The 2008 Olympic Games in Beijing will be one of the seminal moments of the first decade of the twenty-first century: China’s dramatic entry into the global economy. The event has come to symbolise China’s historic transformation from communist past to capitalist future. But, says Michael Payne, Beijing is also the proof of another no less impressive renaissance – the transformation of the Olympic Games itself.
For China, the 2008 Beijing Olympics marks a turning point. At a cost of $40 billion the Chinese Government will have transformed the nation’s capital. The new stadium will be the most visible sign of a huge capital investment programme in China’s sporting, transportation and economic infrastructure. No expense will be spared. After decades of isolation, the Chinese leadership sees the Games as a key instrument of change, both symbolic and economic. Hosting the world’s greatest sporting spectacle is a unique opportunity to reshape perceptions and accelerate cultural and economic development.

Over 10,500 athletes from 202 nations will be present. More than 20,000 media representatives will attend. More journalists will visit China during the 17 days of the Olympics than visited the country in the previous 100 years. The financial figures are equally impressive. By the time the 2008 Games are officially declared open, companies supporting China’s Olympic effort will have invested more than $2 billion in the event and many more billions globally in advertising and promotional campaigns connected to the Olympics. Two hundred broadcasters from around the world will have paid around $2.5 billion to the International Olympic Committee (IOC) for the exclusive broadcasting rights.

The 2008 Beijing Olympic Games will make history. It will usher in a new era in global commerce and relations. China’s economic renaissance and desire to host the Games has quite rightly attracted huge media attention. But another remarkable transformation story will also be celebrated on the Beijing stage: the renaissance of the Olympic Movement itself.

The Olympic renaissance

Over the last 25 years, the Olympic Games has undergone a dramatic reversal of fortune. And yet, until now, the story has remained largely untold. It is the story of one of the greatest turnarounds of all time, a story of how a nearly bankrupt organisation, effectively written off by most commentators, quietly developed a strategy to use broadcast rights and sponsorship of the Olympic image to create a unique corporate marketing platform – and secure the future of one of the world’s iconic institutions.

The IOC has come to manage the Olympic Games like a franchise, with the IOC as the franchisor, and the local organising 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. This strategy has not only revived the financial health of the Olympic Movement, but has also proved to cities the value of bidding for the world’s greatest event.

If the Olympic renaissance has borrowed from corporate brand management, it has also expanded that discipline, adding new insights and lessons. The Olympic story tracks the overall evolution of the sports marketing industry, which has seen
The Olympic Movement is now a hugely successful enterprise – yet one which remains true to its sporting ideals. It has succeeded by negotiating an honourable alliance with business.

How was this transformation achieved and what lessons does it have for other organisations? I was fortunate enough to witness much of it first hand. There are, I believe, eight key lessons from the Olympic turnaround. Together they provide a new marketing framework for sports franchises as well as broader lessons in leadership and management.

First, you need a leader who is prepared to get out front and set the pace and the agenda. Second, you have to realise that without financial independence you will always be vulnerable to political pressure, therefore the starting line is the bottom-line. The third lesson is that the future can only be secured by striking deals that you can live with. The fourth lesson is the corollary to the third, once the deal is made you have to follow through by protecting the brand promise through a ruthless policy of zero tolerance towards anyone who tries to abuse it. Fifth, you must hold the torch aloft: no matter what, you must preserve the legacy entrusted to you.

The sixth lesson is perhaps the hardest of all to grasp, and most easily misunderstood. In the real world, as we all know, issues are not always black and white, but you cannot abdicate responsibility. When the decisions get tough you must roll up your sleeves and manage the grey areas. The seventh lesson is something I call having fast reflexes – using a crisis as a catalyst for change. Finally, the Olympic Games is more than a brand; it is a cause. It unites people in aspiration and endeavour. From the athletes to the billions of spectators watching on TV; to the CEOs of the sponsor companies; and the politicians and the officials of national Olympic committees – all have a stake in the Olympic brand. All have an aspirational connection. Many brands are built on the lowest common denominator principle. But a great brand like the Olympics is built on the highest common denominator.

The IOC has come to manage the Olympic Games like a franchise.

generated $850 million in sponsorship, with single sponsors paying up to $70 million – far more than the total amount generated at the Winter Olympics at Lake Placid in 1980 from 200 corporations.

The 2004 Games was broadcast to a global audience of 4 billion people – making it the largest media event in the world. Nine of the most famous cities in the world originally announced their ambition to host the 2012 Games – Istanbul, Havana, Leipzig, London, Madrid, Moscow, New York, Paris, and Rio de Janeiro.

Rekindling the fire

Yet, by the time of the 2000 Sydney Games and the 2002 Salt Lake City Winter Games the Olympic brand had regained its exalted position as the most prized event in the sporting and cultural calendar. Financial support flooded in. Salt Lake City
to forget, for example, that early on Samaranch refused to sell European TV rights to Rupert Murdoch because reaching a larger audience through terrestrial channels was integral to the Olympic spirit. In doing so, the IOC accepted an offer which was $600 million less than that of News Corporation.

This underlines a crucial part of the strategy. As a spectacle the Games are for everyone, not just a privileged few. Access and inclusiveness are vital to its stature as the world’s pre-eminent sporting event. Samaranch understood the special attributes of the Olympic franchise.

And Samaranch was patient. The Olympic movement works to long-term plans. It is not driven by quarterly results. At the same time, clarifying what constitutes success for the Olympics is an important element in its resurrection. The key measures of the Olympics’ success are whether the Games is still the ultimate prize for athletes; whether it is true to its values, philosophy and brand; and the size of the broadcast audience (as the unequivocal test of the public’s interest)

Soon after taking over the Presidency, Samaranch identified the priorities for building a solid foundation for the IOC. They were three-fold. First, he made it clear that the IOC needed to stand on its own two feet financially. Given the IOC’s parlous financial state there could be little debate about the need for it to become self-sufficient.

In his first letter to IOC members after election, Samaranch wrote, with typical understatement, that “the financing of the IOC is a matter of some urgency”. For the next two decades Samaranch devoted all his considerable energies to building a solid financial base for the Olympic Movement, so that cities would want to, and could afford to host the Olympic Games, and National Olympic Committees (NOCs) could afford to make their own decisions, and not be solely subject to the financial whims of their governments.

The second element of Samaranch’s turnaround strategy was to take control of the agenda. He would use his honed diplomatic skills to depoliticise the agenda, so that the term boycott could be banished from the Olympic lexicon and the Olympic cancer cured.

When he took over, the Olympic Movement was a political football in the Cold War. It was powerless in the face of politically motivated boycotts. Samaranch set out to change this by creating a dialogue with influential people. His idea was to avoid problems by anticipating and engaging with issues early rather than attempting desperately to solve them at the last minute. No longer would the IOC trail behind politicians and others whose short-term focus meant they were only interested in tomorrow’s newspaper headlines. Instead, the IOC would run its own race – with its own strategy. Samaranch invested time and energy in developing relationships with the world’s political rulers. The Olympics became a force to be reckoned with.

The third element in Samaranch’s recovery strategy was unity. The entire Olympic Movement faced a crisis, he explained, and it was only by working together than we could get out of it. In this simple plea lay the insight that the Olympic brand is bigger than any one person or group. Received wisdom says that consensus can most easily be built on the lowest common denominator, but the Olympic Movement exemplifies the
agency International Sports & Leisure (ISL) in Lucerne, Switzerland. I was the first executive to move from West Nally to Dassler’s new agency – recruited to manage a totally new programme – a programme to develop a marketing strategy and sponsorship programme for the IOC. The programme operated under the secret code name, “TOP” – which stood for nothing originally but eventually became “The Olympic Partners”. The idea of the TOP Programme was blissfully simple: to bundle all the rights together – the IOC, the Winter Olympic Games, the Summer Olympic Games and the then 156 National Olympic Committees – into a single four-year exclusive marketing package, offering companies one stop shopping for their global Olympic involvement. The TOP Programme has become a showcase for the development of local marketing programmes developed by each Organising Committee, with similar increases in revenues – increasing from $56.5 million at Lake Placid to over $850 million for Salt Lake City. The programme now attracts the support of many of the world’s leading blue chip organisations including Coca-Cola, Kodak, McDonald’s, Swatch, Visa and Samsung. TOP represents a marketing strategy that, over time, has come to provide companies with a unique platform to fast track their development, enhance their brand, and motivate their employees. David D’Alessandro, chairman and CEO of the insurance group John Hancock described the Olympic Games as “the biggest marketing opportunity on earth.” The IOC left nothing to chance. The decision to hold the negotiations at its base in Lausanne was a deliberate attempt to get the networks off their home turf. This, the IOC hoped, would cut the umbilical cord connecting the bidders with their New York head offices. Crucially, the negotiators were isolated from financial executives in New York who might have tried to limit an escalation in bidding. ABC’s Roone Arledge likened the process to “placing three scorpions fighting in a bottle, and when it is all over, two will be dead and the winner will be exhausted”. After more than 11 hours of bids and counter bids, ABC won in the sixth round. There was only one scorpion. But the sting was in the tail. The ABC winning bid of $309 million was a $217.5 million increase over what it paid for the Sarajevo rights – a 337 per cent hike. It was the most money ever paid for a single event – sports or otherwise – in the history of television. The bidding frenzy surrounding Calgary was a critical point in the Olympic turnaround. From ABC’s perspective it was disastrous. ABC eventually 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 and to return to the Olympic rights market as an active bidder. The lesson stayed with us. The Olympic franchise is built on the Olympic values. It can only be sustained though carefully managed and long-term relationships. Deals have to be mutually beneficial. Financial success is important, but so, too, must be the financial success of your business partners. There is an obvious tension between the idealistic and commercial principles which resonate with modern Olympic philosophy and the need to finance the world’s largest athletic and media event. More

2. The starting line is the bottom-line Samaranch was clear that the Olympic Movement had no future unless it could break its political obligations and become financially independent. This financial imperative led to the creation of what became the most successful global marketing programme in the world. In 1980, I was a young executive at West Nally, one of the first event management agencies. Three years later, Horst Dassler, the head of Adidas France and one of the founders of West Nally, set up a new business. This financial imperative led to the creation of what became the most successful global marketing programme in the world. 

3. Only do deals you can live with If establishing TOP sounds easy, it was anything but. Maintaining the values and ethical principles of the Olympics, and not selling out to the God of Mammon is a fine balancing act. A key point was the negotiations for the US broadcast rights for the 1988 Winter Olympics in Calgary, Canada. These took place in January 1984. Negotiating teams from the three US TV networks, ABC, NBC, and CBS, gathered at the 120-year old Palace Hotel on the shores of Lake Geneva. These were the first US broadcast negotiations of the Samaranch Presidency and Samaranch had decided it was time for the IOC to take direct control of the bidding procedure. IOC Executive Board Member, Dick Pound led the process. “The biggest marketing opportunity on earth.”

→ opposite. It is a cause that appeals to our aspirations, a brand that appeals to our highest instincts, one built on the highest common denominator.

→ Spring 2005 Reinventing the rings

→ Business Strategy Review

→ Pipeline Publishing Company Limited

→ 1 The Olympic Partners

→ 2. The starting line is the bottom-line

→ 3. Only do deals you can live with

→ Business Strategy Review

→ Pipeline Publishing Company Limited

→ Spring 2005 Reinventing the rings
and more Olympic observers admit that this tension is no longer a conflictual one, but rather a dynamic balance where the identity of the Olympics as embodying a special set of values does a sort of delicate dance with commercial entities eager to use that identity to sell products.

4. Zero tolerance – “sorry” doesn’t work

Greater clarity about what matters for the Olympics has been matched by greater assertiveness about what the commercial success of the Games depends on. Defending its rights, its image and what it stands for is central to the Olympic turnaround. Exclusivity is key. Sponsors need to know that 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.

If the IOC had sat back, and taken the easy option, turning a blind eye to the occasional borderline promotion or partner presence marketing indiscretion, the marketplace would have rapidly been cluttered and sponsorship fees would have stagnated at 1980 levels.

The Olympic Games allows no stadium advertising. The Olympic brand – the five rings logo that is the most widely recognised image in the world – is always the star. Official sponsors follow strict rules. Ambush marketing is stamped on – hard. 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 left side of the chest. This was a technical breach of TOP sponsor McDonald’s exclusive rights. A team of seamstresses was quickly brought in to sew new patches on.

Such single mindedness has paid dividends in building and sustaining Olympic value.

5. Hold the torch aloft

It is not enough, though, to simply protect the Olympic brand unless that brand is truly cherished. The Olympic heritage is the IOC’s greatest asset and that should never be forgotten.

The Olympic Movement is headquartered in Lausanne, Switzerland. In the centre of the town overlooking Lake Geneva, is a museum dedicated to the Olympic Spirit. It is a permanent reminder of what the Olympic brand really stands for. A legacy of the Samaranch era, it was built in 1994 and houses a wealth of Olympic memorabilia, much of it donated by former Olympic athletes.

To the uninitiated it looks like a curious assortment of vintage sports clothes and outdated equipment. But to the Olympic aficionado – and that’s most of us in some way or other – it is an Aladdin’s Cave. Here, for example, are the very shoes that Jesse Owens wore when he won the gold medal for the long jump in front of Hitler at the Berlin Games of 1936. Here, too, are the medals that have been produced for every Games of the modern era. An entire wall is dedicated to a collection of stamps issued by countries around the world to commemorate and celebrate the Olympiads. The museum also houses an archive of some of the most memorable sports footage ever filmed – from American swimmer Mark Spitz winning seven gold medals at Munich in 1972 to British rower Steve Redgrave capturing his fifth gold medal in Sydney.

When you enter the Olympic Museum, you are instantly reminded of the magic of the Olympic spirit. Prominently displayed to the right of the main entrance is an area dedicated to the Olympic torches that have illuminated the Games down through the years. This is no accident. The Olympic torch relay more than perhaps any other symbol signifies what the Games is all about. Yet, this link with the ancient Games is actually a relatively recent addition to the Olympic pageant. It is a ritual imbued with mystical power – a classic piece of theatre.

In 1936, a young Greek athlete Konstanin Kondulis became the first ever runner in the history of the torch relay. Some 3075 runners relayed the torch every kilometre through seven countries to bring the flame to Berlin. For the Helsinki Games in 1952, as the torch was relayed across the Antarctic circle it was joined by the fire from the North kindled by a lens which polarised the midnight sun. In Tokyo in 1964, the last leg of the relay was run by the Hiroshima Baby – a child born on the same day as the atomic bomb was dropped on Hiroshima. The Games transcends all.

The 2004 torch relay included a number of community heroes, further emphasising how the Olympic ideal touches all our lives. In marketing terms, the Olympic torch is a magic wand for the Olympic Games.

While most organisations do not have such a powerful symbol to develop, they do have a heritage – no matter how short. Managing this heritage and making people – internally and externally – aware of its importance is crucial to creating a sense of belonging in the organisation; a sense of meaning among other stakeholders; and a sense of permanence and magic in the brand.

6. Manage the grey areas

There are two aspects to this element in the turnaround. First, is the simple fact that you cannot nail down every detail of a long-term relationship in a contract. There will always be grey areas. You have to be prepared to deal with the inevitable issues these create as and when they emerge. Flexibility is essential if you are to build long-
term relationships. At times, it comes down less to what the contract says but whether an action enhances and supports the Olympic brand and strengthens the partnership for the future.

The second grey area is that the Olympic brand will always attract people with their own agenda. For example, it is simply unrealistic to imagine that the Beijing Games will not bring its own ethical challenges, not least an entire grey market in Olympic merchandising. Burying your head in the sand is not a viable strategy. The long-term protection of the Olympic brand requires its custodians to engage with the grey areas.

There are times, not often but occasionally, when it is necessary to bend the rules. The key to this is recognising that rules are not the same as principles. Rules can be bent, but you must never break the fundamental Olympic principles.

In Atlanta, one athlete’s underhanded advertising message came close to costing her country its first ever gold medal. Claudia Poll, from Costa Rica won the women’s 200 metre freestyle event. The flag of Costa Rica looks remarkably like the logo of Pepsi Cola – a red, white and blue wave. Everyone thought that Poll was swimming with a head cap proudly bearing the national flag. But close examination of press photographs revealed that the cap was an advertisement for Pepsi.

Costa Rica was in uproar claiming that Coca-Cola had brought the matter to the IOC’s attention, and that because of Coke, Costa Rica would now lose its gold medal. Coke knew nothing about the issue, until the IOC began investigating, and was torn between, on the one hand, wanting the IOC to come down hard on such a blatant case of ambush marketing, and on the other not taking the rap in Costa Rica and seeing its market share collapse through an incident that it had nothing to do with.

In the end, after a formal apology from the Costa Rican Olympic Committee, it was decided, that in view of the fact that this was the country’s first ever medal, the IOC would not press for the ultimate sanction. Ms. Poll was not allowed to compete again wearing similar headgear, but was allowed to keep her medal. Any athlete foolish enough to flout this rule in future may not be so lucky.

7. Fast reflexes – using a crisis as a catalyst

Crises happen. It is the mark of an organisation’s management and leadership as to how it responds. It is the mark of its resilience as to how it emerges from the crisis.

In the Olympic turnaround the clearest example of this is the scandal that engulfed the IOC in late 1998. This concerned questionable behaviour during the bidding process that led to the selection of Salt Lake City to host the 2002 Winter Games. On 24 November 1998, a local radio station in Salt Lake City reported that the daughter of an IOC member, Rene Essomba from Cameroon, had received a scholarship to attend university in Washington. It soon became evident that this was part of a wider scheme aimed at family and friends of IOC members hoping to persuade them to vote for Salt Lake City.

Samaranch immediately recognised the potential gravity of the situation. He instructed the IOC Judicial Commission and the IOC Director General Francois Carrard to begin an investigation. On 11 December, a formal enquiry was announced, prompting a media scrum. Did the recent revelations mean the IOC would withdraw the Games from Salt Lake? Was this the first time the IOC had heard of bidding indiscretions? What action would the IOC take against the members implicated? Would investigations be launched into other cities?

The story was rapidly passed from the sports journalists to mainstream investigative journalists. Members of the Salt Lake Olympic Committee were freely acknowledging that they had broken the rules. Allegations of wrongdoing were so counter to the promise of the Olympic ideals that the scandal had the potential, if not quickly brought under control, to dismantle the global community’s trust in them. No trust – no brand. The media soon identified the real risk to the IOC – sponsors jumping ship.

With sponsors increasingly jittery, we embarked on a whistle stop tour to reassure partners. The message was simple. The IOC understood the extreme seriousness of the issue; the IOC leadership was committed to getting to the bottom of the matter, and would take whatever measures were necessary to restore confidence in the Olympic ideal. Most partners were highly supportive. Paul Allaire, chairman and CEO of Xerox, gave some of the best advice. Acknowledging that every company and organisation goes through a crisis, the challenge, and the true test of leadership, he said, was whether you could use the situation as a catalyst for reform and change. If you did, a lot of good could come out of the crisis.

Amid calls for his resignation, Samaranch set about doing just that. At a special session of the IOC on 17th March 1999 in Lausanne, he dropped his usual diplomatic guard. “It is my firm conviction that unless we act quickly, decisively and unanimously at this extra ordinary session, the damage which may be done to the Olympic Movement and to the IOC as a result of the recent disclosures will be very, very serious,” he said.

“Make no mistake... it is our IOC that is now on trial.” At the recommendation of the IOC’s Ad Hoc Inquiry Commission, six members were expelled from the IOC.
Some might have stopped there, but Samaranch understood that it was not enough to simply draw a line. It was essential to reform the IOC to prevent further crises. He proceeded to address his proposals for reform. The IOC would need a special Ethics Commission. He proposed a Commission including members of impeccable standing and reputation from outside the Olympic Movement. Samaranch also proposed that a special commission, known as the IOC 2000 Commission, be established with the mandate to study just how the IOC should reform, adapt and modernise itself for the new millennium. The crisis was used to totally reform the IOC – pushing through changes that under normal circumstances would have taken decades in under six months. These actions not only saved the IOC from the immediate crisis, they also ensured its long-term credibility.

8. Appeal to the highest common denominator
This brings us to the final Olympic turnaround lesson. When times are tough it is tempting to compromise standards, to forget founding principles. The Olympic turnaround, however, was built around cherishing the Olympic principles and bringing them into the lives of more people. It was founded on the highest common denominator rather than surrendering wildly to the needs of short-term commercialism.

Easily missed amid the more colourful Olympic relics in the Olympic Museum in Lausanne is a glass case containing a piece of yellowed parchment. It is an extract from a manuscript written by Baron Pierre de Coubertin, the founding father of the modern Olympic Movement. Dated 1895, the year when the Games were first reinstated, it sets out the three objectives of the International Olympic Committee. These are: “To celebrate the Games regularly. To make this celebration ever more worthy of its glorious past and in keeping with the lofty ideals that inspired those who restored it. And, to instigate and organise all events and in general take all measures, to ensure that modern athletics develops in the desirable manner.”

The IOC has been guided by those words. They illuminated the way. They clearly set out a progressive view, a need to always move forward, to ensure the continuity of the Games and increase its stature. They provide a moral compass that has helped the IOC navigate. The IOC was not seduced, for example, by the higher offers from private broadcasters. The Olympics are open to all, and the IOC elected to keep the broadcast on free to air broadcast, so as to ensure that everyone in the world can afford to watch, and that economic access was not a barrier to following the Games. The Olympic stadiums and athlete bibs were kept free of any form of advertising, and tobacco and spirits sponsorship prohibited.

The Olympic Games has come a very long way in a relatively short space of time – from the brink of extinction in 1980 to what is recognised today as the greatest sporting show on earth. What makes the Olympic turnaround the greatest ever, in my biased view, is that it was achieved without compromising the Olympic ideal.

The three pillars of the Olympic ideal are sport, culture and respect. The five Olympic values are: sportsmanship; education; exceeding one’s expectations; solidarity; and peace and happiness. These are the foundations upon which the Olympic franchise is based. They are immutable. They are the reason why athletes are prepared to dedicate years of their lives to pursuing the Olympic dream. And, we like them, are elevated by the spectacle of their endeavour as they strive to live up to the Olympic motto – “higher, faster, stronger”. That must never change.

Michael Payne worked for the Olympic Movement for over 21 years, and was involved in 15 Winter and Summer Olympic Games. In 1989 he became the IOC’s first ever marketing director and in 2003 the first director of global broadcast and media rights. Following the Athens Games, he stepped down from the IOC to take up a new role as special adviser to Formula One Management chairman and CEO Bernie Ecclestone.