



The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search
<http://ageconsearch.umn.edu>
aesearch@umn.edu

Papers downloaded from AgEcon Search may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.

No endorsement of AgEcon Search or its fundraising activities by the author(s) of the following work or their employer(s) is intended or implied.

CHANGING OF THE BROADCASTING RIGHTS IN CONNECTION WITH THE WINTER OLYMPIC GAME IN SOCHI

Ferenc Várhegyi - Krisztina András

Corvinus University of Budapest, Faculty of Business Administration

Abstract: The authors examine how the broadcasting rights have changed relating to the International Olympic Committee's (IOC) changed media politics in the case of to the Winter Olympic Games in 2014. They present the market of the broadcasting rights and the changing of the incomes of the media rights fees. They are also examining the target of the IOC relating to the television market and exploring how it might impact the life of the broadcasting and public service media.

Keywords: IOC, market of broadcasting rights, broadcasting revenue, media politic, public service media, European Broadcasting Union, Business Economics of Sports

DOCUMENTS AND METHODS

The definition of the market of broadcasting rights is based on the following essay: Krisztina András (2004): The professional football market, Chapter of Management Science XXXV., PhD extra issue page 40-57.¹ The applied methods of analysis: content analysis and interview.

AUTHORS

Ferenc Várhegyi, Eurosport commentator, e-mail: fvarhegyi@eusp.hu

Krisztina Dr. András, Corvinus University of Budapest, e-mail: krisztina.andras@uni-corvinus.hu

MARKET OF THE BROADCASTING RIGHTS

We define the market of the broadcasting rights according to the definition of Krisztina András (2003).

The main media products of the Olympic movement are the broadcasting of the winter and summer Olympics and the summer youth Olympic Games (since 2000).

Similar the other big sport events, the main characteristic of Olympic Games is that it cannot be reproduced, therefore the live coverage has a huge importance. The live experience is the most important service of the television, which coincides with the viewer's demands. Because the Olympic Games are very popular, the Olympic sports themselves are very popular during the Olympic Games, which positively affects their media ability.

Chart 1. The market of the broadcasting rights

The product (barter object)	Opportunity of the broadcasting of a sport event or series
Main characteristic of the barter object	Cannot Reproduce
The main factors affecting to the product's value	<ul style="list-style-type: none">popularity of the given sportmedia ability of the given sport
Players of the market: <ul style="list-style-type: none">sellercustomerbroadcaster	<ul style="list-style-type: none">(derivatives) rights holderbroadcastersport agencies
The main factor influencing the market behaviour	Broadcasting fee

(Based on Chikán, 1995 by András, 2003)

Among the market players the IOC is the right holder of the Olympic Games' broadcasting rights (television, radio, mobile and the Internet). In this case the customer is the broadcaster, consequently the television which broadcasts the event. Between the seller and the consumer there are the sports and media agencies or any other television organisations as mediators. The main factor which influences the behaviour of the consumers and the broadcasters - in case of the Olympic Games too - is the right fees. Of course there are other factors too, for example the media politics of the right holder, the duration of the broadcasting rights, the type of the television (public service television, commercial television, sport television) and their programme- and market strategy as well.

VALUE AND TYPES OF THE BROADCASTING RIGHTS

The main value is the right of the live coverage of the event. The types of the broadcasting are: live, delayed, relive, VTR, summary. The television broadcasts are appearing on different platforms: television, PC, tablet, mobile.

THE DEMAND AND SUPPLY OF THE BROADCASTING RIGHTS

In case of a global interests (e.g.: Olympic Games) the right holder (the seller) is in a monopoly situation. The number of the potential buyers is high, but limited because small or local televisions cannot but only the national/public television or that television can be buyers who have a wide coverage in the country. The numbers of the broadcasters are limited, because there are only few television organisations or agencies who could buy high value broadcasting rights. That is the reason why it is very hard to get into the market of broadcasting rights as a buyer and is nearly impossible as a seller. The broadcasting rights are becoming exclusive and their prices are growing. The time-span of the broadcasting rights are generally between 3-7 years, and in case of the Olympic Games, 2 Olympic period.

CONNECTION OF THE OLYMPIC MOVEMENT AND THE TELEVISION

In the 20-21st century the connection of the IOC and the television has improved dynamically. The broadcasting of the Olympic Games in Berlin at 1936 was based on movie technology. In Hamburg, Leipzig, Munich and Nurnberg the viewers could follow the events in live. The first Olympic television broadcast was from 1948 in London. In the history of the Winter Olympic Games, Cortina d'Ampezzo (in 1956) had the first live coverage. The IOC got television rights first in 1960 at the Summer Olympic Games in Rome, making it the first "real" television Olympic in the context of economics. The next important technological milestone was the 1968 Olympic Games in Mexico City, the viewers

could watch the first colour broadcast. The IOC's and the television's common new era has begun in 1984 (Los Angeles and Sarajevo), which was the first to generate huge television popularity and high rights fee income for the IOC. Until the Olympic Games in Sydney the host broadcaster (who provides the television feed) was one of the televisions of the country which hosted the Olympic Games as well.

After 2000 came a huge turnaround, the IOC created its own television organisation, the Olympic Broadcasting Services (OBS), which provides the television feed and high level broadcasting options for other televisions which had purchased the broadcasting rights. This step meant to strengthen the Olympic brand and to create a monitored, high quality broadcasting. For the 2008 Beijing Olympic Games the OBS with the Olympic Games Organising Committee had created a joint venture, but later it managed the production of the broadcasting feed alone again. The Beijing Summer Olympic Games and the Vancouver Winter Olympic Games in 2010 were the first Olympics of which the viewers had HD quality broadcasts. The 2012 London Summer Olympic Games even had 3D broadcasts.

For decades the European Broadcasting Union (EBU) was the IOC's most important European television partner. The EBU is the common organisation of the European public service radio and television companies. The EBU was established in Geneva in 1950, the Union has 73 television-radio members in 56 Member States. The EBU is operating Eurovision and Euroradio. Their programme hit 650 million people by week. It promotes public values by informing, educating and entertaining. The core values are:

*"Universality - to reach everyone, everywhere
Independence - to be trusted programme makers
Excellence - to act with integrity and professionalism
Diversity - to take a pluralistic approach
Accountability - to listen to audiences and engage in meaningful debate
Innovation - to be a driving force for innovation and creativity"*²

The EBU operations include the purchasing and distribution of the sport broadcasting rights for its members. The EBU has the broadcasting rights for the 2018 and 2022 FIFA World Cup as well. Until the 2012 London Olympic Games the EBU persistently provided its members with the broadcasting rights to the Olympic Games too, but according to the IOC's new media politics the EBU cannot keep the Olympic broadcasting rights.

THE OLYMPICS AS TELEVISION SPORT BUSINESS

As the years go by, the IOC is getting more and more revenue from the broadcasting rights. Of the 2014 Sochi Winter Olympic Games the broadcasting rights fees have not been officially announced, but we know that the IOC is counting on a total of 4,1 billion USD revenue relating to the 2014 Winter and 2016 Summer Olympic Games.³

Chart 2. Revenue of Summer Olympic Games broadcasting rights

Olympic Summer Games	Number of Countries/Territories Broadcasting	Revenue of broadcasting rights (million \$)
1936 Berlin	1	
1948 London	1	
1952 Helsinki	2	
1956 Melbourne	1	
1960 Roma	21	1.2
1964 Tokyo	40	1.6
1968 Mexico	?	9.8
1972 Munich	98	17.8
1976 Montreal	124	34.9
1980 Moscow	111	88
1984 Los Angeles	156	296.9
1988 Seoul	160	402.6
1992 Barcelona	193	636.1
1996 Atlanta	214	898.3
2000 Sydney	220	1.331.6
2004 Athens	220	1.494
2008 Beijing	220	1.739
2012 London	220	2.569

Olympic Marketing Fact File 2014 22. p. 26. p.

Chart 3. Revenue of Winter Olympic Games broadcasting rights

Olympic Winter Games	Number of Countries/Territories Broadcasting	Revenue of broadcasting rights (million \$)
1956 Cortina d'Ampezzo	22	
1960 Squaw Valley	27	0.05
1964 Innsbruck	30	0.937
1968 Grenoble	32	2.6
1972 Sapporo	41	8.5
1976 Innsbruck	38	11.6
1980 Lake Placid	40	20.7
1984 Sarajevo	100	102.7
1988 Calgary	64	324.9
1992 Albertville	86	291.9
1994 Lillehammer	120	352.9
1998 Nagano	160	513.5
2002 Salt Lake City	160	738
2006 Torino	200	831
2010 Vancouver	220	1.279.5
2014 Sochi	220	?

Olympic Marketing Fact File 2014 22. p., 26. p.

Such growing of the revenue of the broadcasting rights is quiet outstanding, because it has by far exceeded the other incomes from the TOP sponsors, from license fees and the income from the ticket sales. The main financial source of

the IOC is the revenue of broadcasting rights. As the IOC is reinvesting the 90% of its revenue for the Olympic sports, it can be said that these incomes are significant for these sports.

Within the marketing incomes it makes sense to examine the regional distribution of the broadcasting rights' revenue. The world's different economic levels are reflected at the IOC broadcasting's revenue. The major purchaser is North America, Europe is traditionally also strong, but the IOC could get more income from Asia and Africa and other places too if the economy of these regions strengthens. This should be the new target of the expansion policy for the IOC besides the keeping of the old partners.

THE IOC MARKETING- AND MEDIA POLICY

„The IOC takes all necessary steps in order to ensure the fullest coverage by the different media and the widest possible audience in the world for the Olympic Games.” Rule 49, Olympic Charter

Televisions are natural partners in this project, because the Olympic Games have high television ratings which is a serious prestige for the television as well. At the Vancouver Winter Olympic Games in 2010 the total TV hours were 32000, via 240 TV channels and the Global Audience Reach was 1.8 billion person. The same figures for the Sochi Winter Olympic Games were the following: 48000 Total TV Hours, 464 Television Channels, 2.1 billion Global Audience Reach.⁴

The IOC has 8 basic marketing goals. Two of them are directly connected to our issue. The first is: *„To ensure the independent financial stability of the Olympic Movement, and thereby assist in the worldwide promotion of Olympism.”* The other is: *„To ensure that the Olympic Games can be experienced by the maximum number of people throughout the world principally via broadcast coverage.”*⁵

Some of the most important issues of the IOC broadcasting partners programme are to increase the Olympic Games' global television view count and to develop long term relations with the television organisations in order to ensure the broadcasting in every media platform, using the newest media technologies.

The EBU paid 0.7 million US dollar for the broadcasting rights of 1960 Summer Olympic Games to the IOC. In 2012 for the London Olympic Games the broadcasting rights fee was 786 million US dollars.⁶ This huge increase means that the IOC has gotten better and better at making full use of the popularity of the Olympic Games, and the EBU was ready to pay more and more for the broadcasting rights over the decades. At the beginning, mutual agreements were typical about the rights fees but from 2000 the IOC is calling for tender regarding the European broadcasting rights. In 2008 the EBU took part in the second tender for the broadcasting rights of the 2014 & 2016 Olympic Games.

The IOC was not hiding its goal to create a competition between the candidates of the market of the broadcasting rights and to get more revenue. The IOC at the calling for tender

Chart 4. Olympic Marketing Revenue (all figures in USD millions)

Source	1993-1996	1997-2000	2001-2004	2005-2008	2009-2012
Broadcast	1.251	1.845	2.232	2.570	3.850
TOP Programme	279	579	663	866	950
OGOC Domestic Sponsorship	534	655	796	1.555	1.838
Ticketing	451	625	411	274	1.838
Licencing	115	66	87	185	170
Total	2.630	3.770	4.189	5.450	8.046

Olympic Marketing Fact File 2014 6. p.

made it clear for the EBU members that the broadcasting rights' fee will highly increase in the future and the television content have to be accessible on every media platform. They also announced that the candidate who does not meet the terms of the tender will not get the broadcasting rights. The IOC explains the rise in the prices with the demand of the telecom and broadband networks.⁷

The IOC created broadcasting packages as well for the tender. These packages are the following:

1. Package: broadcasting of the open- and closing ceremony (These are the most popular Olympic events.)
2. Package: broadcasting of one sport event exclusively
3. Package: minimum 100 hours of live coverage of the Winter Olympics, minimum 200 hours of live coverage of the summer Olympic + broadcasting of one sport event exclusively
4. Package: broadcasting of the remaining events and sports
5. Package: 1 hour long highlights per day.⁸

In the end the EBU has lost the tender, which means that after long decades, the EBU members have to negotiate alone with new market participants and agencies for the broadcasting rights. One of these agencies was the Sportfive, which has the broadcasting rights for 40 European countries (including Hungary).

Eurosport - as an EBU member - has lost the tender as

well, which had 500 hours live broadcast of the Olympic Games in 54 countries previously. Eurosport had a high television rating of the broadcast of Olympic Games, but they could not reach an agreement with the competent agency because the rival televisions have wanted to get exclusivity in exchange for the purchase of the broadcasting rights.

„The new partners wanted to get exclusive broadcasting rights in country to country. These networks are not sports channels, so they can broadcast only some part of the Olympic Games because they have other obligations. As a result viewers will see way less Olympic Games”⁹ (Gábor Szabó from Eurosport)

The Eurosport as pan-European television, broadcasts in 54 countries and had broadcasted 500 hours live from the Winter Olympics. It would have gone against new rights holders' interests. The Olympic broadcasts were geo-coded because of the exclusivity of the broadcasting rights. For example a Hungarian cable television consumer could not reach the Olympic Games in the Austrian television. The broadcasting rights have included the internet rights as well, so it was applied to the internet broadcasts too. These changes caused serious market redistribution in the EBU members and between the Eurosport's viewers.

The Hungarian Television (MTVA, including M1, M2, and Duna TV channels) at last agreed with Sportfive about purchasing the broadcasting rights of the 2014 Sochi Winter

Chart 5. Broadcast Rights' Fees History (all figures in USD millions)

	North America (USA and Canada)	Central America, South America and Caribbean	Asia	Middle East/ Africa	Europe *	Oceania	Total
1998-2000	1.124	14.2	208	11.9	422.1	64.9	1.845.1
2002-2004	1.397.4	20.8	232.6	12.9	514	54,3	2.232
2006-2008	1.579	34	274	24.9	578.4	79,7	2.570
2010-2012	2.154	106	575	41	848	126	3.850

* North African territories and Central Asian territories are included as part of the EBU agreement

Olympic Marketing Fact File 2014 27. p.

Olympic Games. The Hungarian Television paid 420.000 euros and broadcasted 150 hours of the Olympic Games.¹⁰

The problem of the new system is that the European viewers did not get the usual amount of broadcast of the Olympic Games than before, when the EBU members and the Eurosport had broadcasted the Olympic Games. It is not yet known how it will influence the popularity of the sports and their business partners' behaviour.

SUMMARY

If the seller is in a monopolistic situation and the product has global television interests the seller will dictate all the rules. The IOC has an excellent sense for increasing the fees of the broadcasting rights and the television ratings show that the Olympic Games' popularity is growing as well. According to the figures the increasing competition between the bidders and the broadcasters (television organisations and agencies) helps the expansion of the Olympic Movement and supports the IOC and the Olympic sports' revenues. The IOC in economic aspects utilises very well the appearances of the new rivals of traditional national televisions and organisations (pay TV, telecom and internet suppliers) and gets more and more revenue. This fits the IOC's declared interests, the appearance on wide media platforms and the maximizing of revenue. Since from 2001 the IOC has its own television organisation (OBS), it can be considered not only as the organizer of the Olympic Movement but as a monopolistic and global media company as well.

CONCLUSION

The IOC to reach its goals is not hesitating to confront his old partners with major challenges. According to the IOC's new media politics, it would like to increase the exclusivity of the broadcastings of the given countries which in the case of purchasing the proper media package could grant an increase in view count.

On the other hand those televisions which cannot buy (or not wanting to buy) the broadcasting rights will lose viewers. These changes could mean the changing of the Olympic sports ratings by region or by country. In case of the EBU members the popularity of some sports may change, which may influence the behaviour of these sports' sponsors as well.

We have no doubt that from 2014 the IOC will ensure the fullest coverage by the different media and the widest possible audience in the world for the Olympic Games for more money than before. However it is a question whether these European changes will be positive for the sports and their partners, sponsors or not.

As most of the Olympic sports have European origins, it cannot be indifferent for them how their popularity and media coverage in the continent will be developing in the future. It is in their interest to evaluate and give their feedback to the IOC regarding the new changes. For more reviews concerning the whole Olympic Movement one should wait for the 2016

Summer Olympic Games, but it is important to already have some consideration about the potential risks. The IOC has stepped on a new road and it is worth to watch the results closely.

SOURCES

¹ Krisztina András (2004): A hivatásos labdarúgás piacai, Vezetés-tudomány XXXV. évfolyam, PhD különszám pp. 40-57.

² <http://www3.ebu.ch/about/public-service-media>
2nd of June, 2014

³ <http://www.insidethegames.biz/olympics/1015932-ioc-broadcasting-revenues-set-to-top-4-1-billion-in-sochi-rio-quadrennium>
9th of September, 2013

⁴ Sochi 2014 Marketing Report 14. p.

⁵ Olympic Marketing Fact File 2014 5. p.

⁶ 2014-16 Olympic presentation, Hungarian Television (MTV)

⁷ 2014-16 Olympic presentation, Hungarian Television (MTV)

⁸ Dávid Székely interview, TV2 commentator, February, 2011

⁹ http://www.nemzetisport.hu/teli_olimpia/kevesebb-olimpiat-kapunk-420-ezer-euroert-2313411
6th of February, 2014

¹⁰ http://www.nemzetisport.hu/teli_olimpia/kevesebb-olimpiat-kapunk-420-ezer-euroert-2313411
6th of February, 2014

