

The strategic characteristics and industry position of Olympic broadcast rights: Analysis of the impact of digital media using Resource-based view and structuralist approaches

Author: Stephen Hills

Institution: London Metropolitan University

E-mail: s.hills@londonmet.ac.uk

Since the 1984 Summer Games in Los Angeles, Olympic television rights have been leveraged and managed to become the most valuable broadcast rights in world sport. The total revenue raised from broadcast rights for the 2008 and 2010 Olympic Games was \$3.018.5 billion (Olympic Marketing Fact File, 2011), which place the Olympic Games above football's World Cup in terms of broadcast value, with broadcast rights for the 2010 World Cup being \$2.408 billion (FIFA Financial Report, 2010). The selling of these rights is the International Olympic Committee's (IOC) most important source of revenue, with broadcast rights accounting for 47 per cent of their revenue, narrowly ahead of sponsorship, which accounts for 45 per cent (International Olympic Committee, 2011). However, since the Athens 2004 Summer Games, we have started to witness a significant change in the Olympic broadcast as digital media, in the form of the internet and mobile, has been able to carry Olympic content. As technology has developed, the role of digital media in Olympic broadcast rights has gained importance, and following successful use of digital media in Torino 2006, Beijing 2008, and Vancouver 2010, a full analysis of the impact of digital media on the strategic characteristics and industry position of Olympic broadcast rights is possible.

This case study of the Olympic Games and the associated broadcast rights analyses the impact of digital media on Olympic broadcast rights. Olympic broadcast rights are conceptualized as having strategic characteristics and an industry position. The strategic characteristics of Olympic broadcast rights are analyzed using Barney's (1991) Four Pillars of Sustainable Competitive Advantage, evaluating whether Olympic broadcast rights meet the criteria of being valuable, rare, in-imitable, and non-substitutable, to determine the impact of digital media on

monetary performance. The industry position of Olympic broadcast rights are analyzed using Porter's (1979) Five Forces, evaluating the bargaining power of suppliers, the bargaining power of customers, threat of new entrants, and threat of substitute products, all of which contribute to the fifth force of competitive rivalry, to determine the impact of digital media on attractiveness and profitability of the broadcast rights market. The strategic characteristics and industry position of Olympic broadcast rights are compared pre- and post- the emergence of digital media.

This comparative design provided both a baseline and current measurement of the strategic characteristics and industry position of Olympic broadcast rights, so to determine the impact of digital media on Olympic broadcast rights as a resource for the IOC. Analysis indicates an overall increase in the value of Olympic broadcast rights, with increased revenue sources and dissemination potential, whilst increased live coverage reduces the previous weakness of disengagement with the world's youth. However, cannibalization of television is a new threat to the value of Olympic broadcast rights. There are increased risks to the rarity of the rights due to broader content distribution and increased difficulty in protecting restrictions and exclusivity. New and less complicated partnership relations lower the imperfect imitability of Olympic broadcast rights. However, non-substitutability of rights is increased due to greater advantages over non-sport rights through a potential interactive experience. The threat of established rivals, such as the FIFA World Cup, is reduced as more platforms removes the weakness of multi-sport events such as the Olympic Games not being able to offer complete coverage on a single platform. However, the threat of new entrants increases as there are lower barriers to entry with lower broadcast partner investment required with digital media. The bargaining power of customers is limited as digital media introduces more broadcast partners increasing competition for rights.

The strategic characteristics and industry position of Olympic broadcast rights post-digital media were further analysed to determine strengths, weaknesses, opportunities, and threats, which informed a series of strategic recommendations for the IOC. These included the development of sport-specific portals, scheduling to maximize market value of most popular sports in specific countries, the sacrificing of digital rights fees in exchange for technology investment by digital partners, and the delivery of television complimentary digital platforms to enhance coverage and limit the threat of cannibalization.