



Firms wrestle for roles at Beijing 2008 Olympics

See huge opportunity in growing economy; lack of deep pockets, China savvy may hurt

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At a sports marketing summit at the Jacob K. Javits Convention Center last June, one speaker stole the show. Yuan Bin, the top licensing and marketing decision-maker for the 2008 Olympic Games, told more than 400 executives about the enormous business opportunities presented by the Olympics.

Less than a year later, the stampede has begun.

"The rush to be part of the Olympics in Beijing is greater than any I've ever seen," says Jennifer Karpf, director of the National Sports Marketing Network, which hosted the Javits event. "There's an explosion of people trying to set up offices or do business there."

600 million spenders

China's consumer class is burgeoning — the number of Chinese with disposable income is expected to grow to 600 million in 2010 from 300 million today — and the country is pitching the 2008 Olympics as a coming-of-age celebration for its economy. The run-up is sparking a push by executives at New York area firms involved in sports marketing and hospitality who hope to use the games to launch or expand operations in China.

Last year, Ogilvy & Mather created a sports marketing division in China. The ad agency has put six people on the ground and expects to do more hiring over the next year. The firm is undertaking Olympic-related marketing efforts for multinational corporations such as United Parcel Service and Johnson & Johnson, along with several Chinese companies, including China Mobile and Bank of China.

Starwood Hotels & Resorts, which operates 31 hotels in China and is developing another 28, has been expanding its holdings in Beijing. Starwood opened a Westin there in October and plans to debut two more Beijing properties — a Four Points Sheraton and an Aloft hotel — by 2009. Starwood also has signed on as an official sponsor of the Special Olympics, which are scheduled for this October in Shanghai.

Even some smaller businesses are hoping to tap into China's Olympic fever. The entrepreneurs behind famed Harlem soul food restaurant Sylvia's are planning to use the games to launch their first international venture. They hope to open Sylvia's Express, a small fast-food chain, as well as a concession stand in Beijing in time for the games. The owners of the 45-year-old establishment are experimenting with Asian fusion menus and shopping for investment partners.

"I feel like the opportunity is so big and this is just the right time for us to spread our wings," says Van Woods, a son of Sylvia Woods and a co-owner of the restaurant.

Of course, for some major New York companies, Beijing 2008 is a major sponsorship opportunity. The National Basketball Association, which has already targeted the China market, plans to double its number of China employees to 100 by the end of this year.

The Olympics will increase basketball's exposure in a country that already accounts for about 20% of the league's \$600 million in international revenues, including broadcast fees, merchandise and ticket sales. NBA games, which are broadcast by 51 stations throughout China, will be on more than 60 by the end of this season.

The 2008 games are expected to be the biggest sports spectacle ever held in modern China and the most-watched athletic event in television history. The worldwide TV audience could exceed the 127 million viewers who tuned in for the Athens Olympics in 2004, according to research firm Initiative Media.

But some businesses trying to take advantage of the games — particularly smaller ones that don't have deep pockets or that lack an established presence in China — risk getting sidelined by bigger enterprises. Many major Western companies, including Nike, Hilton Hotels and Anheuser-Busch, plan to spend millions of dollars to market their products in China during the games.

A pretty penny

Furthermore, the most attractive Olympic marketing opportunities don't come cheap. Beijing officials haven't disclosed sponsorship fees, but sports marketing experts say that over four years, some firms will spend as much as \$100 million to use the Olympics to market in China alone. Competition from Chinese businesses is one factor driving up these costs.

"There's a tremendous amount of pent-up demand, because this opportunity has never existed before," says Steven Justman, executive vice president of Cornerstone Promotion and a former NBA executive.

For all its attractions to Western entrepreneurs, China is a famously difficult venue for foreign businesspeople. Firms that do not negotiate with the Olympic committee to become official sponsors will have to fight the bureaucracy and corruption that many investors encounter when they first try to enter the market.

"If you're looking for long-term opportunities in China, it's a very expensive business model," says Donna Quadri-Felitti, a clinical assistant professor at New York University's Tisch Center for Hospitality, Tourism and Sports Management.

Many investors remain undeterred. "It may be hard, but it's not impossible," says Myles Matthews, president of the Global Trade & Technology Center, a New York nonprofit that is advising Sylvia's on its China plans. "Things in China happen so fast."