Ready for Rio: Five Industries to Benefit from the Olympics

By Madeline Hurley and Iris Peters

Millions of viewers will watch this summer’s Olympic Games, but how will these five industries handle the pressure?

Every four years, 4.0 billion viewers tune in to cheer on Olympic athletes.

On August 5, more than 10,000 of the world’s elite athletes will gather in Maracana stadium in Rio de Janeiro, Brazil to kick off the 2016 Summer Olympics. With dozens of gold medals on the line, millions of US consumers will tune in to watch Team USA compete on the global stage. Although the goal of the Olympics is to promote international solidarity through athletic competition, the games also present a variety of opportunities for hundreds of businesses. IBISWorld has compiled a list of five US industries that will be affected by this year’s Olympic Games.

Television Broadcasting and Internet Broadcasting

More than 4.0 billion viewers tune in every four years to watch athletes from around the world compete in the Olympic Games. In 2012, more than 219.4 million Americans turned on their televisions to watch Team USA compete in the London Olympics. According to Nielsen, the NBC primetime broadcast averaged 31.1 million viewers. Consequently, the Rio Olympics will benefit the Television Broadcasting industry, which is expected to increase at an annualized rate of 2.0% in the five years to 2016. Moreover, with the proliferation of smart phones and online connections, Olympic coverage will be available for online streaming, especially on mobile devices, which will also benefit the Internet Broadcasting industry. The Internet Broadcasting industry is anticipated to increase at an annualized rate of 12.3% over the five years to 2016.

NBCUniversal and the International Olympic Committee agreed to a $7.75 billion deal in 2014, giving NBC the broadcast rights to the Olympic Games through 2032, which included a $1.3 billion deal for the rights to the Rio Olympics. This year, NBCUniversal will air more than 6,000 hours of live competition on TV and mobile devices, which is more than the 5,535 hours of coverage that NBCUniversal aired from the London Olympics in 2012. Of the 6,000 hours, 1,500 will air on 11 of NBCUniversal’s television networks such as Bravo and NBC, and 4,500 hours of content will be streaming online on its NBC Sports Live Extra mobile app and website. NBCUniversal plans to stream every event that is not televised on the app and online. However, only those with cable subscriptions will be able to access all of the coverage. According to IBISWorld data, the number of cable subscriptions is expected to decrease 1.0% in 2016, which could negatively...
ready for rio

soda production
it is no secret that securing prime time advertising exposure during the olympics is almost as competitive as the events themselves. in addition to the $100.0 million required to become a major global olympic sponsor, major companies allocate additional advertising funds to produce commercials, create olympic-themed packaging and sponsor individual athletes. while the top olympic sponsors typically come from industries in finance and technology, consumable products companies have traditionally been at the forefront of olympic advertising. this year, major food and beverage companies such as kellogg’s, hershey, coca-cola and chobani will contribute significantly to the expected $1.0 billion in olympic advertising sales. coca-cola, in particular, has been established as the leading olympic sponsor, both globally and domestically. while the typical soda production company allocates an estimated 5.0% of revenue on marketing, coca-cola budgets nearly 10.0% during both olympic and non-olympic years. such extensive advertising, particularly on the olympics, has historically benefited the company. during the 2012 london olympics, coca-cola’s revenue increased 3.2%, with company marketing expenditure remaining identical to the year prior. with revenue for the soda production industry expected to decrease 0.1% this year, effective olympic advertising may be an important factor in keeping sales from declining.

sporting goods stores
the summer olympics are expected to bring in a much-needed flow of business to the $46.5 billion sporting goods stores industry. despite industry revenue growing at an annualized rate of 1.0% over the past five years, operating conditions have been all but fun and games for sporting goods stores. according to the physical activity council, the percentage of consumers who purchased sporting or recreational clothing and footwear decreased more than 5.0% between 2013 and 2015, despite a rise in sports participation levels. with numerous bankruptcies and hundreds of store closures over the past few years, utilizing consumer interest
Ready for Rio

in this year’s Olympic games will be even more crucial than in past years. Although it is unclear whether or not the 42 broadcasted sporting events will entice consumers to pick up a new athletic hobby, the exposure of the events is expected to benefit retailers to some degree. Typically, when a college or professional sports team wins a championship, the sale of team-affiliated licensed sports apparel increases significantly. Because viewers will anticipate a strong showing from the US Olympic teams this year, many patriotic fans will flock to industry stores to purchase Team USA-licensed merchandise.

Advertising Agencies
Advertising agencies generate the majority of their revenue from television and internet broadcasters. NBCUniversal has already generated more than $1.0 billion in advertising sales and is forecast to outpace sales from the London games due to Brazil’s relatively small time zone difference from the United States. This allows for more live prime-time coverage. As a result, rising advertising expenditure, as well as increased Olympic coverage, bolsters revenue for the Advertising Agencies industry, which is anticipated to increase at an annualized rate of 3.5% in the five years to 2016. Advertising agencies may also benefit from the Rule 40 changes, which were announced by the International Olympic Committee (IOC) in 2015. In the past, only official Olympic sponsors were allowed to advertise during games, and nonsponsors were not allowed to feature Olympic athletes in advertisements. However, for the Rio Games, Olympic sponsors will have to share time with brands that have not paid the IOC or the Olympic Committee. In order for non-Olympic sponsors to run advertisements during the games, they were required to start running their marketing in March 2016. However, only official Olympic sponsors are allowed to use Olympic intellectual property, such as the Olympic rings. Moreover, with the anticipated record-breaking viewership numbers, many brands use advertising during the Olympics as an opportunity to reach a larger audience and to spread brand awareness, which brings more business to advertising agencies and supports industry growth.

Travel Agencies
The Travel Agencies industry is expected to benefit from jet-setters eager to watch their favorite event. According to Visit Britain, over 67,000 Americans traveled to London in summer 2012 to watch, participate in or work at a ticketed Olympic event. Although many of these consumers may not have used industry services, travel agents cashed in on the high volume of group travel. This year, travel agents are expected to benefit from large corporate or consumer sightseeing groups. Although international travel by US residents is expected to increase 3.5% in 2016, this year’s Olympic travel figures may not be as promising as in years past. The onset of the Zika virus and concerns over pollution and crime have left many tourists uneasy about traveling to Rio. Some athletes have even opted out of their various competitions for these reasons. These concerns pose a threat to the $34.0 billion industry, which is expected to increase 2.0% this year.
At IBISWorld we know that industry intelligence is more than assembling facts. It is combining data with analysis to answer the questions that successful businesses ask.

Identify high growth, emerging and shrinking markets
Arm yourself with the latest industry intelligence
Assess competitive threats from existing and new entrants
Benchmark your performance against the competition
Make speedy market-ready, profit-maximizing decisions

Who is IBISWorld?
We are strategists, analysts, researchers and marketers. We provide answers to information-hungry, time-poor businesses. Our goal is to give you the real-world answers that matter to your business in our 700 US industry reports. When tough strategic, budget, sales and marketing decisions need to be made, our suite of Industry and Risk intelligence products give you deeply researched answers quickly.

IBISWorld Membership
IBISWorld offers tailored membership packages to meet your needs. Join and become an industry expert!