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A Gold-Medal Partnership

by Michael Payne

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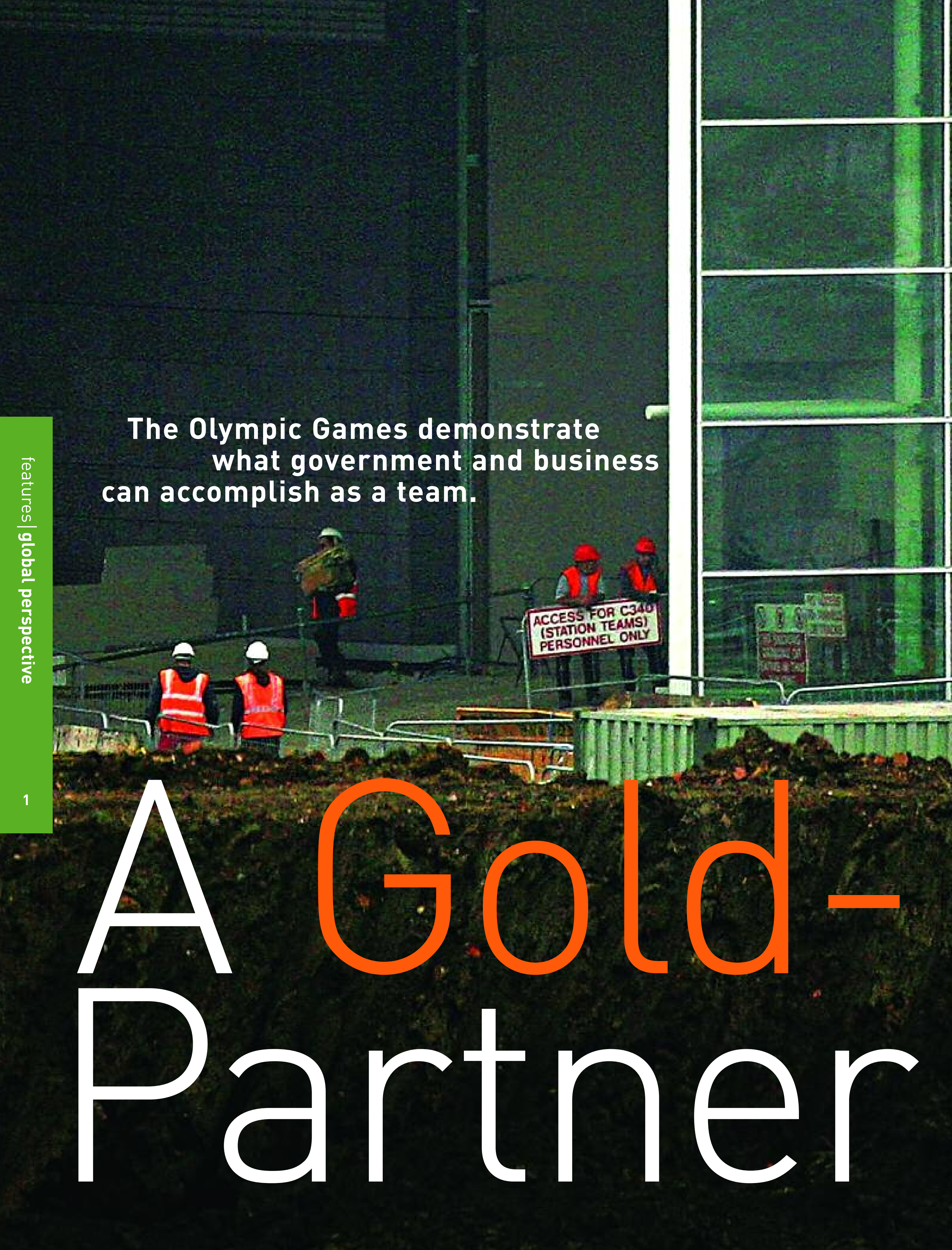
A Gold-Partner

The Olympic Games demonstrate what government and business can accomplish as a team.



Medal ship

by Michael Payne

Michael Payne
(michael@michaelrpayne.com) worked for the Olympic Movement for 21 years as a director of the International Olympic Committee, overseeing the marketing effort for 15 winter and summer Olympic Games. He is now a special adviser to Formula One Management and author of *Olympic Turnaround: How the Olympic Games Stepped Back from the Brink of Extinction to Become the World's Best Known Brand* (Praeger, 2006).

Also contributing to this article were Stuart Crainer and Des Dearlove.

It's hard to think of an event that rivals the scope and complexity of the Olympic Games. The Olympics draw 10,000 athletes, tens of thousands of media representatives, and tens of thousands of spectators from more than 200 countries to a single city for two weeks. Held every other year (alternating the winter and summer Games), each Olympics takes more than a decade of planning and requires the participation of hundreds of thousands of people, including mayors, presidents, and prime ministers, dedicated local and international staff, and armies of volunteers. Pulling off an event of this magnitude would be impossible without a close and continuing collaboration between the public and private sectors. Indeed, the Olympic Games represent the world's oldest public–private partnership, dating from 776 B.C. and lasting more than 1,100 years, until A.D. 393. The modern Games started in 1896; their success — and near failure — provides valuable lessons on what can be accomplished when public and private interests work together.

Ever since the Massachusetts Bay Company incorporated the private Water Works Company to supply drinking water to Boston 350 years ago, the public–private partnership has assumed a vital role in the operation of nations, cities, and towns across the world. According to the National Council for Public–Private Partnerships, the average U.S. city now calls on private entities to help deliver 23 of 65 basic municipal services — everything from wastewater handling to urban development. Public–private joint ventures, which at their best merge the strengths of both sectors, are essential to the workings of modern society; they combine the agility of corporations with the vast resources of government to enhance efficiency, improve access to capital, and encourage compliance.

The scale of the modern Olympics demands public–private partnership to a degree that few other projects do. The Games are simply too large in every dimension — technology, organization, project management, media, and merchandising — for either the public or private sector to handle alone. Only the public sector has the financial means to fund substantial capital infrastructure projects; only the private sector has the organizational and entrepreneurial deftness to make the Games happen in the face of an unmovable deadline. I witnessed this firsthand through my involvement in the fledgling sports-marketing industry in the 1970s and, later, as the first marketing director for the International Olympic Committee (IOC) over the course of 15 winter and summer Games.

Scale Models

As one looks out from the 50th-floor windows of the London Organizing Committee's offices, some sense of the scale of the undertaking becomes clear. Over East London, one can see 500 acres of neglected urban hinterland. It is here in 2012 that the city will play host to the Summer Olympics. In the lead-up to their opening, London will undergo an extraordinary construction spree, including an 80,000-seat stadium as well as eight other arenas, an Olympic Village to house 17,000 athletes and officials, and the largest urban park created in Europe in 150 years. Local transportation, from roadways to the London Underground, will be dramatically improved; Olympic Javelin high-speed shuttle trains will whisk passengers between the Olympic site and mainland Europe in just 45 minutes, with a train arriving in London every 15 seconds during peak times. The social

London Mayor Ken Livingstone (center) and London Organizing Committee Chair Sebastian Coe (left) visit the 2008 Olympic Stadium construction site in Beijing.

Photograph © Associated Press

payoff for East London will be a revitalized neighborhood with 9,000 new, largely low-cost homes; brand-new recreational, cultural, and educational facilities; and an estimated 12,000 new jobs.

London will have a difficult act to follow. The Beijing Summer Olympics in 2008 will take the public–private partnership to its most lavish heights. By August 8, 2008, when the Games are officially declared open, private companies will have invested more than US$2 billion in China's Olympic effort and many more billions globally in related advertising and promotional campaigns. Two hundred broadcasters from around the world will have paid $2.5 billion for broadcasting rights, and the Chinese government will have poured $40 billion into transforming the nation's capital into a model of 21st-century efficiency. Plans call for tripling the length of the region's expressways, vastly upgrading the public transportation system, and constructing dozens of new sports venues — including the 91,000-seat Beijing Olympic Stadium. The Olympic Village will include 22 six-story buildings and 20 nine-story buildings. The *People's Daily* newspaper has described the undertaking as "one of the largest construction projects ever in China since the construction of the Great Wall."

Overseeing the Olympics are several governing bodies with responsibility for various aspects of the Games. At the top is the 115-member IOC, a nonprofit umbrella organization for the Olympic Movement that has primary responsibility for the organization of the Games. Funding for the International Olympic

Closing ceremonies at the 2006 Games in Turin

Committee, which operates out of Lausanne, Switzerland, is entirely private, derived mainly from the sale of TV rights and marketing programs.

For each Olympic Games, the International Olympic Committee entrusts organizational responsibility to the host country's National Olympic Committee (NOC) and the host city. The NOC and local organizing committees establish an organizing body that reports directly to the IOC. They have financial and organizational responsibility for choosing and building sports venues; housing, feeding, and transporting athletes and officials; solving transportation problems; and handling the media's infrastructure needs. In addition to getting financial support from the IOC, the NOCs and local committees fund their activities through national and local corporate marketing sponsorships, ticket sales, and licensing programs.

The host countries and cities also chip in, though the amount varies. Sydney spent \$3.4 billion on the 2000 Games, and Athens more than \$11.6 billion on the 2004 Games. That money goes to infrastructure improvements and government services such as police and sanitation. In the case of the 2012 Games in London, the original plans called for a \$3.8 billion funding package, \$2.4 billion of which will come from lotteries. Eighteen months after London's election, the costs have begun to escalate considerably; the government already has to find an extra \$2 billion. However, much of the additional funding is for capital construction in East London. The Olympics are being used as a

By the 1970s, the Olympics were such an economic burden that Los Angeles had no competition when bidding for the 1984 summer Games.

catalyst to undertake long-overdue and much-needed improvements to transportation, the environment, and housing in a depressed part of the city.

Politics and Money Problems

It is easy to forget that for most of the 20th century, the Olympics were plagued by financial troubles. The problem dates back to the founding of the modern Olympic Movement. When Pierre de Frédy, Baron de Coubertin, proposed relaunching the Games in the early 1890s, more than 2,500 years after the original sporting festival in ancient Greece, his vision avoided addressing the question of how to finance them.

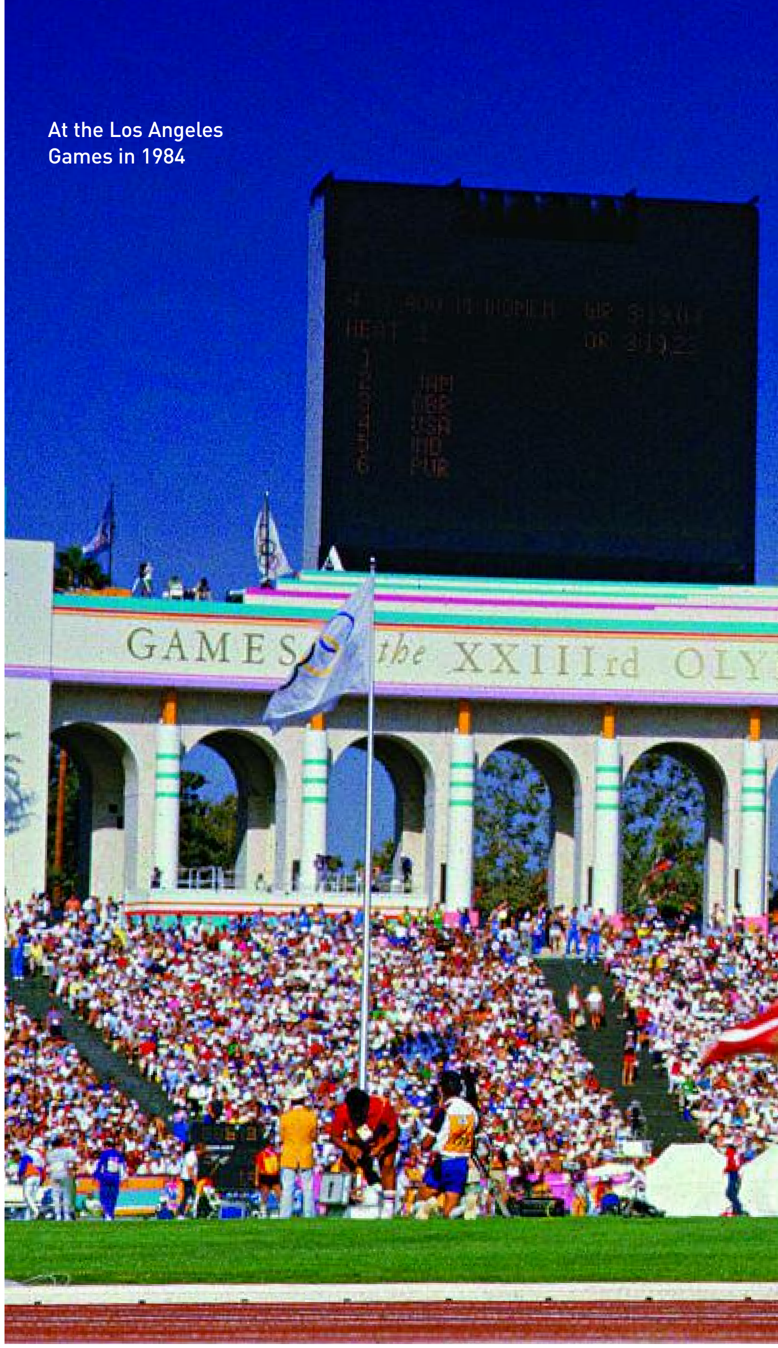
As a result, most modern Olympic Games necessitated imaginative scrimping by athletes, NOCs, host cities, and host governments. That situation left the Games vulnerable to being hijacked by those with other agendas. The 1936 Berlin Games, for example, were lavishly funded by the Nazi government, which used the event as a bid for international validation. The arenas stood as enormous symbols of the Nazis' ambitions. The main stadium seated 110,000 spectators; the swimming and diving pool hosted 18,000; and the ski jump venue accommodated 75,000 spectators. At the opening ceremony, Adolf Hitler was accompanied by 6,000 SS bodyguards, and the government underwrote the costs of producing Leni Riefenstahl's 1938 film *Olympia* — a paean to athletes, which, although admired for its artistry, is widely viewed as a work of Nazi propaganda.

Those were not the last Games marred by politics. In 1948, Germany and Japan were excluded as punishment for their roles in World War II. Taiwan withdrew from the 1952 Games to protest Communist China's entry. Egypt, Iraq, and Lebanon dropped out of the 1956 Games after Israel took over the Suez Canal. To protest international recognition of Taiwan, Communist China withdrew entirely from the Games between 1959 and 1972. Arab terrorists murdered 11 Israeli athletes in Munich in 1972. In response to the Soviet invasion of Afghanistan, the U.S. led a boycott of the 1980 Games, and the Soviet bloc retaliated in kind in 1984. This list is by no means exhaustive.

Political upheavals weren't the only trouble; the Olympics suffered severe financial setbacks. With shaky government support and no private funding to draw on, some Games were outright financial disasters. To cite just one example, the cost of hosting the 1976 Montreal Games was originally estimated at $310 million. But overruns on the construction of Montreal's Olympic Stadium left the city with debts of $1 billion. When the books for the Montreal Games are finally cleared this year, the final tab will be about $2 billion.

By the late 1970s, far from being a national showcase and cash cow, the Games were regarded as a financial millstone, with most of the costs being borne by the host city. With no secure source of funding, the IOC relied on government and commercial handouts. Shortly before the Moscow Olympics in 1980, the IOC was on the verge of collapse, with less than $200,000 in cash and only $2 million in assets.

The Games had become such a burden by the 1970s that Los Angeles had no competition when bidding for the 1984 summer Games (though the Iranian capital, Tehran, had briefly considered bidding before the fall of the shah). When Juan Antonio Samaranch became president of the IOC in 1980, it was teetering on bankruptcy. He was determined to get the committee enough financial muscle, political independence,



At the Los Angeles Games in 1984

and international stature to keep it from ever again becoming a geopolitical pawn. Prior to Samaranch's term, the IOC had let the national federations arrange local sponsorships; Samaranch moved instead to sell global sponsorships and to assume responsibility for global broadcasting rights, two changes that rescued the IOC from near insolvency and would eventually give it unprecedented global standing. But pulling the movement up from its knees took time.

The 1984 Summer Olympics proved to be the financial turning point. With almost no public financing, the Los Angeles Organizing Committee was left to its own devices to find backing. As a result, the Games were the first to be funded primarily by the private sector. The chief visionary was Peter Ueberroth, the Committee's president, who would later go on to become commissioner of Major League Baseball and then chairman of the U.S. Olympic Committee. Ueberroth actively cultivated corporate sponsorships and separated them into three categories: official sponsor, official supplier, and official licensee. Declaring that he saw nothing ignoble in developing the Games' commercial potential, he often quoted Winston Churchill: "Some people see private enterprise as a predatory target to be shot, others as a cow to be milked. But few are those who see it as a sturdy horse pulling the wagon."

The visionary faced resistance on all sides. "You, Mr. Ueberroth, represent the ugly face of capitalism," one IOC member reportedly thundered. Even as his colleagues on the Los Angeles Organizing Committee battled him, Ueberroth went ahead and struck a deal with telecommunications giant AT&T to sponsor the Olympic torch relay from Athens to Los Angeles. The deal was mutually beneficial: Reeling from its battle to avoid a corporate breakup, AT&T used the torch relay to buff its image by selling each relay slot for $3,000, generating close to $11 million for U.S. charities. Ueberroth turned to private corporations to fill in the infrastructure gaps. McDonald's funded a swimming arena for $3.6 million and Southland Foods paid $3.1 million for a cycling arena. Purists squirmed, but the Los Angeles Games were the first ever to pay for themselves — even turning a profit of $223 million for the host committee — and provided the business model that continues to support the Games today.

The success in Los Angeles spurred dramatic growth. In 1984, 6,829 athletes from 140 nations competed in 221 events monitored by 9,190 media representatives from 156 countries. At the 2004 Games in

Athens, 11,100 athletes from 202 nations competed in 301 events covered by 21,500 media representatives and broadcast to more than 220 countries. As the Games have grown, they've required ever greater investments in infrastructure, making private management of the event unfeasible. With the world watching, public and private sectors have had to learn to work closely together.

Gray Rings

As a firsthand witness to the growth of the public–private partnership, I might be tempted to say that it emerged fully formed and with impeccable commercial and ethical clarity. In fact, one of the clearest lessons from the Olympic experience is that, for public–private partnerships to work, everyone involved must accept that there are gray areas in any endeavor of this sort. For the Olympics, the first is organizational: You cannot nail down every detail of a long-term relationship in a contract. You have to be prepared to deal with the inevitable issues when they emerge; flexibility is essential. At times, decisions must be based not on what the contract says but on whether an action enhances and supports the Olympic brand and strengthens the partnership for the future.

The second area of concern is the Olympic brand, which will always attract people with their own agendas. It is simply unrealistic to imagine that the Beijing Games will not bring their own ethical challenges, not least an entire gray market in Olympic merchandising. Burying one's head in the sand is not a viable strategy.

with key media, Olympic officials, and sponsors. The research confirmed that the Olympic brand differs from other brands because it straddles two universes. It is not strictly humanitarian, like the Red Cross, nor is it strictly commercial, like other entertainment or sporting brands. The Olympic brand's sports association gives it greater dynamism and modernity than are found in other noncommercial organizations, yet its spirit and heritage give it more morality and depth than are usually found in commercial brands.

The research identified four key value propositions for the Olympic brand: hope; dreams and inspiration; friendship and fair play; and joy in effort. It became clear that noncommercial ideals provided the Olympic brand with its true commercial value for marketing partners. This understanding highlighted the need for the IOC to defend the Olympic Games' commercial rights, the Olympic image, and what the Olympic Movement stands for. The parameters are clear and strictly enforced. Exclusivity is a critical guarantee. Sponsors need to know they can invest in the Olympic Movement and be certain that they are not going to be undermined by a last-minute surprise promotional campaign by their competitor.

Official sponsors must follow strict rules. Ambush marketing is absolutely forbidden. In Sydney, four days before the opening ceremony, the IOC discovered that the catering services company, Aramark, had provided 30,000 uniforms to all the food-service personnel with its logo prominently displayed on the chest. This was a technical breach of the exclusive rights of Olympic sponsor McDonald's. A team of seamstresses was quickly brought in to sew on patches.

At the 1994 Winter Olympics in Lillehammer, 60 Norwegian spectators turned up at the cross-country events with the name of an insurance company emblazoned across their clothes. This was obviously an orchestrated attempt to gain free publicity, with the insurance company probably paying for the spectators' tickets. The spectators were told that to enter the venues, they would have to cover up the advertising or take off their clothes. With the temperature at minus 20 degrees Celsius, they quickly found jackets to conceal the company's name.

Such single-mindedness has paid dividends in building and sustaining Olympic value. If both sides of the public–private partnership are aware of the clearly delineated and enforced rules, then everyone's needs can be met.

The long-term protection of the Olympic brand requires its custodians to engage with the gray areas while never breaching Olympic values.

In public–private partnerships, it is essential that the definition of success be agreed on and shared. Over the last 25 years, the Olympic Movement has undergone a process of mutual education, and as a result, what constitutes success is now clearer than ever before. This shared understanding makes it easier to oversee such a complex partnership, but does not inoculate it from difficulty — financial, political, or other. However, in my experience, an Olympic-style partnership has the greatest chance of success if it adheres to six fundamental principles:

1. Manage the brand as the highest priority. Public–private partnerships can founder without a proactive force behind them. Complex partnerships can suffer from power vacuums in those areas where compromise, rather than control, holds sway.

In the wake of the 1984 Games, the IOC took control of its own destiny and now manages the Olympic Games like a franchise, with the IOC as the franchisor and the local organizing committees as the franchisees, tightly controlling all commercial aspects of the Games and the Olympic visual identity. Along the way, the IOC adopted many of the principles and disciplines of corporate brand management to protect and enhance the Olympic image and attributes.

After the 1998 winter Olympic Games in Nagano, the IOC embarked on the broadest market research program ever undertaken by a sports organization, a comprehensive study across 11 countries involving interviews and focus groups with more than 5,500 consumers, and a further series of 250 in-depth interviews

The Olympic Committee realized that a smaller number of deeper, longer-term relationships with private sponsors would be preferable to an array of short-term, superficial relationships.

2. Use the brand as a vehicle for municipal and national transformation. The Games can do much to burnish the images of the host cities and nations around the world. Whether it is to increase tourism, change foreign and domestic policy, attract investment or aid, or boost international trade, hosting the Olympic Games can provide one of the most powerful platforms for any nation.

The Tokyo Games in 1964, for example, signaled a change in the world's view of Japan and Japan's view of itself and its place in the world nearly 20 years after the end of World War II. The Seoul Games in 1988 represented a monumental step forward for South Korea, showcasing the country's revival from poverty and its evolution from years of military dictatorship into true democracy. And the 1992 Summer Olympics in Barcelona catapulted that city into the top tier of Europe's tourist and business destinations. Mayor Pasqual Maragall noted that in the space of five years, the Olympics allowed the city of Barcelona to undergo a transformation that would otherwise have taken it three decades.

The Greek government used the Games in 2004 as a catalyst for the regeneration of Athens. Greece embarked on the largest capital infrastructure program the country had ever known, building a new airport, a new subway system capable of carrying 530,000 people per day, 20 miles of light suburban railway, and 130 miles of new highways. Although construction was hamstrung by political infighting, the venues came together on time and the Games went off without a major hitch. Athens looked better than it had at any time in its recent history and succeeded in dispelling its image as a smoggy Third World backwater.

It is thus with good reason that the Chinese government is devoting so many resources to the 2008 Games in Beijing. It can help China redefine its place in the modern world.

3. Cultivate and maximize a small number of relationships. Central to the renaissance of the Olympics was the realization that a smaller number of deeper, longer-term relationships would be preferable to an array of short-term, superficial relationships. If private-sector companies fully understand the values of their public-sector partners, the relationship is much more likely to be mutually fulfilling.

This was manifest in the development of the IOC's sponsorship program, The Olympic Partner (TOP) program, in 1985, on the heels of the success in Los Angeles. I helped launch TOP and later managed it. Before TOP, would-be sponsors or commercial supporters of the Olympics faced a labyrinth of vested interests. Although the organizing committee could grant sponsors marketing rights to the Games, those rights did not apply outside the host country. The sponsor had to get the express approval of each National Olympic Committee, which usually led to a long and expensive negotiation, with the sponsor being forced to support the national Olympic team as well. This meant that any company wanting to develop a global program had to enter into 160-plus separate agreements with the NOCs. Not many sponsors wanted to take that on.

TOP was designed to do away with that morass. The program bundled all the rights for the IOC, the Winter Olympics, the Summer Olympics, and more than 160 National Olympic Committees into a single, four-year, exclusive marketing package, offering companies one-stop shopping for their global Olympic

Successful public–private partnerships must have an umpire to avoid stalemate and neutralize excesses on either side.

involvement. The TOP program boosted sponsorship revenues from $56.5 million for Lake Placid in 1980 to more than $850 million for Salt Lake City in 2002.

David D'Alessandro, chairman and CEO of the insurance group John Hancock, describes the Olympic Games as "the biggest marketing opportunity on earth." Such blue-chip marketers as Coca-Cola, Kodak, McDonald's, Swatch, Visa, and Samsung have signed on for lengthy sponsorships. We achieved all this with less commercial association, not more. By reducing the number of our marketing partners, we made our relationships with existing ones deeper and longer-lasting.

4. Anticipate political pressure. For public–private partnerships of any sort, the political world is a potential minefield. For the Olympic Movement, danger looms at the international, national, regional, and municipal levels, and the profusion of agendas can easily stifle action.

When Juan Antonio Samaranch took over as IOC president in 1980, the Olympic Movement was a pawn in the cold war. Time and again it found itself powerless in the face of politically motivated boycotts. Samaranch changed this through diplomacy. After the Soviet boycott in 1984, he set out to cultivate ties with Moscow, North Korea, Vietnam, and several African nations. His idea was to avoid problems by anticipating and engaging with political issues early on rather than desperately attempting to solve them at the last minute. That there has not been a boycott since 1984 is widely credited to Samaranch's efforts.

Of course, even with all the planning and goodwill in the world, some political problems cannot be avoided. That leads us to the next rule.

5. Appoint an umpire. One organizational advantage the Olympics have over other public–private partnerships is that the IOC stands in ultimate control and can act as an umpire to neutralize excesses on either side. This arrangement has more than once saved the Games from wrongheaded decision making, especially prior to the 1996 Atlanta Games. During the years planning those Games, it became apparent that the relationship between the city and the organizers was dysfunctional. As the *Wall Street Journal* noted, "The IOC were prepared to repel the usual corporate ambushers but not a host city ambush."

Even though the city of Atlanta contributed little to the cost of the Games and reaped important benefits, including $500 million in new construction, the city council was keen to exploit the event even further. The Atlanta host committee, for example, built a $207 million baseball stadium, which was designated as the new home of the Atlanta Braves, and guaranteed that the team would not relocate. Nonetheless, the city council saddled the host committee with a $9.5 million bill for extra policing and sanitation costs and would have continued to take such liberties had the IOC not stepped in and threatened a lawsuit.

The IOC came to the rescue again in 2004, when political infighting threatened to derail the Athens Games. The Athens Organizing Committee was rudderless after such infighting forced out Gianna Angelopoulos-Daskalaki, whose leadership had won Athens the Games in the first place. After her departure, the IOC, alarmed at the glacial pace of planning and sponsorship development, forced the committee to reinstate Angelopoulos-Daskalaki, and in the end her efforts won most of the corporate support that the Games received.

Successful public–private partnerships must have a similar recourse when the partnership is hijacked. There must be an accessible arbiter to avoid stalemate.

6. Create win–win deals. The Olympic franchise can continue only through carefully managed, long-term relationships. To nurture those relationships, the deals that form their basis have to be mutually beneficial. The Games' financial success is important, but so, too, is the success of their business partners.

The 1984 Los Angeles Games, for example, were viewed by the public as a triumph: Traffic was manageable, smog didn't hang over the stadium, the event made money, and U.S. track star Carl Lewis won four gold medals. The feedback from the business community was less positive. Several sponsors felt that they had been unduly pressured to provide extra money to prevent the Los Angeles Organizing Committee from going bankrupt. Peter Ueberroth later admitted he exploited the relationships: "Time and time again we went back to them and asked for more. They always gave. We had them. They knew it."

The importance of mutually beneficial deals became abundantly clear to the IOC after the negotiations for the U.S. broadcast rights to the 1988 Winter Olympics in Calgary. Samaranch took direct control of the bidding procedure. The event took place in the IOC's Lausanne headquarters rather than New York, and there were strict controls. Representatives of the three major networks, ABC, NBC, and CBS, gathered in a hotel on the shores of Lake Geneva and spent more than 11 hours bidding and counterbidding for the rights. Finally, ABC walked away the winner with a bid of $309 million, a 337 percent hike over what it had paid for the previous Winter Olympics in Sarajevo.

Yet this deal proved disastrous for ABC. The network lost around $65 million on the Calgary Olympics, the first time the network recorded a loss on its Olympic coverage. It took years for ABC to forgive the IOC for the manner in which the Calgary negotiations had been conducted — at one point a coin was tossed to decide who would make the next bid after NBC and ABC both made offers of $300 million — and to return to the Olympic rights market as an active bidder.

Today there is much greater emphasis on profitable long-term relationships than on opportunism. This is evident in the fact that, instead of buying rights to a single Games, broadcasters now sign on for a lengthier period with multi-Games agreements. In 1995, NBC agreed to the biggest broadcast deal in sports history, paying $2.3 billion for the U.S. television rights for the Games in Athens, Turin, and Beijing, and renewed the partnership a few years later to cover the 2010 Vancouver and 2012 London Games for an additional $2.2 billion.

Behind all this, there is an obvious tension between the idealistic and commercial principles that resonates with modern Olympic philosophy and the need to finance the world's largest athletic and media event. More and more Olympic observers admit that this tension no longer connotes a conflict, but rather a dynamic balance between the identity of the Olympics and the interests of the sponsors. The Games are an independent forum for athletic achievement of the highest order, and commercial interests want to use that identity to sell their products. Neither side can succeed without respecting the mission of the other. And the Olympic Games' public–private partnership enables that mutually beneficial relationship. The challenge for other such collaborations is to create an environment and culture that emulates that spirit of mutual respect and goodwill. +

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