

# Olympic Games Host City Marketing: An Exploration of Expectations and Outcomes

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## Abstract

Bidding for the right to host the Summer or Winter Olympic Games has frequently led host-city organizing committees to suggest the Games bring about marketing enhancements, such as global media attention, community infrastructure investments, attractive sponsor spending, and the promise of long-term imagery enhancements for tourism purposes and community pride. These proposed benefits, in the absence of difficult-to-predict (or measure) metrics, help many proponents embrace the Olympic Movement and push to propose hosting the Olympics.

Past Olympiads have shown, however, that an organizing committee for the Olympic Games (OCOG's) may enter the bidding process thinking almost exclusively about economic impact and city imagery and less about the value of sport or the Olympics. This study attempts to review the various organizations involved in the host city Olympic bidding process and correlate investments and actual performance. Note: Since both Sydney and Salt Lake Olympic games were less than three years ago, documen-

tation for economic performance continues to show financial variances in the literature.

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## Introduction

Does bidding for the privilege of hosting the Olympic Games make strong marketing sense for a city or country? And what exactly constitutes marketing sense? Is it a desire by government officials or an organizing committee to stimulate global awareness of their nominated city, foster local infrastructure investments, stimulate regional economic growth, or bring about long-term imagery enhancements for tourism purposes and nationalistic pride? Or is it fueled by a desire to further the goals of the Olympic Movement?

Former IOC president Juan Antonio Samaranch suggested in 1993, "Marketing has become an increasingly important issue for all of us in the Olympic Movement. The revenue derived from television sponsorship and fundraising help to provide the movement with its financial independence" (Brown, 2000, pp. 74). If that remains the IOC's position, cities bidding to host the Olympics must surely allow for a sympathetic and philanthropic commitment to further the goals of

a sport organization based in Switzerland that answers to no governing body but itself.

Bidding cities should also note what Foy (2002) called "an expensive extravaganza, where sporting events cost less than the pomp and pageantry" (pp. 7D). In fact, Salt Lake Olympic chief Mitt Romney questioned whether United States cities should enter bids to host the Olympics since the Games were increasingly driven by "giganticism" due to the inclusion of new sports, demonstration sports, and added frills. Romney was quoted as saying, "It's a fair question to ask, 'Is it worth it or not?' My own position is that the Games make sense, not as a money-making enterprise, but as a statement for peace" (Foy, 2002, pp. 7D).

Romney made these comments based on seeing IOC hotel tabs for \$1.358 million, chauffeur-driven cars for \$322,201, and \$640,050 for Olympic family benefits. The 2002 Salt Lake ceremonies (opening, closing, medal, and other) were reported to have cost \$37.6 million (Foy, 2002).

Additionally, the formal process, as it relates to the selection process mandated by the International Olympic Committee (IOC), is highly politicized; publicly scrutinized by the world's media; certain to involve thousands of local, state, regional, and national government officials; and guaranteed to initiate expenses never projected. Preuss (2000) suggests that marketing and financing the Games is "a controversial subject" and "staging this

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mega-event bears a financial risk for all hosts" (pp. 14).

Brown (2000) suggests tourism organizations and host-city organizing committees must employ a marketing approach that asks, "What business are we in?" and recognize that "there is a new dynamic in terms of the increasingly important relationship among Olympic organizing committees, destination marketing organizations, sponsors, and the media" (pp. 88). The Australian Auditor-General, two years after the Sydney 2000 Games were concluded, went so far as to note in the *Report to Australia's Parliament (Vol. Two)*, "There is no one, simple answer" to the question of "What did the Games cost?" There are, however, at least two critical issues: "How to *measure* the costs and what is the *scope* of items to be included" (pp. 3).

### Measuring Olympic Impact

But can the marketing costs and value derived from hosting the Games be measured in a finite fashion like construction or manpower? Ludwig and Karabetos (1999) wrote of sponsors needing to establish objectives and evaluation processes in order to set criteria and establish targeted values. The results of their study suggest four aspects to be taken into consideration "when determining the success of sponsorship: a) hospitality opportunities, b) sales, c) media coverage, and d) image and public perception" (pp. 11).

Likewise, it would seem logical that cities bidding for the Games (or those selected as host cities) would establish very early in the preparations process the appropriate quantifiable objectives for measuring success and acknowledge the differences between serving community stakeholders and the IOC's Olympic Movement.

### Host City Rationale

For many years, Winter Games host cities were selected on the strength of well-known ski resorts that simply desired tourism and cus-

tomer traffic (Preuss, 2000). In the 21<sup>st</sup> century, however, cities (and in some cases, cities representing national governments) now bid to host the Olympics for a variety of reasons, including the desire to promote nationalistic pride, the willingness to host a media event, the chance to re-start an ailing economy through urban development, the opportunity to build a modern sport infrastructure, and as a catalyst to generate increased tourism

awareness around the world, and, at the same time, add depth and dimension to 'brand Australia'" (pp. 188).

This desire to create a global image of Australia was drawn from research that showed people thought favorably about Australia but traditionally only as place with beaches and cute animals. The objective of the ATC was to use the Olympics to change that perception (Chalip, 2000).

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through image enhancement (Brown, 2000; Toohey & Veal, 2000). In fact, much has been written about Australia's use of the Olympics to fuel national tourism before, during, and after the 2000 Sydney Games. Brown (2000) noted that Australia's tourism industry was "hailed by the IOC Director of Marketing as a model for other host countries, offering a legacy for the Olympic Movement" and that "no other national tourist office has taken advantage of hosting the Games to the same level" (pp. 88).

Chalip's (2000) interview with Maggie White, Business Manager Olympic Games for the Australian Tourist Commission (ATC) revealed that prior to Sydney, little research had been conducted on Olympic Games tourism. However, starting in 1995, more than five years before the staging of the Sydney 2000 Olympics, the "ATC management decided that a dedicated business unit, to focus on the Olympics, was required" (pp. 188) and that a strategic plan would guide their efforts.

This core operating plan covered publicity, advertising, information servicing, and the establishment of numerous liaisons with the travel industry (Chalip, 2000). Further, White commented, "That's how we saw the Olympics. They [were] an opportunity to accelerate Australia's

More recently, Hyman (2002) suggested New York City as the favorite to defeat San Francisco for the right to host the 2012 Games (to be held July 27–August 12, 2012), because of sentiment connected to the September 11, 2001 terrorism tragedy that destroyed New York's World Trade Center and created a new image of New York. New York's Deputy Mayor Dan Doctoroff reinforced this suggestion by noting that New York would show the world its "courage, resiliency, and patriotism" (Hyman, 2002). Doctoroff also suggested New York wouldn't be marketed as "an American City" because the NYC2012 committee would depict it as "the world's second home" and use more than 320 local ethnic organizations to promote New York's bid in other countries (Hiestand, 2002).

Whether the 9/11 sentiment or the global marketing approach served as the deciding factor, the United States Olympic Committee (USOC) ultimately selected New York as the sole American candidate for 2012 when its 123-member USOC Board of Directors met November 2, 2002 in Colorado Springs, CO (Associated Press, 2002a).

The IOC's decision for 2012, which will be made in 2005, is expected to pit New York against potential host-city candidates such

as Moscow, Abuja (Nigeria), Budapest, Cairo, Havana, Istanbul, Johannesburg, London, Paris, Rome, Stockholm, Tel Aviv, Toronto, Warsaw, one city from Brazil (Rio de Janeiro or Sao Paulo), Germany (Duesseldorf, Frankfurt, Stuttgart, Hamburg or Leipzig), and India, and Spain's Madrid or Seville (GamesBids.com 2002).

## Financial Implications of the Olympic Games

Regardless of who wins the 2012 vote, the costs of bidding for and staging the Games will be high. Cities simply interested in bidding for the right to host the 2010 Winter Games were required to invest \$100,000 just to apply to the IOC for the pre-candidature phase. The IOC's stated purpose was to cover the selection process costs and discourage cities that were not considered capable of actually hosting the Olympics but wanted free publicity for announcing a bid.

Eight cities applied and posted the \$100,000 application fee. Those cities included: Andorra La Vella, Andorra; Bern, Switzerland; Harbin, China; Jaca, Spain; Pyeongchang, South Korea; Salzburg, Austria; Sarajevo, Bosnia-Herzegovina; and Vancouver, Canada. In late August 2002, the IOC cut the list to four by selecting Vancouver, Salzburg, Bern, and Pyeongchang. Those cities were required to submit an additional \$500,000 as part of the selection procedure (Wilson, 2002).

It should be noted, the short-list selection of Bern and Pyeongchang took place despite pointed criticism in the IOC's report in the area of facilities development. Bern was thought to "not best respond to the needs of the athletes and could create significant organizational difficulties." Pyeongchang featured problems at the Yongpyong resort (Wilson, 2002). Given the IOC's report and the resultant negative publicity worldwide, Bern dropped out less than a month later. The winning site will be chosen July 2, 2003 in Prague during the IOC's

115<sup>th</sup> general assembly (Gamesbids.com, 2002; Wilson, 2002).

In the case of the 2012 Games, New York and San Francisco were required to make a public financial guarantee of at least \$100 million and sign agreements indemnifying the USOC and IOC from any financial shortfalls or exposure (Gamesbids.com, 2002). Prior to New York City's selection, NYC officials estimated that, if selected, New York would develop a construction and operating budget in the vicinity of \$5 billion (Associated Press, 2002a) with a bidding process likely to cost \$13 million (Hiestand, 2002).

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From a marketing standpoint, the NYC2012 bid committee had previously indicated that hosting the Games would create a "\$1 billion donation to the city's infrastructure and economy" and produce new recreation facilities in New York's five boroughs (Collins, 2001). Two days after New York's selection, the *New York Times* editorialized the "New York proposal won the domestic contest in large part because it is grand, inventive, and appealing, promising accommodations that are world-class for athletes and spectators. Once those people are gone, the city would benefit from the new buildings, sports facilities, and mass-transit service left behind" (2002, pp. A24). Additional context, albeit involving another city, was supplied by Cameron (2002) who noted, "venue and infrastructure construction for the Beijing 2008 Olympics would cost \$30 billion," since 17 of 37 Olympic venues needed to be "built from scratch."

Proponents of the bid process traditionally have spoken of the global media visibility for the host city and country, massive influxes

of tourism and convention dollars, the creation of new stadiums, arenas, hotels, and dormitories (to house athletes), and urban regeneration. Preuss (2000) noted that selection by the IOC might encourage construction enhancements, increase a city's perceived popularity, reinforce positive or attractive images, create jobs, and increase individual income. But a city's suitability for hosting the Olympics may hinge on truly grasping the fiscal commitment needed for the Olympics and the magnitude to which these investments fit the city's urban development plans.

Furthermore, the possibility of staging the Olympics also creates an incentive for a city to approve or finance building projects that might otherwise never have been attempted (traditionally due to political reasons). However, only those cities that already contain existing infrastructure and operational budgets will be able to manage the challenge. Logically, this diminishes the likelihood of the IOC's voters selecting cities from threshold or developing countries (Preuss, 2000).

Those citizens or media members who oppose the idea of bidding to host the Games generally note issues such as increased taxation, construction inconveniences, increased retail prices for city services, and displacement of socioeconomic groups, such as the poor or homeless (Preuss, 2000). Invariably, as Steinbreder (1999) pointed out, every Games faces problems never imagined during the bidding process, including terrorism or bomb detonations (Munich, 1972; Atlanta 1996), country or government boycotts (Montreal, 1976; Moscow, 1980; Los Angeles, 1984; Seoul, 1988), ambush marketing (Atlanta, 1996), weather problems (Calgary 1988; Nagano, 1998), and suggestions of financial or bidding process impropriety (Sydney, 2000; Salt Lake City 2002).

Chappelet (2001) noted bidding cities must also recognize that fluctuations in exchange rates can serve

as either a threat or an opportunity, because seven years will pass from the point the city is selected to the staging of the Games. Additionally, as CNN's Grant Holloway (2001) demonstrated, the creation of stadiums is attractive during the period when the Games are approaching, but Olympic venues can turn into ghost towns. A \$400 million stadium, such as Sydney's Olympic Stadium, can soon be labeled a "white elephant of mammoth proportions" if the community cannot cost-efficiently use the facility after the Olympic circus leaves town.

In Sydney's case, Woodward (2001) wrote that the New South Wales (NSW) government was pushed to announce plans for a \$15.3 million redevelopment of Sydney's Olympic Park, the site for the majority of the Sydney Olympic competition venues. For NSW taxpayers, this redevelopment investment would be added to the \$91 million overage that had not been projected when Sydney won the bid in 1993. Similarly, the *New York Times* editorial following New York's selection as a 2012 bid city, indicated newly constructed "large stadiums tend to deaden, not enliven, surrounding neighborhoods" (2002, pp. A24).

Cost overruns, large operating budgets, and construction timetables are additional thorny marketing issues for host cities. In the case of Athens, the site for the 2004 Summer Games, the world's media has repeatedly suggested the Greek government was far behind in its preparations to host the world's Olympic athletes and spectators. Logically, this was not the type of media coverage the Greeks envisioned when they won the 2004 bid in 1997.

Preuss (2000) identifies the risks an organizing committee faces by noting five arguments of Olympic opponents. They are:

The host city may run up too many debts

Money spent on the Olympics could have been used for

more sensible projects, such as health care or education

The Olympics benefit prosperous citizens and create disadvantages for the poor

The Olympic Games only bring short-term job opportunities

The Games may create a rise in the cost of living that does not decline after the Games are concluded

But Preuss (2000) counters some of these concerns by noting that funds flowing into a community because of sponsors and broadcasters would never have existed without the Games. In this sense, the marketing of the host city allows for investment by outside parties.

and forced the city's taxpayers into a pattern of financial recovery for the next 25 years. In addition, the stadium built to host the Games' Opening Ceremonies was later called dysfunctional and Montreal's government officials (for the city and province of Quebec) were labeled fiscally incompetent (Robson, 1999).

Fotheringham (1999), citing Nick Auf der Maur's 1976 book, *The Billion-Dollar Game: Jean Drapeau and the 1976 Olympics*, suggested that flawed economic practices of various Olympic Games can be traced to the fiscal mismanagement of the Montreal Games. There, Montreal Mayor Jean Drapeau, along with City Hall official Gerry Snyder and Canadian diplomat Roger Rousseau, set in motion a

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**One of the biggest financial winners of the Salt Lake Games was not the city or state but General Electric's NBC Sports, who reported a \$75 million profit from ad sales.**

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### Marketing Ramifications of Olympic Bids

Host the Olympics correctly—an achievement often attributed to the 1984 Los Angeles and the 1994 Lillehammer Games—and the media, working freely as one of the host city's marketing arms, will write and speak of profits and legacies left in the form of new city sports venues and community improvements (e.g., LAX airport, Stadium Australia). In Los Angeles' case, since many of the venues already existed and were simply rented (the L.A. Coliseum, Rose Bowl, etc.), the organizers were specifically remembered for not having left the city with "white elephant" structures.

Get it wrong—the Montreal 1976 Olympics is frequently held up as the clearest example—and a city may never recover from the debt and derision it incurs. Montreal's losses (associated with building facilities and transportation systems for the 1976 Summer Olympics) reached \$1 billion in unpaid bills (Marbach, Lambert, & Huck, 1981)

plan to host the Games that they suggested would cost only \$124 million. Hiring architect Roger Talibert, who had never designed structures for Canada's harsh climate, and handing out construction contracts without review, the Montreal organizers ultimately reached \$1 billion in costs, some of which included infrastructure costs (e.g., subway stations at Olympic Park).

Wickens (1996) has suggested that the Montreal Games cost \$2.4 billion, with more than \$1 billion paid in interest charges and, as of 1996—20 years after the Olympics—Montreal's citizens still owed more than \$425 million.

Media scrutiny of costs or mistakes, however, is not always possible, depending on the freedoms provided to the attendant media. Four years after Montreal, the Soviet Union hosted the 1980 Moscow Games and reportedly spent \$9 billion on facilities and an athlete's village (Marbach, Lambert and Huck, 1981). The Russian government, however, absorbed those costs with

little, if any, media scrutiny. The same inability to investigate costs may exist at some level for the Beijing Olympics of 2008, since China, like Russia in 1980, is a communist country and can impose media restrictions.

Montreal's debacle prompted the citizens of Los Angeles to force the organizers of the 1984 Summer Olympics to create a private funding plan. Led by sports entrepreneur Peter Ueberroth, the L.A. Olympic Organizing Committee (LAOOC) utilized a strategy of "less is more." Instead of signing up hundreds of sponsors paying fees in the range of \$50,000 (there were almost 400 for the Lake Placid Olympics, see Table 4), Ueberroth limited the number of sponsors to less than 50 and charged them \$5 million–\$10 million each. Ueberroth's private funding model aided the public's perception that the Games had been privately financed and introduced the image-enhancing concept of protecting the local population from cost overruns associated with a sporting event (Marbach, Lambert and Huck, 1981).

Similarly in 1992, Bruce Baird, Australia's minister in charge of Sydney's bid, initially announced that if Sydney won the bid, the New South Wales (NSW) Treasury could expect to earn approximately AUS \$100 million. His projection suggested the Games would cost AUS \$1.4 billion (approximately U.S. \$700 million) to stage but produce income of AUS \$1.5 billion. Less than a week later, he changed his cost projection to \$1.6 billion with a profit of \$26 million, estimates that only covered SOCOG spending and not government-funded investments in facilities or infrastructure (Harris, 2000).

Eight years later, Sydney hosted the Olympics and gross spending on the Games exceeded AUS \$6.5 billion (approximately U.S. \$3.24 billion) with AUS \$3.025 billion spent on venues and infrastructure and AUS \$3.459 billion on event-related efforts (Auditor-General's 2002 Report to Parliament, Volume

Two) of which Harris (2000) reported AUS \$6 billion was incurred by the NSW government.

SOCOG was projected to have spent AUS \$2.7 billion, and the Olympic Coordination Authority (OCA) spent roughly AUS \$2.4 billion, with the Australian premier reporting the Treasury's net deficit as exceeding AUS \$1.5 billion (Harris, 2000). By 2002, however, IOC representatives suggested that the 2000 Sydney Games' operating expenditures totaled AUS \$2.015 billion and the end result was a breakeven proposition for the Aus-

tralian groups involved (April 8, 2002 Internet response from the IOC's Martin Benson).

Indeed, on April 11, 2002 the Associated Press released findings from the Auditor-General's 2002 Report to Parliament, Volume Two suggesting the OCA found net costs for the Games to the NSW Government were AUS \$1.326 billion with an additional AUS \$101.8 million for existing full-time employees who were reallocated to the Games. The AP story indicated that the OCA assessed the NSW government a total of AUS \$665 million

**Table 1**  
*The General Cost of Recent Olympic Games*

City (Year)	Bid Cost	Games Cost	Results
Barcelona (1992)	\$10 million	\$10.7 billion	* See notes below
Albertville (1992)	\$2–3 million	\$2 billion	(\$57 million loss)
Lillehammer (1994)	\$3 million	\$1.6 billion	\$40–50 million profit
Atlanta (1996)	\$7 million	\$1.7 billion	Broke even
Nagano (1998)	\$11 million	\$14 billion	\$28 million profit for OC (\$11 billion debt to var. gov't groups)
Sydney (2000)	\$12.6 million	\$3.24 billion	Broke even
Salt Lake (2002)	\$7.0 million	\$1.3 billion	\$100 million profit

**Notes:** The 1992 Olympics in Barcelona generated a \$3 million profit for the Olympic organizing committee but left \$6.1 billion in debt for government and public entities. The Spanish government assumed \$4 billion in debt and the city/provincial government carried the additional \$2.1 billion.

The cost of the Barcelona Games can be broken out as follows: Olympic organizing committee, \$1.4 billion; Spanish government, provincial government, city of Barcelona, and private investors for Olympic-related projects such as roads, airports, sports facilities, \$9.3 billion. Of that \$9.3 billion, private investment provided \$3.2 billion, with public money providing \$6.1 billion.

The dollar values for Sydney are approximations, converting Australian dollars to U.S. dollars at \$0.50 rate.

Source (1992–1998): *Sports Business Journal*, October 25–31, 1999, Burton (2002).

Source (2000): IOC, Auditor-General's 2002 Report to Australian Parliament, Vol. Two, Burton (2002).

Source (2002): Associated Press (2002c); Boeck (2002); Repanshek (1995), Burton (2002).

(Associated Press, 2002a). Of the AUS \$1.326 billion reported as net cost to the NSW government, the variance from the 1998 OCA net cost estimate of AUS \$1.237 billion was AUS \$89.2 million more than projected and was due to higher operating costs, particularly in technology and ticketing areas, the inclusion of new sports for the Games, a foreign exchange gain, and increased costs to other agencies (Auditor-General's 2002 Report to Parliament, Volume Two).

While government officials could not say that the average Australian wouldn't see increased taxes or local usage fees, officials did suggest that Australia would see benefits from the Olympics starting in 1994, which would continue through the year 2006. Ultimately, officials suggested there was close to AUS \$9 billion in economic benefits such as tourism, construction, and new job creation (Harris, 2000).

But Graham Matthews, a former chief economic forecaster at the Australian Federal Treasury said in September 2000, "While having the Olympics may [have made] us feel warm and fuzzy and wonderful, in cold hard terms it's actually hard in international experience to determine that there has been a positive, lasting impact on tourism from having that brief burst of exposure. There may be some productivity impact, but it is hard to see how it could be statistically significant" (Mitchell, 2000).

This thinking has been covered by Preuss (2000, pp. 255) who wrote that OCOGs ultimately seek to generate a surplus (by avoiding a deficit) and increase prestige. If true, "warm and fuzzy" without a deficit and with the creation of functional, cost-efficient infrastructures would be considered a win for a host city. Such thinking almost assuredly assumes that the design of Olympic facilities will provide long-term use for the community and sustainable business revenue as tourist attractions, training sites, or as operational venues for athletic

competition after the Games are gone. Poorly conceived structures that must be destroyed, redeveloped, or that largely stand empty surely lessen the longer-term marketing values intended.

As shown in Table 1, the cost of the Olympic Games during the last 21 years has been significant and the results for the organizing committee varied.

In reviewing the 2002 Salt Lake

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**By Sydney, broadcast rights fees represented 51% of all IOC and SOCOG revenue generation and 33% of SOCOG's total budget.**

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City Games, the privately financed Salt Lake Olympic Committee (SLOC) was thought to have generated a profit of \$100 million (Boeck, 2002) and that, through 2009, Utah businesses would reap an estimated economic benefit of \$3.5 billion (Fisher, 2002). In addition, approximately \$76.5 million would go to the Utah Athletic Foundation to help maintain mountain venues created for the Games (ski jumping, bobsled, luge, and skeleton), since a \$40 million endowment was previously built into the SLOC budget.

In separate donations, \$10 million in unused Federal funds were expected to be returned to the U.S. government and \$6 million would go to Olympic legacy projects in Salt Lake City for venues such as a 10,000-seat outdoor amphitheater. Finally, \$10 million was expected to go to the U.S. Olympic Committee for athlete training and development (Michaelis, 2002; *Associated Press*, 2002c).

The IOC's Michael Payne reported 2.1 billion viewers in 160 countries consumed more than 13 billion television viewing hours. Additionally, an estimated 70,000 people visited Salt Lake per day during the 2002 Games and purchased more than 1.525 million Olympic Games tickets, or 95% of

the available total (IOC: Salt Lake 2002 Marketing Report).

By some accounting standards, it made Salt Lake only the third Olympiad ever, joining the 1984 L.A. Games—a reported \$225 million (Boeck, 2002)—and the 1994 Lillehammer Games—\$40–50 million—to finish in the black. The 1996 Atlanta Games, tarnished with an image of over-commercialization despite \$1.7 billion in costs, were considered to have broken even or, at best, delivered less than \$10 million after paying off all bills (Fisher, 2002).

### **Funding Issues**

Not every entity associated with the Olympics turns a profit or emerges unscathed. Staging the Olympics is very big business with notable risks and rewards. Since the Games vary by geographic location, government(s) involved, and economic conditions, it is difficult to create equality-based comparisons.

In America, where the Games must be privately financed (meaning little Federal government support), city leaders, organizing committees, and private industry are required to fully understand the numerous economic ramifications of seeking to host the Olympic Games. Sometimes, as when discussing the economics of the Salt Lake Games, the costs are labeled private, but significant public funding exists. Bartlett and Steele (2001) detailed \$1.5 billion of U.S. taxpayer dollars spent in Utah for the purchase of land, road construction, sewers, parking lots, housing, transportation (buses), fencing, a light rail system, airport improvements, food and infectious disease monitors, security, testing programs, recycling, a weather forecasting system, and the planting of new trees. They compared the Federal government's investment between 1980 and 2002 and found the following (see Table 2).

While the \$1.5 billion amount identified for the Salt Lake Games is significant, SLOC President Romney

**Table 2**  
**U.S. Federal Spending for U.S.-Based Olympiads**

City	Year	Amount Spent
Lake Placid	1980	\$174 million
Los Angeles	1984	\$75 million
Atlanta	1996	\$610 million
Salt Lake	2002	\$1.5 billion

**Note:** Amounts adjusted for inflation  
Source: Sports Illustrated, December 10, 2001

suggested Bartlett and Steele's numbers were "completely off" and the total taxpayer amount was closer to \$350 million. At issue then (and for Olympic organizers in the future) is which governmental accounting system is used, which construction projects would have occurred normally, whether the Olympics were hosted or not, and which projects were enlarged, enhanced, or prioritized due to the Olympics.

Olympic bids are possibly accelerated due to the existence of two key stakeholders: international sponsors and broadcast networks. Preuss (2002, pp. 83) found that awareness for a selected city is significantly increased, but that awareness (a quantitative measure) must be distinguished from image (a qualitative measure) because image can be both positive and negative. What follows is a discussion of the two of primary drivers for the development of bid city image: sponsors/corporate partners and broadcasters.

### Olympic Sponsors

No discussion of Olympic marketing is complete without a review of the major underwriters for the Games: the broadcasters, sponsors, and corporate partners.

While many consumers are aware that corporate sponsors pay for the right to use the IOC's interlocking five rings, the Olympic Games are the only major sporting event in the world to forbid any

form of advertising or commercial message within the Olympic venues or on athletes' clothing or equipment (other than manufacturer's marks such as Nike, Adidas, etc.).

Still, as McDaniel (2002) noted, "given that sport marketing is as much about buying and selling audiences as it is about ticket sales, understanding the nature of sports viewers is an important" (pp. 117) part of the sport management literature and particularly relevant for sponsors.

This holds since sponsors aggressively activate Olympic investments by purchasing local media (outdoor billboards, television, radio, and print), hotel rooms, ground transportation, and catering; hiring local employees to facilitate hospitality; producing brand merchandising activities; and renting office space. These investments are intended for an audience that is encouraged to discuss sport performance (Shoham & Kahle, 1996), particularly sport as global and aware of patriotism as the Olympics.

The IOC's *Salt Lake 2002 Marketing Report* indicated that 10 TOP V partners contributed \$131.5 million to a total Olympic marketing revenue of \$1.39 billion, with another \$443 million coming from broadcast revenue and \$217 million from ticketing, licensing, and coin revenue. Of that total, more than \$130 million reportedly went to the Salt Lake Organizing Committee (SLOC) in financial and value-in-kind support, the most ever for a Winter Olympiad (IOC, 2002).

However, when critics and the media report that the Games are over-commercialized, the IOC provides the following material (see Table 3).

During the past 30 years the IOC has also attempted to ensure that global broadcasts of competition events are shown free of charge and no overlay of commercial messages or images, other than for timing and results providers (e.g., Seiko), is allowed. That makes sponsorship of the IOC and the actual games via the organizing committee (e.g., the Atlanta Committee for the Olympic Games, or ACOG), a country's Olympic committee (USOC), or a particular national governing body (U.S. Skiing and Snowboarding) a difficult investment to measure.

In the early 2000s, TOP sponsorships with the IOC cost \$40–60 million, and for sophisticated marketers like Coke and Visa it meant they might also spend two to three times that amount *activating* their sponsorship investment if they wanted to be clearly seen. Activation is defined as the incremental (e.g., non-rights fee) production and placement costs incurred by a sponsor to present their sponsorship to consumers (Burton, Quester & Farrelly, 1998). Traditional costs include fees paid to create advertising, point-of-purchase materials, consumer promotions, brand packaging, travel and entertainment, vendor or customer hospitality, product sampling, and sales staff incentive contests.

**Table 3**  
**Sponsorship Presence at Selected U.S. Olympic Games**

	1980 Lake Placid	1996 Atlanta	2002 Salt Lake
Local Partners	231	111	53
Licensees	165	125	69
Total Local Partners	396	236	122
Sponsorship Revenue	\$30 million	\$633 million	\$840 million
Licensing Revenue	\$ 2 million	\$ 91 million	\$ 25 million
Total Partner Revenue	\$32 million	\$724 million	\$865 million

Source: IOC (2002), Marketing Matters, No. 20, February.

In fact, it has long been reported that, for the 1996 Olympics in Coke's home town of Atlanta, the beverage giant spent \$500 million on the Olympics (more than ten times their sponsorship fee) in order to keep cola rival Pepsi from purchasing any "guerilla marketing" opportunities that could confuse consumers. Some went so far as to call the Atlanta Olympics the "Coca-Cola Games" (Brown, 2000, pp. 75). Guerilla marketing, sometimes known as "ambushing," is where a non-sponsor creates advertising that plays off the images of the property (e.g., the Olympics) although they hold no rights to logos or events (Meenaghan, 1994).

In Atlanta, where Reebok was an official sponsor of the Games, Nike's presence on billboards utilizing Olympic athletes (e.g., sprinter Michael Johnson) and at promotional events at retail outlets caused many spectators to believe Nike was an official sponsor. This confusion suggests that Reebok's investment was diminished.

In light of Atlanta's inability to curtail ambushing, the IOC moved aggressively with all future organizing committees to build stronger protection devices for itself and organizing committee sponsors. As such, claims of ambushing were greatly reduced for the Sydney and Salt Lake Games. Nonetheless, shrewd advertisers created marketing platforms that took advantage of the Games, such as airline Qantas, which launched its "Athletes Still Call Australia Home" campaign in July 1997. The ads kept the Qantas brand relevant despite active spending by Games partner Ansett (Brown, 2000).

For the Salt Lake City 2002 Olympics, 32 sponsors held official relationships with the Games. Another 32 companies, including Campbell's Soup, General Mills, Kellogg's, Kimberly-Clark, Marriott, Pfizer, PowerBar, Sears, Roebuck and Co., Sun Microsystems, and Union Pacific Railroad, were listed as Salt Lake 2002 suppliers (2002, IOC Salt Lake 2002 Marketing

**Table 4**

**Official Partners/Sponsors for the 2002 Salt Lake Olympic Games**

TOP IOC Partners	Salt Lake 2002 Partners	Salt Lake 2002 Sponsors
Coca-Cola	AT&T	AllState
John Hancock	Bank of America	Blue Cross/Blue Shield
Kodak	Budweiser	Delta
McDonald's	Havoline	Gateway
Matsushita/Panasonic	General Motors	Hallmark
Samsung	Qwest	Jetset Sports
SchlumbergerSema		Lucent Technologies
Sports Illustrated		Marker
Visa		monster.com
Xerox		NuSkin Pharmanex
		Office Depot
		Seiko
		Sensormatic
		The Home Depot
		Utah Power
		York

Source: IOC (2002), Marketing Matters, No. 20, February

Report). The TOP partners and OPUS sponsors are divided into three primary groups and shown in Table 4.

Massive infusions of financial support and *value-in-kind* (corporate products or services) provided by sponsors are significant. The IOC, which generated more than \$12 billion in sponsorship between 1980 and 2000, shares 93% of its income with national Olympic committees (as of 2002 there were 199), international sport federations, and host city organizing committees (Woodward, 2001).

IOC commercial activities also make it possible to provide athlete services, such as travel grants, accommodations, and media facilities. According to the IOC (2000a), the Sydney 2000 Games were the first to provide travel grants (U.S. \$25 million), free accommodations for all athletes and officials (U.S. \$20 million), and state-of-the-art broadcast and press facilities (U.S. \$300 million).

### Olympic Broadcasting

Broadcasting, the electronic image distributor, delivers impressions of a host city or country to millions of viewers. Interestingly, one of the biggest financial winners of the Salt Lake Games was not the

city or state but General Electric's NBC Sports, which reported a \$75 million profit from ad sales (Ackman, 2002). That gain offset broadcast rights fees of \$705 million (paid to the IOC) and, according to Horizon Media (2002) and industry sources, at least \$100 million in production and talent costs.

The value to Salt Lake emerged from the fact that NBC Sports no longer held broadcast rights to America's primary sports properties: the National Football League (NFL), National Basketball Association (NBA), or Major League Baseball (MLB). Consequently, NBC heavily promoted the Salt Lake Games. NBC, which also holds the broadcast rights for the 2004 (Athens, Greece), 2006 (Torino, Italy), and 2008 (Beijing, China) Olympiads, enjoyed a ratings increase of nearly 18% for Salt Lake compared against the ratings for the 1998 Nagano Olympics (Martzke, 2002).

However a key concern for NBC's revenue projection is knowing those next three Olympiads will likely require tape-delayed coverage since Athens represents a 7-hour delay (to America's populous East Coast), Torino a 6-hour delay, and Beijing a 12-hour delay (Martzke, 2002). Time delays generally mean taped replays of live

**Table 5**  
**Ratings and Rights Fees for the Winter Olympics**

Year	Location	Network	Rating	Rights Fee
1972	Sapporo, Japan	NBC	17.2	\$6.4MM
1976	Innsbruck, Austria	ABC	21.7	\$10.0MM
1980	Lake Placid, USA	ABC	23.8	\$15.5MM
1984	Sarajevo, Yugoslavia	ABC	18.4	\$91.5MM
1988	Calgary, Canada	ABC	19.3	\$309MM
1992	Albertville, France	CBS	18.7	\$243MM
1994	Lillehammer, Norway	CBS	27.8	\$300MM
1998	Nagano, Japan	CBS	16.3	\$375MM
2002	Salt Lake City, USA	NBC	19.2	\$545MM
2006	Torino, Italy	NBC	TBD	\$613MM

**Note:** One ratings point equals approximately 1% of U.S. television homes. That number was 105.5 million in 2002. Also, MorganStanley's (2002) analysis suggested the Salt Lake primetime and weekend household rating was 17.9 with an additional 1.2 for daytime and 0.7 for overnight.

Sources: Martzke, R. (2002) citing NBC and Nielsen Media Research; MorganStanley (2002).

**Table 6**  
**Ratings and Rights Fees for the Summer Olympics**

Year	Location	Network	Rating	Rights Fee
1972	Munich, Germany	ABC	25.0	\$12.8MM
1976	Montreal, Canada	ABC	24.8	\$25.0MM
1980	Moscow, USSR	NBC	DNA	\$95.5MM
1984	Los Angeles, USA	ABC	23.5	\$225MM
1988	Seoul, South Korea	NBC	17.5	\$305MM
1992	Barcelona, Spain	NBC	17.1	\$401MM
1996	Atlanta, USA	NBC	21.6	\$456MM
2000	Sydney, Australia	NBC	13.8	\$705MM
2004	Athens, Greece	NBC	TBD	\$793MM
2008	Beijing, China	NBC	TBD	\$894MM

**Note:** The 1980 Olympic Games in Moscow were not aired in the U.S. due to a U.S. boycott of the Soviet Union (host for the Olympics).

Sources: Horizon Media (2001) citing Nielsen Media Research

action and when that happened in Sydney (15 hours), NBC suffered its lowest rating for the Summer Olympics since 1968.

As noted in *MorganStanley's 2002 Programming Costs Analysis*, "ratings for the Olympics are dependent on the time zone, rather than the season, creating a problem for forecasting." Preuss also noted that cities such as Athens and Beijing must accept "constant or even lower revenues" for their rights fees projection due to inflation and the stability of the world's economy (pp. 109). In the largest Olympics deal ever, NBC paid \$3.5 billion

for five consecutive Olympiads beginning with the Sydney 2000 Games (Martzke, 2002), and the IOC gambled that inflation would not substantially cheapen the value of the Games for host cities in the last years of the contract.

As shown in Tables 5 and 6, the rights fees paid by U.S. networks to the IOC have grown significantly for the Olympic product, but the ratings, given the advent of cable television and the Internet, have been uneven.

As shown in Table 7, NBC (and its subsidiaries, CNBC and MSNBC) made the largest financial commit-

ment at \$545 million, but didn't televise the most hours. That honor was held by Japan (820 hours) and Germany (800), as both countries more than doubled the U.S. in their coverage of the Games.

Preuss (2002) showed conclusively that, between Munich (1972) and Atlanta (1996), the majority of OCOG revenues transferred from coins and lottery efforts to television rights and sponsoring agreements. During that time, television revenues were the largest source of income in Los Angeles (1984), Seoul (1988), and Atlanta (1996), with sponsorship the largest in Barcelona (1992). By Sydney, broadcast rights fees represented 51% of all IOC and SOCOG revenue generation (IOC, 2000b) and 33% of SOCOG's total budget (IOC, 2000c).

## Conclusion

It is possible to assume that organizers of Olympic bids will generally factor in the value of global media attention, infusion of infrastructure, sponsor investments, and the promise of long-term image benefits when proposing to host the Olympics. Given the costs, organizing committees (OCOGs) must believe the potential "upside" makes the bidding process worthwhile or they would not bid. But as has been shown in the past, not every city or country is selected or achieves a break-even position. Based on historical patterns, it appears difficult to justify hosting the Games solely on a financial ROI basis.

Staging the Olympics, with full accounting disclosures for all expenses, can provide organizations or individuals (e.g., the media, politicians, special interest groups, influential opinion leaders) ammunition to attack financial investments and infrastructure developments. Answering the question of whether the community was better off for having hosted the Olympics may remain a discussion driven more by qualitative observations than by quantitative facts.

**Table 7**  
**Projected Salt Lake Olympics Total Broadcast Coverage**

Country	Broadcaster	Coverage (hours)	Rights Fee
United States	NBC, CNBC, MSNBC	370	\$545MM
Europe	EBU	See note below*	\$120MM
Japan	Japan Pool (NHK)	820	\$37MM
Canada	CBC	250+	\$22MM
Australia	Seven Network (Seven)	80	\$11.75MM
Latin America	OTI	NA	\$1.25MM
Korea	Korea Pool (KP)	189	\$750,000
New Zealand	TVNZ	86	\$600,000
South Africa	Supersport International	546	\$400,000
Asia	ABU	NA	\$150,000

**Note:** Rights fees are in U.S. dollars.  
\* European coverage in hours: Pan Europe, 336; Germany, 800; U.K., 500; Switzerland, 730; Netherlands, 175; Denmark, 246; France, 176; Italy, 160; Czech Republic 280

Source: IOC (2002), Marketing Matters, No. 20, February.

For context purposes, it should be noted that, starting with the 1992 Barcelona Games, the IOC created Olympic Broadcasting, which is independent of any network and provides the international signal for all events (Preuss 2000). Olympic Broadcast Services was created in 2001, and a central IOC broadcast function has existed since the 1972 Munich Games.

Future research may want to attempt quantification of generic values, such as “global media attention” and “urban regeneration,” to see if these political phrases actually make the proposition for the bidding city economically viable. Research should also gauge the desire of various community stakeholders to forward a sport concept such as “The Olympic Movement” when socio-economic groups may struggle within the confines of the local municipality.

Finally, future research may wish to provide a greater understanding of the best quantifiable marketing objectives for bidding cities to employ. In doing so, research might more closely analyze the specific amounts spent on tangible assets (e.g., facilities), tourism, sponsor investments, government services, and the role of Olympic-themed merchandise bearing a city’s name. Marketing of the Olympics does not automatically mean a city or country will be efficient or sufficiently rewarded.

Additionally, while an organizing committee generally will not reap

financial benefits entitled to a broadcaster or sponsor/partner, they must understand critical marketing and management issues when submitting a host city bid. Time zone, time of year (winter vs. summer), number of likely sponsors involved, and political/governmental support will continue to play a significant role in the successful staging of these global mega-events.

Future research should continue the process of creating evaluative measurement devices that can be utilized at successive Olympiads so economic reporting of the Olympics, particularly in this millennium, is consistent. It may also serve bidding cities and host cities to completely familiarize the attendant media, which serves as a de facto marketing arm, with the intricacies of their specific accounting and economic analysis as a part of their marketing plan. Since some sports reporters lack a comprehensive fiscal/business background, it is possible for projections and financial reports to be misinterpreted. As Preuss (2000) noted, miscommunication of financial information eas-

ily diminishes a host city’s desired image.

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