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The Show that demystifies Economics
Sport Industry – part 3
Olympics ©

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Other than the Football World Cup, the major international events in sports are the Tour de France, the Champions League and of course the Olympic Games, which will be today's subject. The real increase in marketing the Olympic Games occurred after 1972, when Avery Brundage the fifth President of the International Olympic Committee retired. Prior to that date, the IOC was funded exclusively by its partner companies.

For this reason, during the first half of the 20th century the IOC operated on a very small budget. But Avery Brundage's retirement would change everything. While he was in power he refused to allow sponsorship or any commercial interests because he thought that in the long term this would corrupt the IOC, and athletes were obliged to maintain an "amateur" status. When he left, the IOC had 2 million in assets, but only a couple of years later this amount had increased to 45 million. The money came from commercial partnerships and television rights. In 1984, the Los Angeles Summer Olympics was the start of a new Olympic Era, when the new President, Peter Ueberroth, managed to generate a surplus of 225 million dollars, made possible by exclusive and expensive sponsorship rights. The television audience for the Los Angeles Olympics was an all-time record of 900 million people.

There is also a myth saying that all the Olympics since the 2000 Games in Sydney have suffered losses. This is partly true, as the Olympics in the summer of 2000 racked up a loss of 2.1 billion dollars. However, the 2002 Winter Games in Salt Lake City was actually profitable. This myth really came into existence after the 2004 summer Olympics in Athens which had an original budget of 9 billion dollars but the actual cost was 15 billion dollars- an enormous accumulated loss for a small country like Greece. According to some economists and banks the 2004 Olympic Games contributed to the current Greek debt crisis, and to make matters worse, 21 of the 22 venues have been abandoned and are now in a state of disrepair.

After this financial disaster came the most expensive Olympics - the 2008 Games in Beijing. As it was a strictly Chinese affair there is little information available about the costs, and whether the Games were profitable or not. According to the Russian newspaper, Pravda, the Games cost China 44 billion dollars including the city's new infrastructure, transport system and of course the sporting venues.

Finally, the London Games of 2012 were a huge success, pulled off with a 14-billion-dollar budget, and actual final cost of only 10 billion dollars according to Eurosport, that is. The taxpayers contributed nearly 4.5 billion dollars, but the public has reaped many benefits from the Games. London saw its tourist activity rocket with these Olympics and the final financial output is globally positive despite the cost, when taking into consideration the current austerity measures being implemented in the UK.

As for the 2006 Winter Olympics in Torino, it was not a profitable venture but did not make a significant loss. The Vancouver Winter Games in 2010 were profitable, earning nearly 1 billion dollars for the city, while the latest Winter Games in Sochi, Russia are estimated to have cost between 40 and 52 billion dollars, making it the most expensive games in history, ahead of Beijing.

The next summer games will be in Rio de Janeiro next year. Many sources predict that it will not be profitable as Brazil is going through extremely tough economic times. Tomorrow, we will look at the major global sponsors such as McDonald's and Coca Cola.