

ECONOMIC NEWS UPDATE

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Let The Games Begin – And A New Era in Audience Measurement

Let the games begin.

Some say the Olympics, now underway, are all about politics, a coming out party for China's ruling regime, eager to show that its rise to world-power status is no threat to anyone -- except for the Taiwanese, Tibetans, domestic Christians and the few millions of others in Sudan, Darfur and elsewhere who might behave in ways the regime finds unacceptable, or be in the way of China's pursuit of its economic and geopolitical interests. Others, including the President of the United States, say it is all about sport and the athletes who compete -- except for

the athletes from China, who know it is all about accumulating more medals than the US -- the original crowns of wild olives will no longer do -- and Zhou Yongkang, the Communist Party's security chief who sees the games as giving "full play to the superiority of the socialist system". Still others say the games are about business -- the grubby art of turning a worldwide attraction into hard cash.

All of these observers are probably correct, but this economist, no geopolitician and with an interest in Olympic sports limited to the efforts of the US basketball to re-establish its

rightful hegemony, tends to see dollar signs where others see political jockeying and the glory of athletic competition.

And with reason. Worldwide broadcast rights will bring the International Olympic Committee (IOC) \$1.5 billion. Not bad, but not a huge sum when compared with the \$3.7 billion the National Football League charges for a season's broadcast rights. Sponsorships (\$1.2 billion), ticket sales (\$240 million), and miscellaneous sources (\$60 million) bring the total to \$3 billion, from which the IOC takes 8% for the care and feeding of its staff. You know, the guys who originally promised reporters that the Beijing government would not block their access to the web (it did), and who initially barred Iraqi athletes on the ground that their government was too heavily involved in athletics -- unlike their Chinese hosts!

But back to business. The Olympics teaches, first of all, that great sporting events are one of the few happenings that can attract a mass audience in a media world in which hundreds of channels and multiple delivery platforms fragment audiences. Experts are guessing that the games will attract a global audience of some four billion people (who will watch at least one event), perhaps one billion of them glued to broadcasts by

CCTV.com, the owner of the broadcast rights for mainland China and Macau.

For two reasons. Like the much-maligned reality television shows that so offend elite members of the chattering classes, the end-game is unpredictable. We more or less know that in sit coms the good guys will get the girls, and that in shoot-'em-ups the last man standing will be our favorite star. Of real suspense there is very little. Sports are different: the contest isn't over until the fat man tosses his hammer.

Second, as David Hill, Fox Sport's brilliant chairman, CEO and impresario whose Super Bowl broadcast this year attracted almost 100 million Americans, once explained to me, sports are tribal. It is rare that groups of friends will come together to watch some sit com or film. But put a sporting event on the screen -- the Super Bowl, the World Cup, a heavyweight boxing match -- and the only question is to whose home do we go for the best snacks, probably the product of a sponsor such as Coca-Cola or McDonald's.

Then there are the sponsors. In a year in which advertising dollars are hard to come by, sponsors line up to shell out for advertising time when a major sports event such as the Olympics

is on air. There are twelve main *global* sponsors of the IOC; each pays \$100 million for the right to partner the IOC in each games cycle (winter, summer) and use Olympics logos. In addition, 10-to-15 sponsors are selected by each host city and given the privilege of inking multi-million dollar *national* sponsorship contracts. Coca-Cola has been a global sponsor since 1928, and the current list includes McDonald's, Panasonic and Samsung (this will be the first Olympics broadcast in HDTV), Visa ("the only card accepted at the Beijing 2008 Olympic games"), General Electric (owner of NBC), Kodak and Lenovo (producer of what once was the IBM ThinkPad PC).

The Olympics also teaches that any media company that plans to bid for an event on the scale of the Beijing games had better have multiple platforms available to distribute pictures, text, commentary and, of course, commercials. NBC, which has the US rights, is offering 2,000 hours of live video coverage and 3,000 hours of on-demand video on its web site. It plans to show its advertisers, who pay some \$750,000 for a 30-second spot, that the old system of merely counting those who watch on NBC and its other channels (CNBC, MSNBC, and Oxygen) is as obsolete as a black-and-white set.

With reason: by that method "American Idol" and "Grey's Anatomy" outdrew the 2006 winter games. NBC will issue a daily total audience measurement index (TAMI) that adds to the usual Nielsen television ratings all those who have accessed its web sites and using computers, BlackBerrys and other mobile devices. Abe Novick, an executive with Euro RSCG, a global ad agency, told The Baltimore Sun, "It's an attempt to show Olympic advertisers all the eyeballs that are watching the ads for they paid such a hefty price.... And if they can do it with the Olympics, why not for the new fall TV season and beyond?" That, of course, would be a great leap forward for television networks, since most of the newly measured audience is likely to be the young viewers advertisers lust after.

The final lesson of the Olympics is an unexpected one -- all the fuss about stopping global warming is itself a game. Using totalitarian muscle, the Chinese regime has made the air quality of Beijing a bit less threatening to the health of the participating athletes. But Democratic countries cannot order people out of the city and into the country, close down roads and factories, and take other steps to clean the air, even if only temporarily.

When the games end, it will be business as usual in China. That includes constructing 500 coal-fired generating stations to fuel the growth the regime needs if it is to provide the millions of jobs it must create in order to avoid massive social unrest. That will offset most of the steps being taken in the West to reduce CO₂ emissions.

But that's for later. Meanwhile enjoy the games or highlights on everything from your giant flat-screen HDTV to your iPod.

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