>And the reality was they were one year deals so hopefully we'll leverage those and we'll find a way to show the value this year so we can extend them forward. But those were really important to us to get that kind of new revenue and to kind of offset some of the losses that we had over Covid.</p>
Steve Smith	<p>So when you do hit something like a Covid, how important is the personal relationship with the sponsors in working through those kind of issues?</p>
Tim Hinchey	<p>It's the most critical factor Steve and I think that philosophically, and I can only speak for my four years, but going back to my 20+ years in professional sports where most of my time was spent commercially and the majority of my career started in sponsorship sales and activation.</p> <p>That's the most important thing and that's my next, if I'm talking to groups or talking to college kids or potential prospects to join us, it's all about relationships. It's about people and I think when we go up and we have a great relationship with somebody, we're honest with them, we're transparent. We talk about each other's business objectives and how we can make partnerships work and when the tough times hit, to your question, they're willing to listen. They're not gonna jump to a conclusion that we just need to stop, we need to cut or you know, we have great dialog, we have great conversations.</p>

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	<p>And I'll be honest it's another kind of silver lining, we all joke about Zooms – right? But at least even right now looking at you guys and we're recording this, but like the fact that I get to see you guys, see your facial expressions, that's important. And that's part of that human quality when building relationships and maintaining relationships.</p> <p>So I think at USA Swimming we will always take relationship and term over investment. And I don't want to advertise that too far because we wanna drive big sales dollars. But we're easy to work with and I think that's gonna help us in time and I think people stick with us because of it.</p>
Rich Young	<p>Steve can you, Tim can you explain how it works with the IOC having their list of top sponsors, the USOPC has their sponsors and then swimming has its sponsors? What, how does all the work?</p>
Tim Hinchey	<p>Well, it's really, the time when it becomes most interesting and more complicated is around the Olympic year – right? Because that's really when the payoff is for all these major partners.</p> <p>So whether you're an IOC partner you're not doing as much. I mean there's probably some events around the world, that they get to, you know, the television broadcast or they get different events that they probably get to activate, if you will, over those four years.</p> <p>Similarly, you know, there are some events that the USOPC puts on, Pan Am Games and some other competitions and television events that they can survive today, but ultimately the big payoff for those two entities is really around the Olympics and the Olympic trials in an Olympic year.</p> <p>For us on an NGB perspective we have events every year no matter what – right? So all levels from you know, our major junior events, our regional events, our national events, junior nationals, Phillips 66 Nationals. We look at our Toyota US Open and we're doing events [<i>inaudible</i>] our approach is every single year.</p> <p>So our partners are looking to invest with us, and gain value and get equity from our intellectual property and our activation assets every single year, not just the Olympic year. Now, Olympic trials does take it to another level so that's another payoff as well.</p> <p>So the only time we really get in conflict is really that Olympic year. And in many cases a lot of the U.S., I'll just speak mostly to the USOPC partners because we have more experience with them on a local level. There are many that we work with together. So Toyota and Comcast Xfinity are two examples. Where if they're gonna invest at the level they do at the USOPC, they're gonna wanna make sure they secure the rights for some of the top NGBs and access to those athletes and access to some of our activities to lead up to do that payoff – right? To that potential return on investment or return on objective that they may have based on our partnership.</p> <p>So, its complex, but we all seem to work together. And then conversely, there are chances when, as an example, you know, United this year, got to extend through 2021, even though the LA-20 [SP] trade people had signed Delta a year ago thinking that the Olympics would be over by then.</p>

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	<p>And so for us, as Delta takes over for the next quad plus to LA, we may want to still work with United Airlines. They've been a phenomenal partner for USA Swimming and we would be allowed to do that if that's the case.</p>
Rich Young	<p>Tim, one of the things you know, the next, as soon as we get through this Olympic now are faced with really a condensed Olympic schedule in that now you've got less than a year later you'll have the '22 games in Beijing and less than 3 years from now, will have the Olympics in Paris.</p> <p>How does that impact, first of all USA Swimming, you know, having such a condensed schedule. And then how do you see it impacting the Olympic movement in general, so the USOPC and the IOC?</p>
Tim Hinchey	<p>Yeah again, great questions. I'd start with us first of all. I mean, connects for us, in fact we had a meeting on Monday about this and looking at our events schedules, domestic events and international events. I start with the international events over the next three years because of Covid, we're gonna have four world championship events, two 50 meter course and two 25 meter course events in less than 24 months – right?</p> <p>So, we get through Tokyo, we go to Abu Dhabi for a short course world this December. We got back to Japan and Furukawa next spring for long course world championships. That winter we go back to Kazan, Russia December 22, for short course world.</p> <p>Then we come in '23, and we go to Delhi in the fall for world championships, and in Santiago Chile for Pan Am. So the amount of major competitions, and I'm not talking about world university games, I'm talking about junior world championships, Pan Pacific, so it's condensed. It's gonna be hectic and it will be challenging, but we'll get it done.</p> <p>Because again, going back to our roster of athletes and the depth we have, the silver lining is whatever opportunity. We may be able to get more young athletes chances to compete at a higher level than we've ever done.</p> <p>One example of that is this coming fall, junior worlds was moved, it was postponed for a year. We have a junior national team that is part of our secret sauce to our success, so we talk about development. Well we made the decision we're gonna send them to the FINA World Cup this fall – right? And give them that international experience, which we've never done before.</p> <p>So we will find adjustments and opportunities to give athletes a chance to compete and for us a chance to be out there in the forefront, which then gets us back to our commercial partners and we have to show them, hey we're gonna be busy, come along for the ride. It's gonna be exciting. We're gonna do more events for you at a higher level, more televised events, more activations than we've ever done before in a short period of time and hopefully that gets them very interested as they see the payoff in Paris and the Olympic trials of 2024.</p>
Rich Young	<p>Well Steve that was a lot of fun, Tim Hinchey was great. Thanks to everyone who is listening and we invite you to join us on our next podcast.</p>
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