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Family Feud: Olympic Revenues and IOC/USOC Relations

The corporate sponsorship developments of the 1980s and early 1990s underscore the adversarial relationship that exists between an Olympic father (the IOC) and a petulant, rebellious son (the USOC). This relationship is rooted in fundamental differences on how the revenues generated from Olympic properties and events sold to American TV networks should be shared. Whereas the IOC views the sharing process as one in which it is essential to consider the needs of Olympic family members in general, the USOC perceives itself as a favored family member, deserving special consideration. This philosophical difference has resulted in a fierce struggle for control, one that has reached all the way to the United States' Congress. Because the subject ("family finances") is sensitive, getting as the primary source material is fraught with problems. The IOC archive has been an invaluable resource, but the USOC has not made its records available. Consequently, this research has been executed from the perspective of the IOC "outward." But because most of our understanding of Olympic commercialism is based on secondary sources and speculation, this study, substantiated by a large corpus of primary sources, adds creditable substance to what we know of this important topic.

Conflict between the International Olympic Committee (IOC) and the United States Olympic Committee (USOC) has centered on two issues: how much television revenue should the USOC receive in light of the share of international television rights fees supplied by US television networks and who should control television rights' negotiations in the United States?

In 1985 the USOC argued that the American Olympic television network, as a result of rights granted to it as the Olympic network, siphoned interest and hence money away from its own corporate sponsorship program. This marked the first time that the USOC invoked the "Amateur Sports Act" as a lever to improve its own revenue base. The USOC argued that this 1978 federal statute superceded the authority of the Olympic charter and granted it exclusive rights to the use of the five-ring logo within US territory. In order to safeguard the right of the US Olympic networks for the 1988 Games to sell advertising time to companies who would only pay premium rates if granted use of the logo, the IOC established the Broadcasting Marketing Agreement (1986). The BMA supplied the USOC with 10 percent of each US Olympic television contract in exchange for waiving its perceived exclusive right to the use of the rings. Since then the two organizations have been drawn into numerous squabbles. The USOC has been determined to increase its percentage share and the IOC has been intent on curbing the financial ambitions of a succession of USOC leaders.

One form of pressure that the USOC applied was to seek changes in the Amateur Sports Act, changes that would transfer authority to manage US Olympic television negotiations and to set the USOC's percentage share, from the IOC to the USOC. The second challenge the USOC orchestrated was a retaliatory action following on from two long-term television contracts that the IOC's Dick Pound had negotiated with NBC for the 2000, 2002, 2004, 2006, and 2008 Olympic festivals. The USOC had been on the periphery of these negotiations and believed that as a result, it had "lost face" with the networks. The organization demanded a 20 percent share of the US contract for the 2004, 2006, and 2008 events. For his part, Pound had been determined to move forward in contract talks while the USOC was still locked into its 10 percent deal.

Even as its executive director was in discussion with IOC President Samaranch over the distribution of future television revenue, the USOC lobbied behind the scenes in Washington DC during the build-up to the Atlanta Olympics. It attempted to persuade the US Congress to push through an amendment to the Amateur Sports Act that would grant the USOC the right to conduct US television rights' negotiations. Even Samaranch, who fancied himself as a peacemaker, was enraged when the IOC learned of this through a source at NBC. A summit meeting in October 1996 resulted in an agreement between the USOC and the IOC. Beginning in 2004, the USOC would receive 12.75 percent of US television revenue; it had achieved its goal of increasing its share. But the IOC had also reined in the ambition of USOC leaders who had been seeking 20 percent of the revenue. Samaranch had told them to take the offer or leave it. He stated that the USOC could be a member of the Olympic Movement or it could withdraw. Even though both sides departed with a mutually acceptable agreement, the 1990s had demonstrated that there was a massive fissure between the IOC and the USOC in terms of inter-organizational trust.

Responding to escalating concerns over the International Olympic Committee's (IOC) reliance on revenues from the sale of television rights, President Juan Antonio Samaranch set up a new commission responsible for identifying potential revenue generation. This new administrative body wasted little time and at only its second meeting discussed and approved the concept of a worldwide sponsorship program with ISL Marketing Aktiengesellschaft (ISL).

A preliminary 1983 accord between the IOC and ISL allowed the process of actively pursuing agreements for the marketing rights of all National Olympic Committees (NOCs) to begin. Thus the IOC's worldwide sponsorship program, TOP (The Olympic Program) was born. The success of TOP depended on the involvement of the major NOCs. At a closed-door meeting with the USOC and the British Olympic Association (BOA), the IOC and ISL tried to convince these organizations that their own marketing programs would not be damaged by the proposed TOP initiative. The USOC in particular saw the IOC/ISL effort as an encroachment on its territory, as it believed that most of the proposed multinational corporations to be approached were based in the United States.

Fearing that ISL would fail to reach an agreement with the US organization, Samaranch intervened to urge William E. Simon, president of the USOC, to move forward

on the matter. Following a long and often vitriolic struggle, the first TOP agreement (TOP I) was signed in May 1985. The USOC used its leverage with major sponsors such as Coca Cola and 3M when TOP II was being negotiated, too, demanding and securing 20% of all revenues up to a gross income of \$100 million. Income beyond \$100 million was subject to separate and future review. In May of 1990 representatives from the IOC and the USOC began to work on a number of marketing issues, not least of which was the latter's participation in TOP III.

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