

REVENUE MANAGEMENT OF THE OLYMPIC GAMES (A REVIEW STUDY FOCUSING UPON FINANCIAL ASPECT OF THE OLYMPIC GAMES)

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Abstract:

Olympic Games are the world's most prestigious, famous and oldest sport competition conducted every four years since 776 BC. Traditionally, conduct of the games has always been associated with the name of the host city rather than with the name of the country. The city intending to host the games is generally inspired by two main things, a) the credit of hosting the world's biggest sport gathering and, b) its allied economic and financial attraction associated with the prompt conduct of the games. The evident economic advantages of hosting the games include boost to the hoteling and tourism industry, jobs and employment opportunities associated with the construction of the sport and general infrastructure and conduct related maintenance and supervision responsibilities of the different events. This review study has focused upon the role of the Organizing Committee, International Olympic Committee (IOC) in managing the financial matters of the games and the process of different sources of revenue generation and its possible breakup for the games. The study has revealed that broadcasting is the main revenue contributor having shares of 47% followed by sponsorship, ticketing and licensing with 45%, 05% and 03% shares respectively.

Key Words: Olympic Games, Financial Management, Benefits, Hosting, Sponsorship

1. Introduction:

The growing interest of the different nations in hosting the Games symbolizes its universality and reflects the general understanding of the authorities that by having the right to host the games will definitely serve as an opportunity for the overall development of the host city because hosting these Games leaves behind standard sport infrastructure, accommodation facilities, pro-

per communication system etc. Huge investment in the construction of the sport infrastructure and its allied facilities such as housing facilities, leisure and recreation centers, business malls, parks and other attractive spaces which not only add to the beauty of the host city but it also serves interest of the competitors, spectators, officials, organizers and tourists. These infrastructural ad-

ditions are the pre-requisites of the prompt conduct of the Games which are assumed as the starting point of the mass urban development (KITCHEN T., 1996). Since the last quarter of the twentieth century, the volume of both the competitors and spectators has been expanded and the games have proved to be the source of high financial income. *"The Olympic Games have developed into one of the most significant mega-international sporting events"* (ROCHE M. 2000).

Olympic Movement is the umbrella term encircling the IOC, the International Federations, the National Olympic Committees (NOCs), and all the associations, clubs and individuals associated with the aforementioned bodies. The IOC is the ruling body of the Olympic Movement comprising of 125 members from all over the world. The most vital assignment on part of the IOC is that it is empowered to confer the right to a city to host the games.

2. Origin of the Ancient Olympic Games:

Historical evidence shows that these games began in 776 BC in the ancient Greece in a sanctuary site at a mount of Olympia

near the towns of Elis and Pisa in honor of god "Zeus" The games were believed to be conducted for the happiness of the god Zeus and for the same end; on the day of competition 100 oxen were used to be sacrificed "The Ancient Olympics" (2010).

These games were held every four years, and continued to be held till Greeks came under subjugation of the Romans, when the Roman ruler Theodosius 1 stopped these games in 394 AD so that to inflict Christianity upon them as the state religion. During the ancient days, these games composed of athletics competition among the athletes representing different city-states of the Greece. In those early days, Olympic Games composed of a limited number of athletic events STEVENS T. and BE VAN T. (1999). And another distinction of the ancient games was that mount of Olympia was a permanent and decided venue for these games instead of changing its venue from one country to another Martzke, Rudy. (2003).

3. Modern Olympic Games

Baron Pierre de Coubertin (1863-1937), founded the Modern Olympic Movement in 1896 in

Paris, France. Since revival of the Olympic Movement in 1896, he became the President of the IOC and remained the President until 1925. He was a missionary educationist having the opinion that international sport could boost overall wellbeing of the humanity rather it can be used as a tool for promoting peace in the world LUCAS J. A. (1992). As a matter of fact, Olympic Games started as a religious ritual held among city-states of the ancient Greece. But in 1896 the religious philosophy working behind these games was replaced by the sporting spectacle giving birth to the Modern Olympic Games ('Olympic Primer', 2012).

At present these are the world's most popular and prestigious games. The graph of the number of participating nations and competing events and volume of the income of the revenue associated with the games has constantly been going upwards. Let us have a look at the increase in the number of competitors, participating nations and the events offered for competition. At the 1896 Summer Olympics, 12 athletics events were contested among 64 male athletes from 10 different

nations. But in London Olympic 2012, 300 events were competed among 10768 players from 204 nations of the world. Since its inception, single edition of sport competition used to have been held at four years interval. In 1924, second edition of the games was introduced called Winter Games. Both editions of the games were used to be held in the same year up to 1992 and since then Summer and Winter Olympics Games have been held with an interval of two years between the winter and summer edition of the games. Olympic Games have the distinction of being the world's most populous and largest multi-sport event signified by the huge number of competitors and spectators from different around the globe who simultaneously remain together at the same venue. Olympic Games provide the chance to the host cities to show, express and promote their international stature at the international forum (REFERENCE WEICKER & CO., 2010).

4. Conduct and Organization of the Games

Prompt organization of the games is the assignment demanding high profile of technical, man-

agerial, administrative proficiency and expertise in a number of areas. Sound and in-time planning, availability of financial resources, qualified, trained and skilled staff, standard playing spaces, apparatus and implements, time and sport infrastructure have been some of the pre-requisites for the successful conduct of the games. So for the history of the conduct of the games is concerned, since inception of the modern Olympic Games in 1896, these games have always been conducted in a city belonging to a developed country. On account the involvement of huge financial resources and standard infrastructure in connection with the prompt conduct of the games, developing countries do not compete for the conduct of the games as they cannot afford to hold these games. *Over the past 50 years the costs of hosting the Olympic Games have considerably been increased* (ATHENS (2004). The number of the participating nations has also been increasing day by day and at present, in London Olympics 2012, 10768 players competed in 26 different events for 302 medals representing 204 nations. Similarly, in 2016 in Rio de Janeiro Olympic Games, 11544 players from

205 nations competed in 28 events for 306 medals.

Olympic Games enable the host cities to re-design and re-shape master planes of sport and civic facilities in conformity with the needs and requirements of the games and adding new sports facilities to the existing sport infrastructure of the city. Establishment of the different venues for the different events, central stadium, Olympic villages, gymnasiums, swimming pools, transportation network and communication system are some of the common features of the required facilities. *"Cities' motives behind the decision to stage a mega-event are its potential positive consequences, and predominantly its contribution to economic development and urban regeneration"* (ROCHE, 2000; EMERY, 2001; SHIBLI and GRATTON, 2001; and GRATTON and HENRY, 2001).

5. Procedure of the Allotment of the Games:

Allotment of the Olympic Games to a city falls within the jurisdiction of the Executive Committee of the IOC which does this vital assignment seven years

before the conduct of the games. The span of time between allotment and conduct of the games is meant to provide enough time to the host city to come up to the required standard of the games in terms of availability of the sport facilities and required infrastructure. In fact the process of allotment of the games begins ten years prior to the conduct of the games. The IOC floats an open invitation to all its member National Organizing Committees (NOCs) to submit nominations along with nomination fee amounting 1.5 million US\$ in respect of the applicant city in connection with the conduct of the games. With reference to the bid amount, availability of sport infrastructure, and other allied facilities, the applicant city is required to respond to a detailed questions asked in a questionnaire before the games allotment decision is taken by the majority of votes of the members of the IOC. Position of the vote of a member of the IOC is vital in the process of the allotment of the games. To ensure transparency in the process of allotment of the games, the IOC charter states, *"The Olympic parties or their representatives shall not, directly or indirectly, solicit, accept or offer any*

concealed remuneration, commission, benefit or service of any nature connected with the organization of the Olympic Games" (AVISON YOUNG, 2010). Nomination and allotment process is completed within three years. Candidature Acceptance Procedure, IOC Lausanne (2010).

6. Olympic Games in perspectives of Global Exposure

Traditionally, the single motive behind hosting the Olympic Games had been to boost the international image and reputation of the country and for the attainment of this prime objective, the governments used to spend bulk of finances upon the prompt conduct of the games. But at present, the situation is entirely different, and now there a number of reasons behind the logic of competition among the cities for hosting the games. Successful conduct of the games confers global prestige to the host city among the community of the nations. On account of its global nature, Olympic Games attract the world's media to witness the *"world's top sporting event and associated with high standards and excellence, international cooperation, peace, and na-*

tional pride" Olympic Games have been telecast in 220 plus countries and the world's media project the host nation as a competent and capable of managing world's mega sport event. Next factor in this regard is associated with the economic and political objectives of a nation. Prompt conduct of this mega event reflects the image of the host nation as an emblem of successful and advanced nation. Prime objective of South Korea for hosting the 1988 Seoul Olympics was to seek support in setting up political and economic ties with Eastern Bloc countries and the Soviet Union (Larson and Park, 1993). Another factor attracting the nations to host the games is expansion and enhancement of the sport infrastructure which draw attention of the local and foreign investments resulting in boosting the local economy. On account of coverage of the world's media, the positive image of the host city and in a broad sense that of the country reaches to each and every corner of the planet earth. Let us have a look at the volume of TV transmission of the Olympic Games; 214 countries and territories witnessed Athens Olympics whereas this figure for Sydney Olympics reached to

220 and for Beijing Olympics it crossed the limit of 220 (IOC, 1998:32).

7. Financial Bases of the Olympic Movement

From the viewpoint of economical perspectives, the prominent favouring impact of organizing Olympic Games like grand event results in promoting the positive image of the host city and the country at large, presenting it as an ideal place having the potential for offering impressive avenues for attracting investment in a number of areas like tourism, hoteling industry, infrastructure development etc. Resultantly, more and more investors and visitors are attracted, which generate new jobs opportunities and economic activities flourish in the area.

The functional structure of the Olympic Movement rests upon firm a financial base which is reflected in its capability of generating bulk of revenues after each session of the Olympic competition. The established financial position of the Olympic Movement has been the product of its sound media (Telecasting & Broadcasting) and sponsorship policies and

these two areas are the principal sources of the revenue for the IOC. Different sources of media including print and electronic mediums and sponsorship have been serving as the two constant sources of inflow of revenue enabling the movement to maintain its financial autonomy and to extend financial support for the promotion of sport and development of the infrastructure in its member nations. For the prompt organization and hosting the games and for the promotion of sport, the IOC has been distributing ninety percent of the total revenue of the Olympic Games among the different stake-holders of the Olympic Movement throughout the world whereas the remaining ten percent of the revenue is retained by the IOC for the running of the administrative and managerial expenses of the organization.

At present, sport has become an established avenue for safe investment. The mega-sporting events like Olympic Games, European Games, Asian Games, Pan-American Games and World Cup Foot Ball etc have become very much significant on account of the fact that they serve as an im-

portant source of the inflow of foreign exchange because in the present scenario, each and every aspect of the sport has been commercialized. Realizing the chance of certain inflow of revenue to the area, politicians, economists and sport authorities jointly put forth their combined endeavour to host any mega sport event. *"Since Los Angeles, the financial investment in Olympic Games has increased dramatically"* NASH R. and JOHNSTONE S. (1998). Let us have a look at the volume of the revenue paid by the National Broadcasting Company (NBC) to the International Olympic Committee. According to the International Olympic Committee's Olympic Marketing Fact File, the NBC has paid \$1.18 billion to the IOC for the US broadcast rights to the 2012 London Olympic Games.

Let us have a look at the figures of the last thirty two years reflecting increase in terms of the volume of the competing nations, competitors and events.

Table-1. Showing overall increase in the figures associated with the Olympic Games:

Games	Nations	Athletes	Sports	Events
1984	140	6797	23	221
1988	159	8465	25	237
1992	169	9367	28	257
1996	197	10 320	26	271
2000	199	10 651	28	300
2004	202	10625	28	301
2008	204	10942	28	302
2012	204	10768	26	302
2016	205	11544	28	306

Source: INTERNATIONAL OLYMPIC COMMITTEE. IOC Annual Report. IOC, Lausanne, 2001.

Table-2: Showing Broadcast Revenue History of the Olympics during last 36 years

Olympic Games	Broadcast Revenue (US\$)
Los Angeles 1984	286.9 million
Seoul 1988	402.6 million
Barcelona 1992	636.1 million
Atlanta 1996	898.3 million
Sydney 2000	1,331.6 million
Athens 2004	1,494 million
Beijing 2008	1,737 million
London 2012	2569 million
Rio de Janeiro 2016	2868 million

Retrieved at <https://www.statista.com/statistics/265030/summer-olympics-broadcasting-revenue/> dated 14-08-2018 **Olympic Marketing Fact File, 2009**

Table-3. Games Broadcasting charges for the NBC from 1988-2020

Year	Games	Location	Hours of Coverage	Right Fees (\$ millions)
1988	Summer	Seoul, South Korea	179.5	300
1992	Summer	Barcelona, Spain	161	401
1996	Summer	Atlanta, United States	171	456
2000	Summer	Sydney, Australia	442	715
2002	Winter	Salt Lake City, United States	375.5	555
2004	Summer	Athens, Greece	1,210	793
2006	Winter	Turin, Italy	416	613
2008	Summer	Beijing, China	3,600	894
2010	Winter	Vancouver, Canada	835	820
2012	Summer	London, England	5,535	1,200
2014	Winter	Sochi, Russia	N/A	775
2016	Summer	Rio de Janeiro	4500	1,226
2018	Winter	Pyeongchang, South Korea	N/A	963
2020	Summer	Tokyo, Japan	N/A	1,418

Source: Data Published by NBC London 2012 Media Guide Retrieved from: http://www.hbs.edu/faculty/Publication%20Files/14-028_99a0100c-7dcc-4fc4-bf29-6c0bd2f5561d.pdf on September 26, 2014.

8. Revenue Management of the Olympic Games

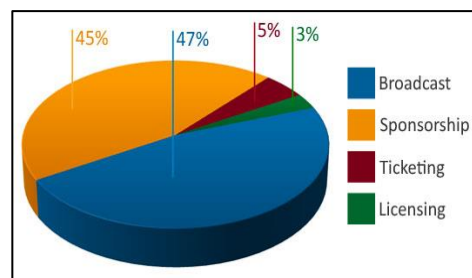
Hosting the Olympic Games opens new avenues for boosting construction and labour business, tourism, hoteling industry, transportation and communication related aspects of investment particularly in the host city. It provides an opportunity for safe investment in these areas. Once the games are allotted to a city, the entire responsibility of the conduct of games rests upon the host city and the Organizing Committee of the Olympic Games of the respective country. In light of the charter of the IOC, *"The IOC shall have no financial responsibility whatsoever with reference to the conduct of the games."* IOC Olympic Charter: Rule 40 (2015).

In addition to other advantages, financial advantages have been one of the main attractions motivating different cities for tough contest in connection with hosting the games. There are various revenue generation resources associated with the conduct of games that serve as a fountain of financial inflow to the Olympic Movement. At present, the sale of the telecasting rights of the games is the chief source of revenue followed by sponsorship, ticketing

and licensing etc. The possible shares of the main revenue generation sources are shown below.

Showing different financial resources of the Olympic Games

Figure-1
Olympic Revenue Sources - Source Preuss (2004)



<https://www.olympic.org/ioc-financing-revenue-sources-distribution>

9. Broadcasting of the Olympic Games

Berlin Olympic 1936 has the distinction for having been live telecast for the first time in the history of the Olympic Games (Leni Riefenstahl, 1989). Live action telecasting of the Olympic events has been playing significant role in popularizing and communicating the games throughout the world. From the business point of view, media coverage has made the arena of the Olympic Games as one of the world's most prestigious rather universal platform for advertising the dif-

ferent products in the global market. That is why the world's leading companies and manufacturers have been giving tough time to one another in terms of having share in sponsoring the games.

Table-4:
Showing Sponsorship Revenue of the different Olympic Games in US\$

Year	City	Revenue in Millions
1996	Atlanta	426
2000	Sydney	492
2004	Athens	302
2008	Beijing	1,218
2012	London	1150
2016	Rio de Janeiro	848

Technically speaking, sponsorship is the two-way contract wherein interest of both the parties is served and looked after by one another. At the Olympic arena, sponsors are granted the marketing opportunities whereas in response they are assigned the responsibility to extend support to the Olympic Movement in the shape of financial assistance, provision of various services and technological assistance for the prompt conduct of the games. Entire range of Olympic activities is supported by the sponsors. The role of properly organized and well-

managed sponsorship has always been vital in generating revenue for the prompt conduct of the games. Generally sponsors contribute in the conduct and organization of the games in terms of offering services in various fields. In addition to that, sponsors also extend their support for the training, coaching and development of the participants from the under-developed and developing countries. It is the result of the effective sponsorship programme that has broadened the volume of the games. With the expansion of the games in terms of competitors, spectators and media coverage, its value and worth has increased considerably. *"The games were not universal before the sponsors came to support them; only the rich countries could participate. Now more funds are available to the teams from developing countries"* Jacques Rogge, President IOC.

Table-5:
Showing Ticketing Revenue in US\$ from different Olympic Games

Year	Revenue
1993-1996	45 million
1997-2000	625 million
2001-2004	411 million
2005-2008	274 million
2009-2012	1238 million
2013-2016	527 million

6. CONCLUSIONS

In perspectives of the Olympics, how much investment is involved; how to invest; where to invest; how much return is expected; let us have a look at the table below reflecting hosting cost and benefit/loss of the last five summer Olympics.

Table-6:
Showing hosting cost and benefit/loss of the last five summer Olympics since 2000 to 2016

Summer Olympics	Year	Spending Cost in Billions US \$	Benefit in Billions US \$	Source
Sydney	2000	6.926	2.2	Preuss (2004)
Athens	2004	13.800	€130.6 Million	Tagaris (2014), Fowler and Meichtry (2008)
Beijing	2008	45.000	3.6	Preuss (2004)
London	2012	11.401 (Estimated)	5.2	BBC (2012b)
Rio de Janerio	2016	11.100 (Estimated)	Debts \$159 Million	Leme (2015)

The evaluated literature has revealed that hosting a mega sport event like Olympic Games has very positive impact upon the reputation, organization, management and economic boost of the host city and the country at large. Staging global sport event is not an easy assignment; it requires huge financial investment in terms of establishment and development of the required sports and general infrastructure, communication and accommodation facilities etc. In this whole process, economic activities get underway creating job opportunities in the hoteling, transportation, infrastructure development, facilities

construction and management of the sport field.

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