

# Olympic athletes love McDonald's. But its role in PyeongChang will be the smallest in decades.

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By **Caitlin Dewey** February 9 at 10:13 AM

McDonald's has long been a fixture at the Olympic Games, mobbed by hungry athletes and promoted in flashy ads reserved for the Games' corporate partners.

But this Friday, for the first time in more than 20 years, the International Olympic Committee will open its winter event without the sponsorship of McDonald's.

The American fast-food chain abruptly canceled its contract with the IOC last June, ending three years early a partnership that McDonald's has held since the 1990s. While the company is still a local "partner" of the 2018 Games — holding domestic marketing rights in South Korea, and handing out free Big Macs in the Olympic Village — its footprint will be the smallest it's been in decades.

Observers blame heightened competition in the fast-food industry, as well as changes to the Games themselves. McDonald's, long the presumed king of quick-service chains, has had to pull back on its sponsorship commitments to fund menu changes and technology improvements, analysts said.

McDonald's Olympic partnership also had attracted a barrage of bad press from public health groups, who have accused the IOC of undermining its emphasis on health and athleticism by taking money from companies that sell junk food.

“Industries change, and the needs of corporations also change,” said Rob Prazmark, a sports marketing consultant at the firm 21 Marketing who helped develop the Olympics’ sponsorship program. “Over the years, we’ve seen a number of companies fall out of the program because of that.”

McDonald’s decision to withdraw was unusual, however, even in relation to sponsors that have left the Olympics before.

The company has sponsored the games in some form since 1976 and became an IOC worldwide partner — the highest level of sponsorship — ahead of the Nagano Olympics in 1998. Worldwide sponsorship is estimated by marketing analysts to cost upward of \$100 million per Olympics, and confers exclusive global rights to use the Games and their associated trademarks in advertisements.

In 2012, McDonald’s signed an eight-year extension of its contract. But last June, the company and the IOC agreed to cancel it.

“As part of our global growth plan, we are reconsidering all aspects of our business and have made this decision in cooperation with the IOC to focus on different priorities,” Silvia Lagnado, the global chief marketing officer at McDonald’s, said in a statement.

While it is not unheard of for sponsors to let their sponsorships lapse after a contract ends, pulling out early is unusual. For the IOC, it can also pose a fiscal challenge: Nearly one-fifth of the organization’s revenue come from corporate partners.

These are not the only funds for the Olympic Games. The IOC makes most of its money selling broadcast rights. Host countries and domestic Olympic committees also broker their own, smaller sponsorship agreements, such as the one McDonald’s has maintained with the South Korean organizers.

Through that limited partnership, McDonald’s will run advertisements using the Olympic name and five-ring logo in South Korea but not in any of the other 100 countries where the chain operates. It has also opened two new restaurants in the Olympic Village and Park: One is shaped like a burger and fries, and the other will serve free food to athletes.

At the 2016 Summer Olympics in Rio de Janeiro, the free Big Macs and McNuggets proved so popular that the company had to limit the number of items per order to 20.

“Normally, in the cafeteria, the food isn’t good,” Idaliz Ortiz, an Olympian from Cuba, told The Washington Post in 2016. “In practically all the arenas, it’s the same. So the whole world always comes here for American food. That’s McDonald’s.”

As popular as McDonald’s may be among Olympians, however, it has faced head winds from some consumers. Analysts believe that has compromised the company’s willingness and ability to sponsor major events like the Olympics, which also struggled to retain television viewers.

Once flush with cash, fast-food franchises have seen their margins squeezed by rising costs and their market share eroded by new competition. McDonald’s has responded by revamping its menu, launching delivery and digital ordering in top markets, and remodeling stores, said Blayne Howser, the director of client development at the restaurant consulting firm Sandelman. The firm’s research shows those initiatives have pulled in new customers and increased loyalty among the brand’s existing audience.

But they also cost millions of dollars. And McDonald’s appears to have sliced some of those funds out of its sports sponsorship and associated advertising reserves, said Laurel Walzak, an assistant professor in Ryerson University’s sports media program.

After canceling its IOC contract last June — saving a “conservative” half-billion dollars, Walzak estimates — the company also declined to renew a sponsorship with the National Football League.

“To be able to cut spending by that much — that helps earnings per share,” Walzak said. “It all comes down to basic business economics for them.”

On top of business economics, McDonald’s also has suffered bad publicity for sponsoring the Olympics. As concerns about obesity and nutrition have grown, groups including the World Cancer Research Fund and the World Obesity Federation have grown more vocal in their criticism of the partnership, which they say has given “a halo of gold ... [to] poor nutrition.”

During the last two Olympic Games, held in Rio and Sochi, Russia, a coalition of American public health groups sent open letters to U.S. medal winners, asking them to publicly distance themselves from McDonald’s.

“McDonald’s has exploited institutions like the Olympics to improve its bottom line,” said Taylor Billings, a spokeswoman for Corporate Accountability — one of the participating organizations — in a Thursday interview with The Washington Post. “Burgers, fries and soda have no place at the Olympics.”

McDonald's and the IOC declined to elaborate on whether these challenges ultimately informed their split, referring questions to statements the two organizations made in June. But experts say there is little doubt that the business environment has made it more difficult for food and beverage companies to sponsor sporting events.

In a January report, ESP Properties, a division of the global advertising powerhouse WPP, reported that beverage and packaged-good companies had largely cut sponsorship budgets in 2017 "in the face of flat overall business."

Those companies traditionally have been major sponsors of athletic events around the world, including the Olympics. Coca-Cola remains an IOC partner, and Team USA counts Hershey, Kellogg's and Nabisco among its corporate backers.

Losing those funds would hurt, Prazmark acknowledged. But if the food industry can no longer pony up the massive marketing budgets for big-ticket events, other industries are ascendant.

As McDonald's stepped away, technology giant Intel and Chinese e-retailer Alibaba both signed multiyear, worldwide Olympics sponsorship agreements.

"Some categories that were hot have faded," Prazmark said. "Kodak and Xerox both used to be top sponsors. Look what happened to them."

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