

Free essay on olympics: critical analysis on its commercial viability

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Introduction

The modern Olympic Games began in 1896 (Anon., The modern Olympic games n. d.). It is a celebration of supreme sporting achievement. In this event, sportspersons aspire to win medals not only for themselves but also for their country. It is a successful sporting event and is becoming bigger in successive versions. A huge amount of funds is required to stage the event successfully. In this regard, the Olympics have to be a success not only from a sporting perspective but also from a commercial perspective for it to continue in the future.

Commercial Models

Here is an examination of the models that have helped the Olympics become a financially successful event.

Broadcast Partnerships

There are Olympic broadcast partnerships where the games receive contributions from broadcasters. This has been the single biggest source of revenue for the Olympics in the last thirty to forty years. The International Olympic Committee (IOC) manages broadcast partnerships. As an example, the revenue received from the sale of broadcast rights of the Olympics held in Sochi in 2014 was approximately US\$1. 26bn (IOC 2014). The rising value of TV rights and sponsorship has helped the IOC amass reserves of \$592 million that can serve as a buffer in case the games cannot be held at any time (Weir 2012). Broadcasting is a great source of revenue that is only set to increase as people watch events on TV and on the Internet, as well as on laptops and smart devices.

Sponsorship Programs

The Sponsorship programs play a key role in the promotion and financial security of the Olympics. They provide support in staging the Olympic Games and in providing financial support to athletes. The IOC has 11 global sponsors who pay \$957 million for worldwide rights to market their products in the games (Reuters 2012). During the London Olympics, athletes with medal winning potential in the Olympics or Paralympics were part of a World Class Performance Program sponsored by UK Sport's National Lottery (UK Sport 2014). This leads to better performances, resulting in higher viewership, and generating more revenue.

Private Public Partnership

The Olympic Games has also met with success through the use of a commercial model where there was a partnership between the private and the public sector. In the Los Angeles Games held in 1984 (Poynter and MacRury 2009), the costs were undertaken largely by private sponsorship and corporate donations. The public sector took care of management and organization. It helped build up the image of the city, improve infrastructure, and generate revenue in terms of tourism and ticket sales. On the other hand, the private sector took advantage of the event by using it as an opportunity to promote their products and services through branding, place marketing, and advertising.

These partnerships have helped make the Olympics commercially viable, and they also brought development in host countries.

Financial Modeling

Financial Modeling can be used to evaluate the financials of projects or programs. It can be used to determine the financial success of the Olympics. There are many financial models that can be used, depending on the need, audience, and goal. In this regard, the Cost Revenue Model and the Balance Sheet Analysis are used to evaluate the success of the Olympics from a financial aspect.

The Cost Revenue model is a simple way to check the costs incurred and the revenue earned and then checking the profitability. All costs incurred in staging the Olympic games and all of the money earned in terms of sponsorships, broadcast rights, ticket sales, and others are taken into account. The table below shows the revenue and costs of hosting the 2012 London Olympics (Rogers, 2012) -

Some reports say people are unhappy that the taxpayers' money is used for hosting the Olympics. Promises like affordable housing were made to people in the Olympic village and surrounding areas post the event. But this is not always implemented as land prices rose and few areas benefitted.

On the other hand, the Balance Sheet Analysis of the Seoul Olympic Organizing Committee (Anon., Official report 1989) will demonstrate how staging the Olympics will boost economic help in sports in the nation.

(Figures in million won)

The Seoul Olympic Organizing Committee contributed the 100, 000 million

won in 1988 and the 236, 000 million won in 1989 from the surplus earned in hosting the Olympics to the Seoul Olympic Sports Promotion Foundation in order to promote sports in the nation.

These models help us conclude that the Olympic Games are financially viable.

Entrepreneurship in the Olympics

Entrepreneurship means an individual creating or providing something that will create value for others, allowing him or her to in turn earn an income.

The Olympic Games have presented many opportunities for entrepreneurship to bloom.

ASK-TongFang, a technology company developed the tickets that could not be counterfeited for events in the Beijing Olympics. The tickets had computer chips embedded in them to reduce forgery and provide greater security. The tickets for the opening and closing ceremonies included a bar code with the bearer's name, identification number, and other personal details. The technology allowed the Organizing Committee to determine who was attending the event and where they were seated. Other companies used this technology to track products. This was a true entrepreneurial venture that came out of the need of the hour in that Olympics and that resulted in ASK-TongFang's innovative idea (Jana, Balfour and Schwindt 2008).

Microsoft Corporation also partnered with NBC to introduce Silverlight, an online video software, to viewers of the Beijing Olympics. About 40 million people watching 2200 hours of live Olympic footage on the NBC website were able to test the new technology, allowing them to watch many videos simultaneously. By showcasing it in the Olympics, Microsoft aimed to

develop a large user base as well as to form partnerships with other companies that provide programs with rich media (Dollinger, Xueling and Mooney 2009). Similarly, by teaming up with the United States' National Aeronautical and Space Administration (NASA), Speedo developed the Fastskin LZR suit that was used and tested by swimmers who competed in Beijing. As per the writer's analysis, entrepreneurship and innovation are not only influenced by the Olympics, but can also play a critical role in the development and preparation process.

The Olympics has presented many opportunities for companies and individuals to come up with innovative ideas, and in turn fostering an entrepreneurial spirit.

Conclusion

The Olympics is a great platform for sportspersons, but it needs to be financially profitable as well. In this regard, various partnership models ensure that it is commercially viable. Financial models that analyze data have also shown that it is a profitable event. The Olympics provides opportunities for entrepreneurship that results in innovative business ideas, adding value to sports, obtaining higher viewership, and resulting in more profits.

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