



International Symposium

Increasing the value of International Sport Events

A focus on the Relationship between host cities and International Sports Federations

24 – 25 September 2008

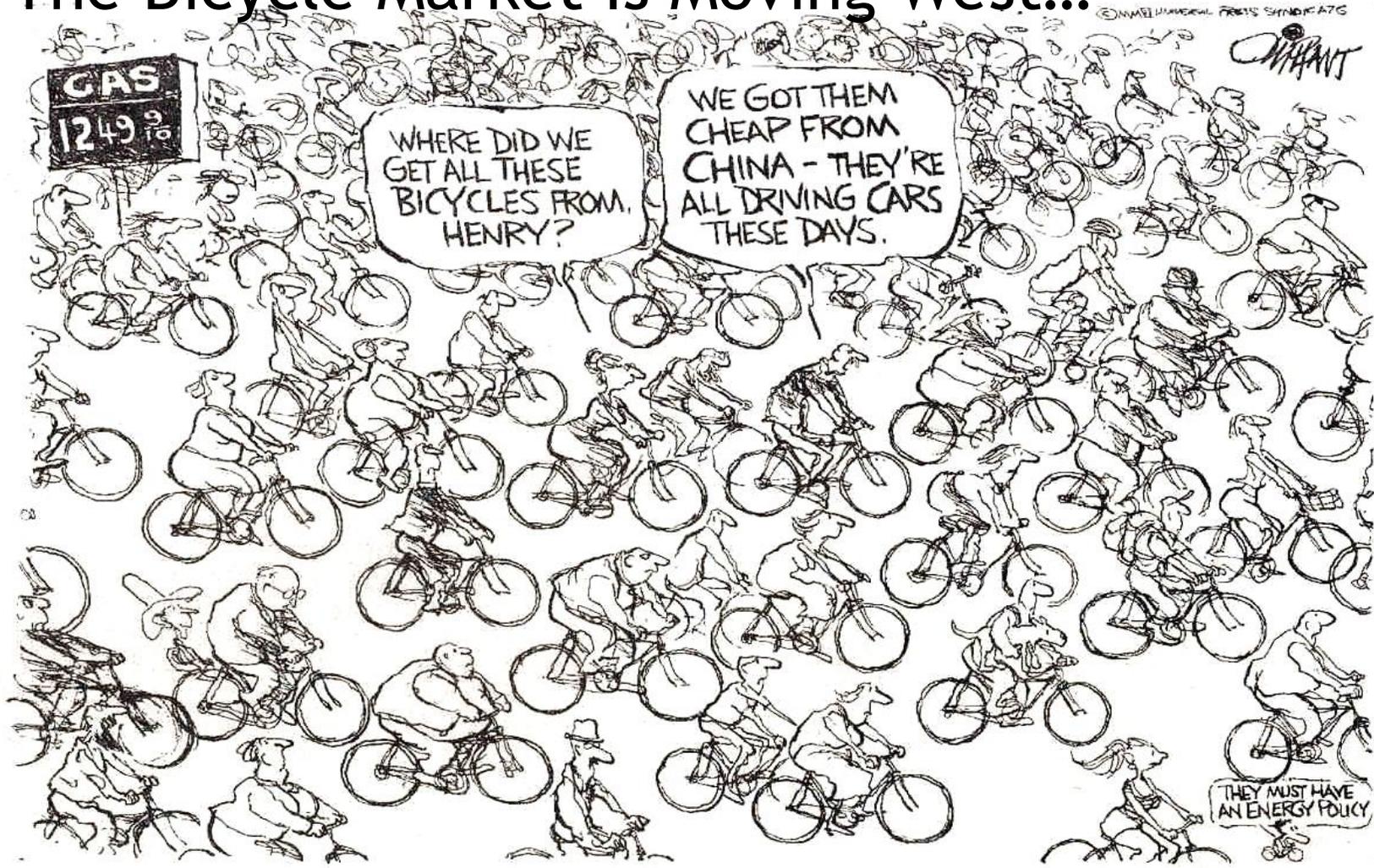
Sofia – Bulgaria

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Sport Consultant

Increasing the value of International Sport Events

1. The sporting goods business
2. Sponsorships & the values of sport
3. Events
4. Conclusions

The Bicycle Market Is Moving West...



Increasing the value of International Sport Events

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Increasing the value of International Sport Events

1. The sporting goods business



Global Sport Market Size Estimate Release 2008

Based on consumer tracking (where available),
statistical projections and our industry expertise

Figures are sell-out (retail VAT included), not wholesale

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Global Sport Market Size Estimate 2007 in Billion USD

278 Billion USD



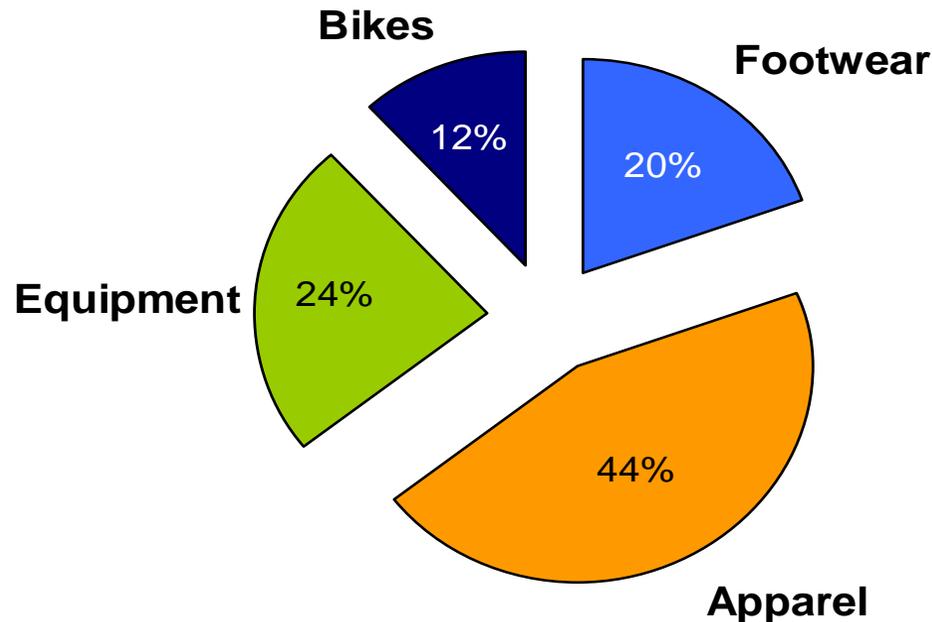
How Does the Sport market Look Segmented by Universe of Products?

2007 In Billion USD and trend vs 2006



Sport and Sport Inspired Apparel is Taking the Lion Share

Global Market Broken Out into 4 Segments % Value 2007



The largest players in the Industry

- **NIKE**

The brands

- » Nike
- » Converse
- » Nike Golf
- » Cole Haan
- » Hurley
- » Umbro (acquired on March 3, 2008)



The largest players in the Industry



- Share of revenues

MM US\$

| 03 | 04 | 05 | 06 | 07 |
|------|------|------|------|------|
| 10.7 | 12.3 | 13.7 | 15.0 | 16.3 |

EPS

| 03 | 04 | 05 | 06 | 07 |
|------|------|------|------|------|
| 1.38 | 1.75 | 2.24 | 2.64 | 2.93 |

US\$

The second largest and close second



adidas[®]

G R O U P

The adidas Group brands

 **adidas**

 **TaylorMade**

Reebok



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adidas-Group



- Share of revenues

| | 02 | 03 | 04 | 05 | 06-07 |
|------|------|------|------|------|-------|
| MM € | 6.5 | 6.3 | 5.9 | 6.6 | 10.1 |
| EPS | 1.26 | 1.43 | 1.72 | 2.05 | 2.37 |
| € | | | | | |

of employees: 25 000

3: Puma





Puma

- Share of revenues

| MM € | 05 | 06 | 07 |
|------|-------|-------|-------|
| | 1.777 | 2.369 | 2.700 |

This company is now part of the **PPR Group**

PPR Group

- The brands of this group are:
 - Gucci
 - Bottega Veneta
 - Yves St-Laurent
 - YSL Beauté
 - FNAC
 - Conforama
 - Redcats Group
 - La Redoute
 - Cyrilius
 - CFAO

The Amer Group



| | 05 | 06 | 07 |
|---------|-------|-------|-------|
| MM US\$ | 1.732 | 1.793 | 1.652 |
| EPS | | 1 | 0 |

The Amer Group

The Brands



- **Salomon** - the mountain sports company
- **Wilson** - the authentic ball sports brand
- **Precor** - the global fitness equipment leader
- **Atomic** - the leading manufacturer of alpine skis
- **Suunto** - the leading manufacturer of sports instruments
- **Mavic** - the leading cycling systems brand
- **Arc'teryx** - the most progressive outdoor gear



The 4th Largest

- Privately held company:



Over 1.5 MM US\$



The 4th Largest

- The Brands:



Distinctly-styled, comfortable men's footwear for work and casual wear.



Action shoes that are the original synergy of good looks and active comfort.



Casual women's footwear with remarkable fit, comfort, performance and style.



Innovative performance products for lacrosse and hockey.



Performance products for lacrosse, soccer, field hockey and volleyball.





| | 06 | 07 |
|-----------------|-------|-------|
| MM Yen | 194.5 | 171.0 |
| Approx. MM\$ | 1.945 | 1.710 |

ASICS CSR Motto

“Feeling the weight of your expectations on our shoulders, we will continue to improve ourselves ceaselessly.”



| | | | | |
|------|------|------|------|------|
| | 2004 | 2005 | 2006 | 2007 |
| US\$ | 1200 | 1250 | 1300 | 1369 |

| | | | | |
|------------|------|------|------|------|
| | 2004 | 2005 | 2006 | 2007 |
| Net Income | 22 | 30 | 66 | 24 |

Rossignol / Quiksilver

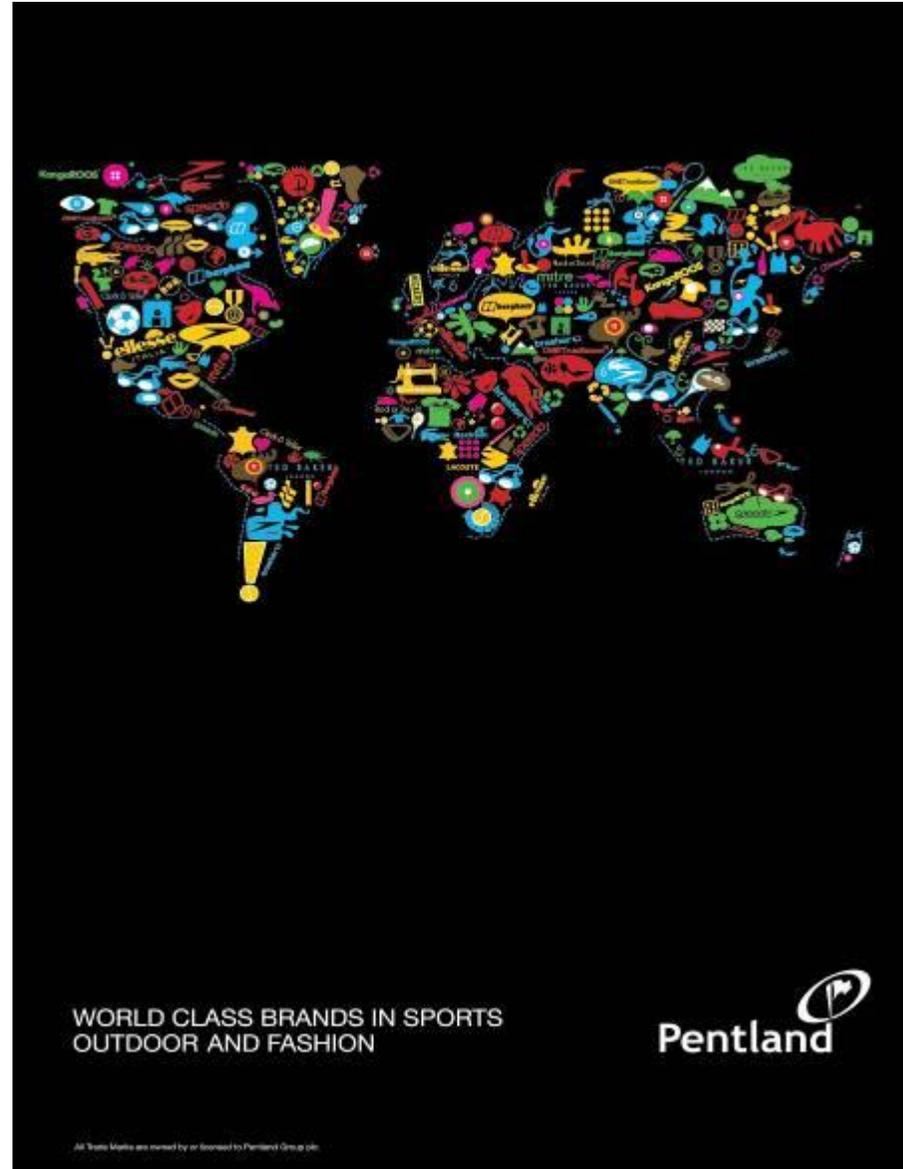
The brands:

- Quiksilver
- Roxy
- D.C. Shoes
- Hawk
- Raisins
- Radio Fiji
- Leilan
- Rossignol
- Dynastar
- Look
- Lange
- Kerma
- Cleveland Golf



- Privately held company
- Main Shareholder: Stephen R. Rubin
- Estimates sales MMUS\$ 1.51

- The brands
 - Berghaus
 - Boxfresh
 - Brasher
 - Clerk & Teller
 - Ellesse
 - Kangaroos
 - Kickers
 - Lacoste (licensee for footwear)
 - Mitre
 - One True Saxon
 - Red or Dead
 - Speedo
 - Ted Baker



Some other famous brands less than 1 billion \$ in sales

- Goldwin
- Lotto
- Diadora
- Fila
- Yonex
- Descente

Increasing the value of International Sport Events

1. The sporting goods business

2. Sponsorships & the values of sport

Positive Core Values Of Sport

Sport is (still) associated with positive core values ...

- Winning and winners (modern heroes)
- Youth and health
- Team spirit
- Fairness and comradeship
- Overcoming of boundaries and limits
- Competitive but peaceful

Strong linkage with consumers

There is a strong and easy link between Sport and nearly every consumer ...

- Every consumer believes
 - He/she understands Sport
 - He/she is a genuine sportsperson
- Every consumer watches or plays Sport and buys sporting goods
- Consumers are influenced by icons, role models, many of which are in Sport
- Sport has “merged” with Lifestyle, which is one of the major current consumption drivers

Increasing economic impact

The business of Sport has developed into a powerful economic factor ...

- Sports business generates a huge and very diversified turnover
- Typically growing faster than GDP
- With significant potential in emerging markets
- Fairly resistant to crises in mature markets

So, what do sports brands want from sport?



SPORT'S KEY ASSETS

- Overwhelming presence
- Positive values
- Linkage with consumers
- Economic power

BRANDS' OBJECTIVES

- Leverage and visibility
- Assimilation of Brand and Sport values
- Direct access to and impact on consumers
- Return on investment

The case of the sporting goods industry

The Sporting Goods Industry has the highest continuing “marketing investment” in Sport ...

- Industry turnover: more than 278 billion USD
- Marketing spending: more than 10% or 28 billion USD per year
 - Approx. 50% in Sports Marketing
 - Approx. 50% in Communication and Advertising
- Sporting Goods Industry also probably has the highest impact from Brand investment in Sport

Increasing the value of International Sport Events

1. The sporting goods business
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3. Events

“A partnership between host cities and international federations is key to increasing the value of future international sports events.”



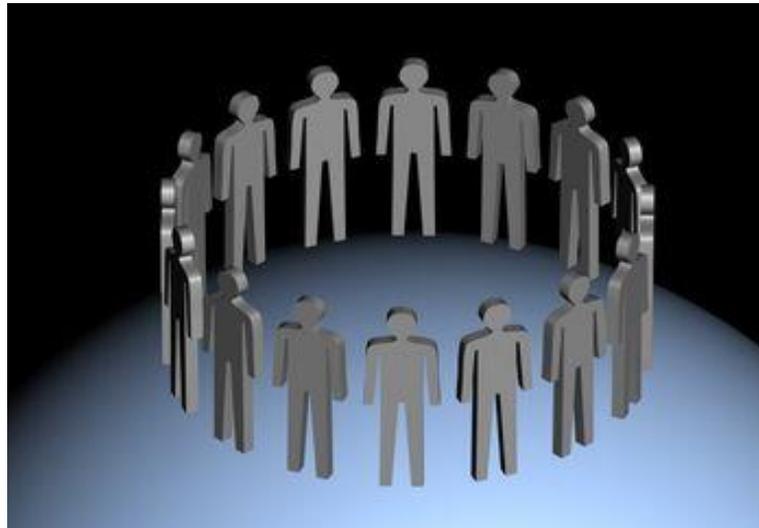
International sporting events have become increasingly popular vehicles for achieving political, cultural & economic benefits for the hosting region/city.



Source: AP

Harmonious values create a synergy mutually beneficial for all parties involved

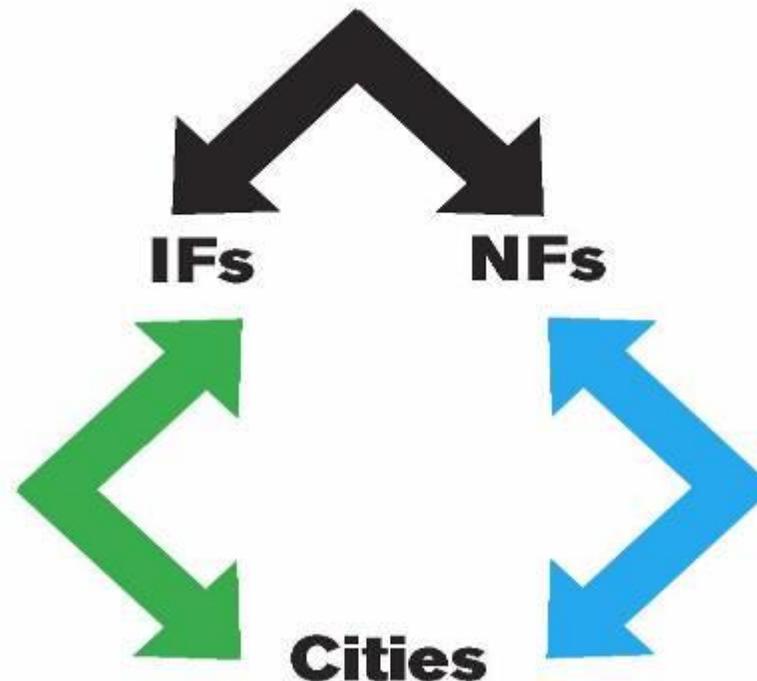
- A dialog is key in order to partner the most suitable city an appropriate event



“...due to the increasing financial value of international sport events, it is no longer acceptable only to have a national federation as the sole party responsible for an event.”

Andrew Ryan (Director ASOIF)

Recommended Multidirectional Relationship



Types of Sport Events

- **Type A**

- Irregular – one-off, major event with certain economic activity



Type A

- Irregular, one-off, major international spectators events generating significant economic activity and media interest (e.g. Olympics, World Football Cup, European Football Championship).
- Nowadays the positive economic impact of those events are unquestionable.

Types of Sport Events

- **Type B**
 - Major spectators events



Type B

- Major spectators events, generating significant economic activity, media interest and part of annual domestic cycle of sport events (e.g. FA Cup Final, 6-Nations Rugby Event, Test Cricket Match, Open Golf, Wimbledon, Roland Garros, etc.)
Due to the traditional nature of these events the spectator demand is well-known, thus broadcasting revenue is high and the risk is low.

Types of Sport Events

- **Type C**

- Irregular – one-off, major event with uncertain economic activity



Type C

- Irregular, one-off, major international spectator/competitor events generating uncertain economic activity (e.g. World & European Championships such as World Badminton, World Judo, World Boxing, World Indoor Climbing Championships.)
- This is the most uncertain category in term of economic impact. The organizational issues are problematic and require a major commitment from IFs and cities.

Type C (continued)

- Spectator forecasts are subject to large error margins as the tendency is to make highly optimistic forecasts that rarely materialize.
- These events move from one city to another so that the cities do not necessarily have experience in hosting such an event.
- Therefore the experience knowledge and participation of IFs will be crucial and efficient communication between all parties is vital.

Types of Sport Events

- **Type D**

- Annual cycle major competitor event

Type D

- Major competitor events generating limited economic activity and part of annual cycle of sport events (e.g. National Championships in most sports).
- Those events present a negative balance sheet, so that reason behind hosting them should be other than economic (other rationales are required).

Types of Sport Events

- **Type E**

- **Circuit Format**

Type E

- Because of a contract signed between the city and the right holder of the sport event cities have a series of events taking place throughout the year which return year after year to the same host city.
- Apart from benefits for sponsors, fans and media, the tangible (economic principally) and intangible benefits for cities are evident.

Impact of events on cities

1. Urban impact

- It is interesting to highlight that there are various ways of describing and measuring the contribution of sport. Being an economist you will assess the value of sport in sum of money; a physiologist will describe the effects of sport on the cardiovascular system; a sociologist will mention the consequences of sport to the socialization of young people and to the coherence of communities.
- Different measures are needed for different purposes and they should complement each other rather compete.

Impact of events on cities

2. Economic impact

- As I have demonstrated earlier, sport is a multi billions dollars industry and has become a leading and central force in the lives of millions of people around the world.
- I remind you that total sport sponsorship in 2007 has reached 28 billions dollars for the industry alone.
- Over the last 50 years sport has developed from a substantial voluntary movement to a major industry spanning public, voluntary and private sectors.

Impact of events on cities

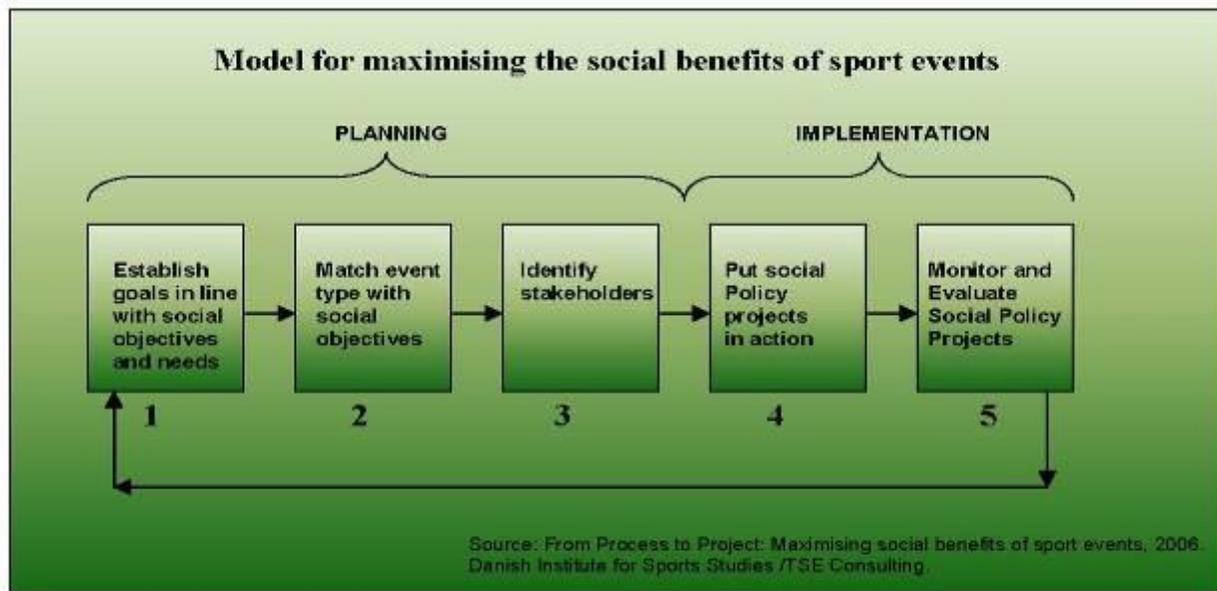
3. Social Impact

- How many times have we heard that sport is good for you?
- Social benefits are numerous if they are understood in a broad way that include regeneration, legacy, cultural, social and environmental issues.

Impact of events on cities

3. Social Impact (continued)

- To maximize social benefits accredited to hosting sport events in cities and increasing the value of the investment, the following chart has been prepared by C. Anderson.



Impact of events on cities

4. Tourism Impact

- Today sport is considered a real tourist attraction and sporting events have become increasingly tourism specific resources, relevant at the international level. This is a main reason why sport can be seen as a key element of both differentiation and positioning for cities.
- It is believed that sport is the primary reason for travel in approximately 25% of all holidays.
- The hosting of sport events has proven to increase the interest and involvement of visitors and residents.

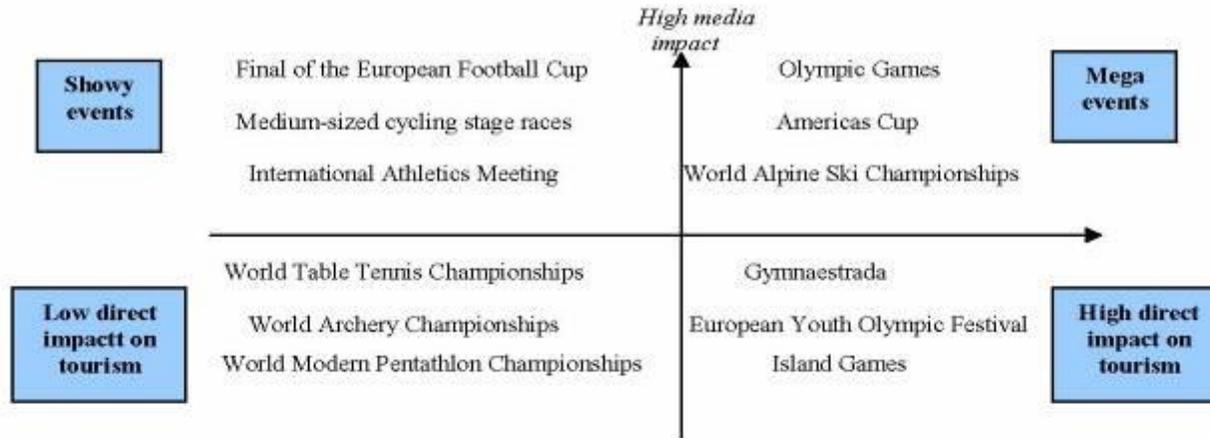
Impact of events on cities

4. Tourism Impact (continued)

- Sport events has become an important component of the marketing strategy for tourist destinations and mega-events and can be seen as an opportunity to establish destination's tourism at the international level.

Impact of events on cities

4. Tourism Impact (continued)



Source: JUNOD (2006: 109)

Fig. 2: Matrix of the impact of events on passive and active sports tourism



Source: JUNOD (2006: 109)

Impact of events on cities

5. Marketing Impact on the city

- Over the last few decades, several cities in the world have focused their efforts by setting aside considerable resources to host sport events.
- Being in an economically competitive world, cities are competing to attract a large number of consumers, using sport events and sporting infrastructure as a fundamental tool to project a positive image. This is because sport is an integral part of society.

Impact of events on cities

5. Marketing Impact on the city (continued)

- Are cities considered as brands?
- The answer is YES. In fact cities have always been brands, in the truest sense of the word. Paris is romance, Milan is style, New York is energy and today Melbourne is Sport (Melbourne has been re-elected as the ultimate sport city in 2008 retaining its status as the best location in the world to host a sport event).

Increasing the value of International Sport Events

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Conclusions

- To increase the value of sports events for all stakeholders IFs and host cities need to strengthen their relationships.
- A direct relationship between IFs and city authorities, surprisingly, has not been part of the traditional approach to hosting international sports events. More conventional, was a linear hierarchical relationships mediated by the NFs.

Conclusions

- This model often leaves the NFs to have sole financial responsibility for the event.
- To increase of sport events in the future, a multi directional free-flowing relationship model should be used that will open up line of communication and provide financial security.
- This model will benefit all stakeholders and ensure that all parties get the maximum return on investment.

Conclusions

- A stronger partnership between host cities and IFs is key to increasing the value of international sports events in the future.

Note: The events portion of this presentation has been adapted from a thesis for the FIFA Master 2008 program by the following:

- *Rozalia Cernevan*
- *Purushottam Kattel*
- *Federica Nenzi*
- *Francisco P. Lima*
- *Miguel Presas*

The Power of Sport to unleash Potential

Let Me Play. Wherever I may be. Whoever I may be.

And watch me power my world through sport.

It's about safe places to play.

A refugee camp can host a volley ball competition. A derelict building site can be transformed into a midnight basketball game.

It's about the power of Play to forget.

Let Me Play and you will forget my color, my origins, my gender, my ability, my disability, my religion, my income level, my background. You will remember I am an athlete.

It's about the impact of play on me.

If you Let Me Play I will be strong.

If you Let Me Play I will be better.

If you Let Me Play I will lead.

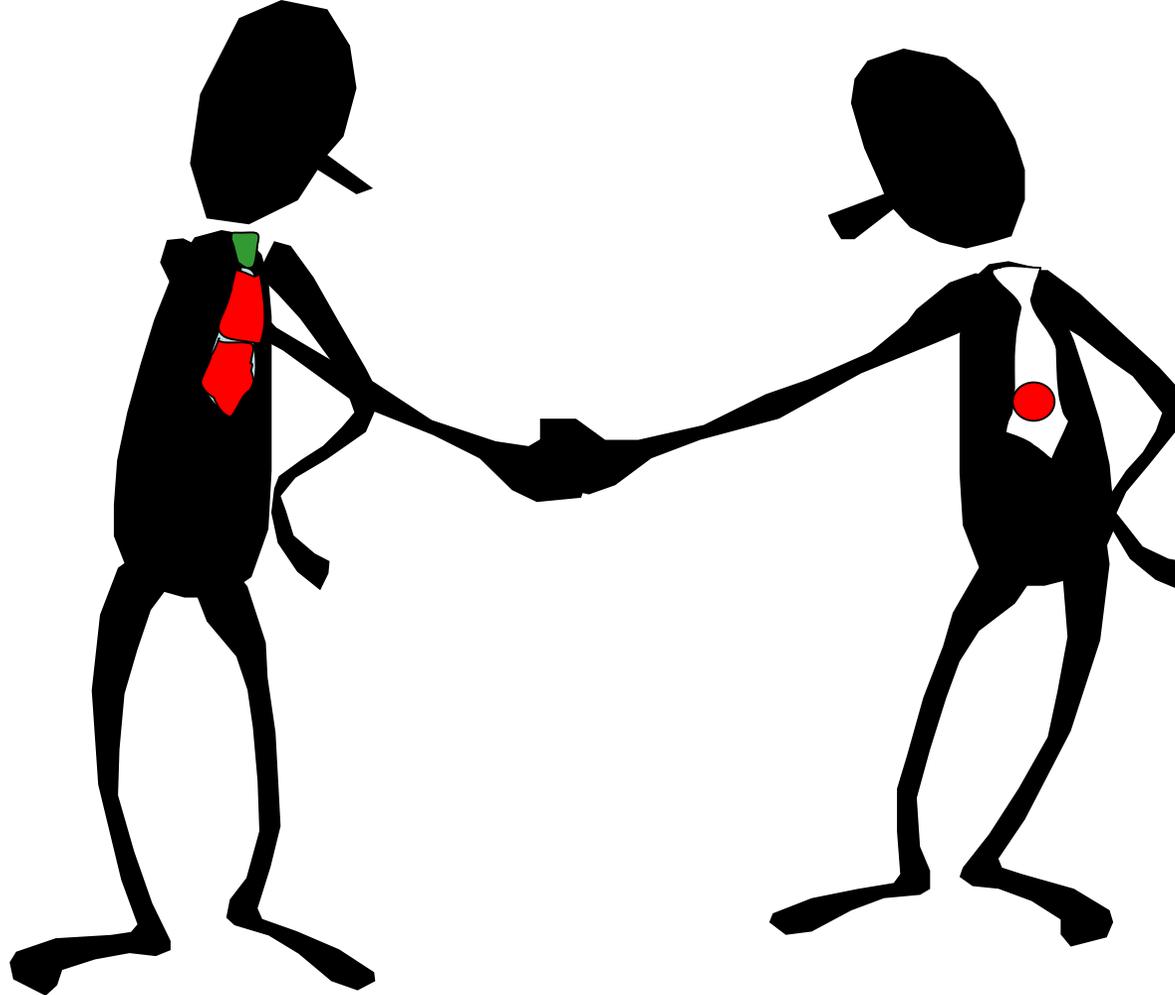
If you Let Me Play I will dream. Big.

If you Let Me Play I will win.

On and off the field.



- To finish on a funny note on the work of consultants...

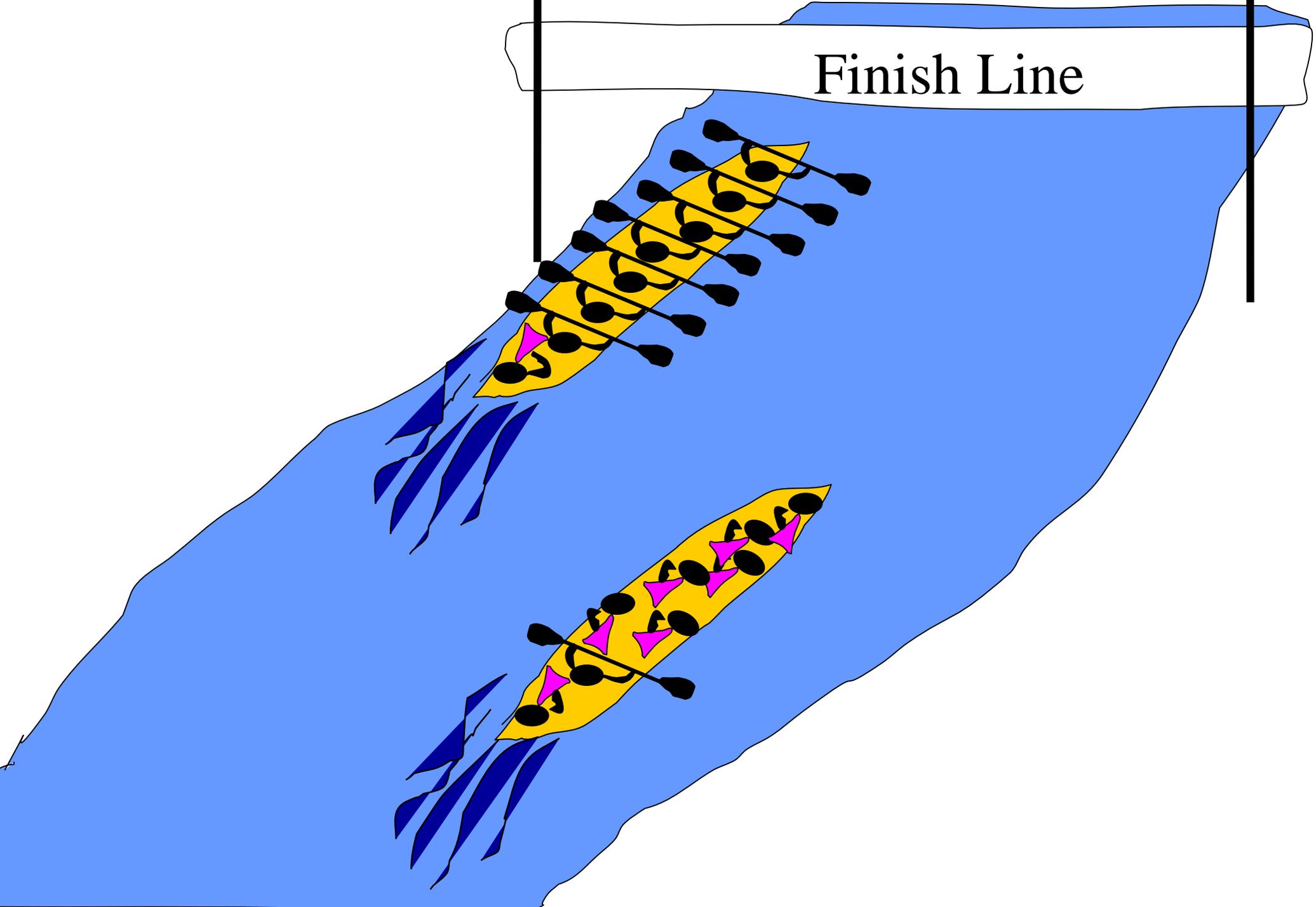


A French team decided to challenge each year a Japanese team with a 8-men crew.

Both teams trained hard and when the day of the race arrived, each team was in top condition.

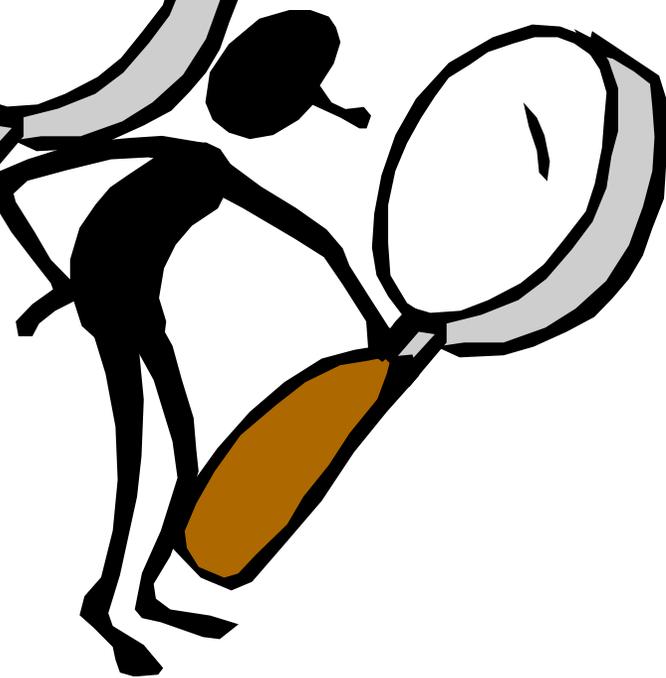
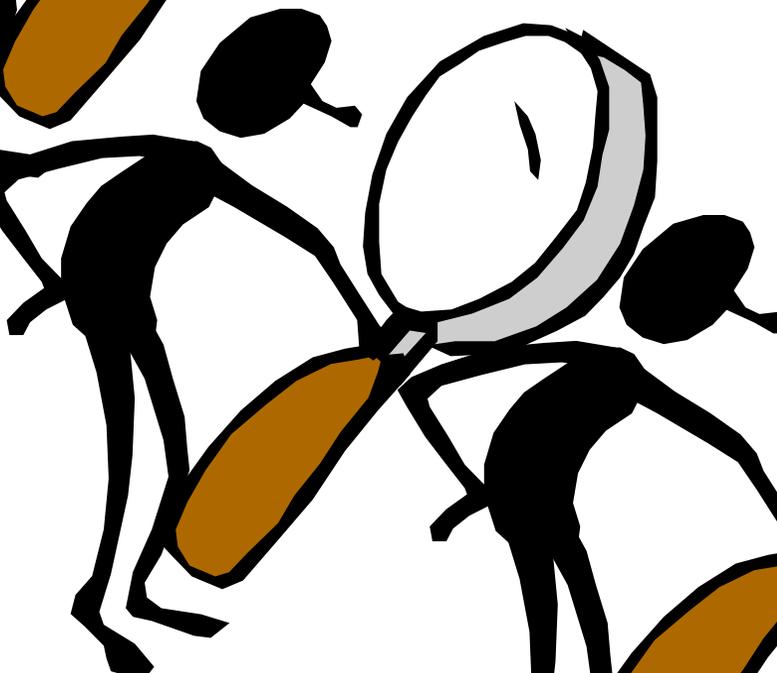
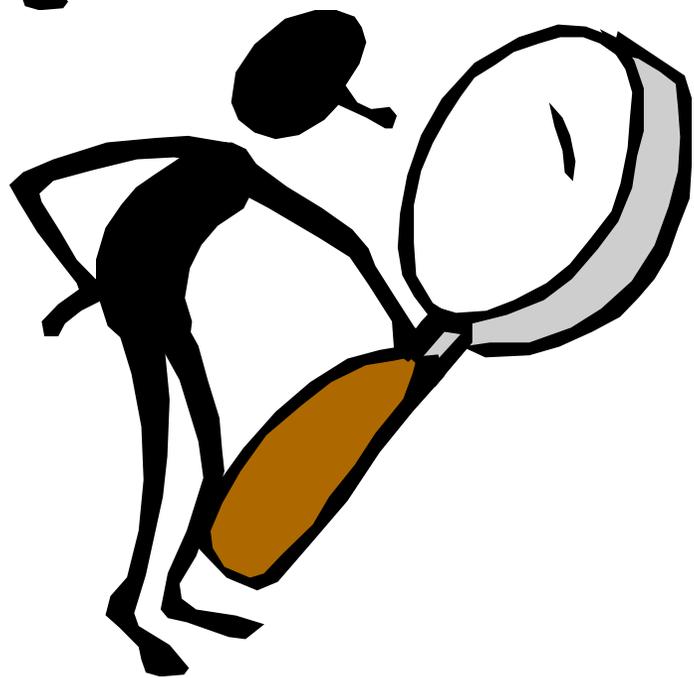
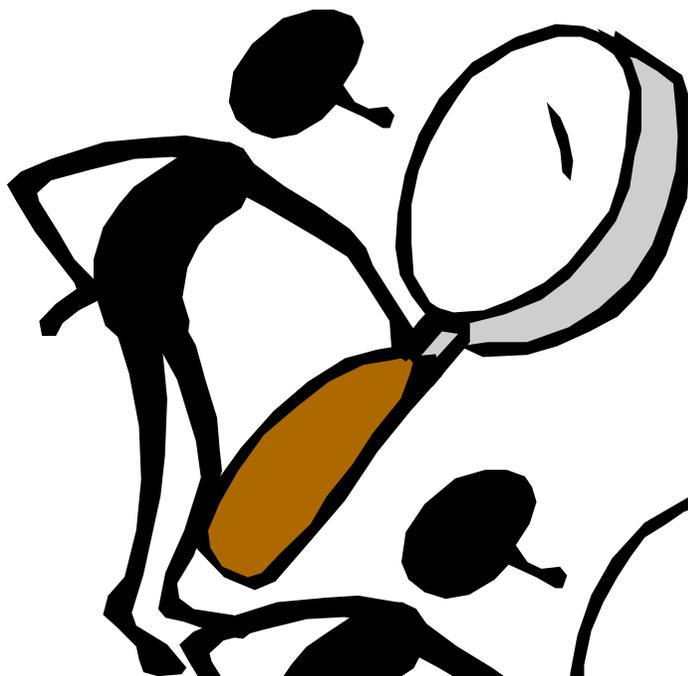
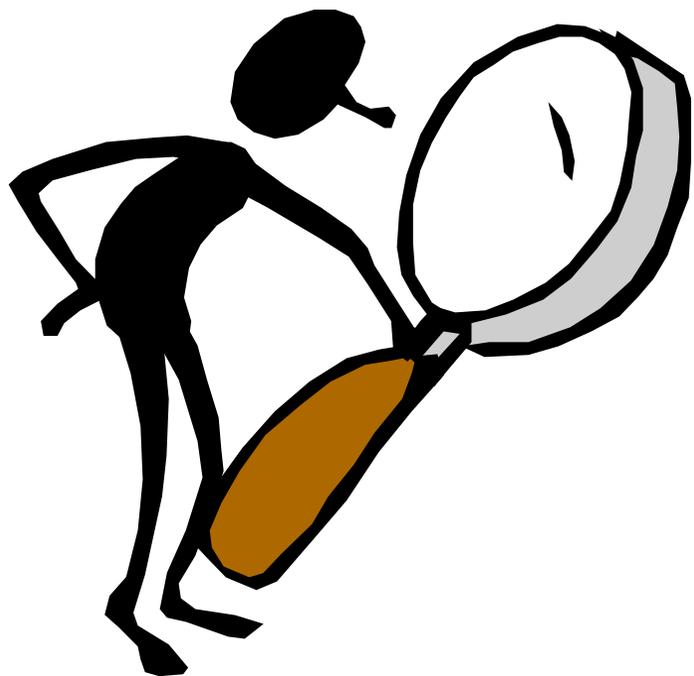
Nevertheless the Japanese won by one kilometer.

Finish Line



After losing the race, the morale of the French crew was at the lowest.

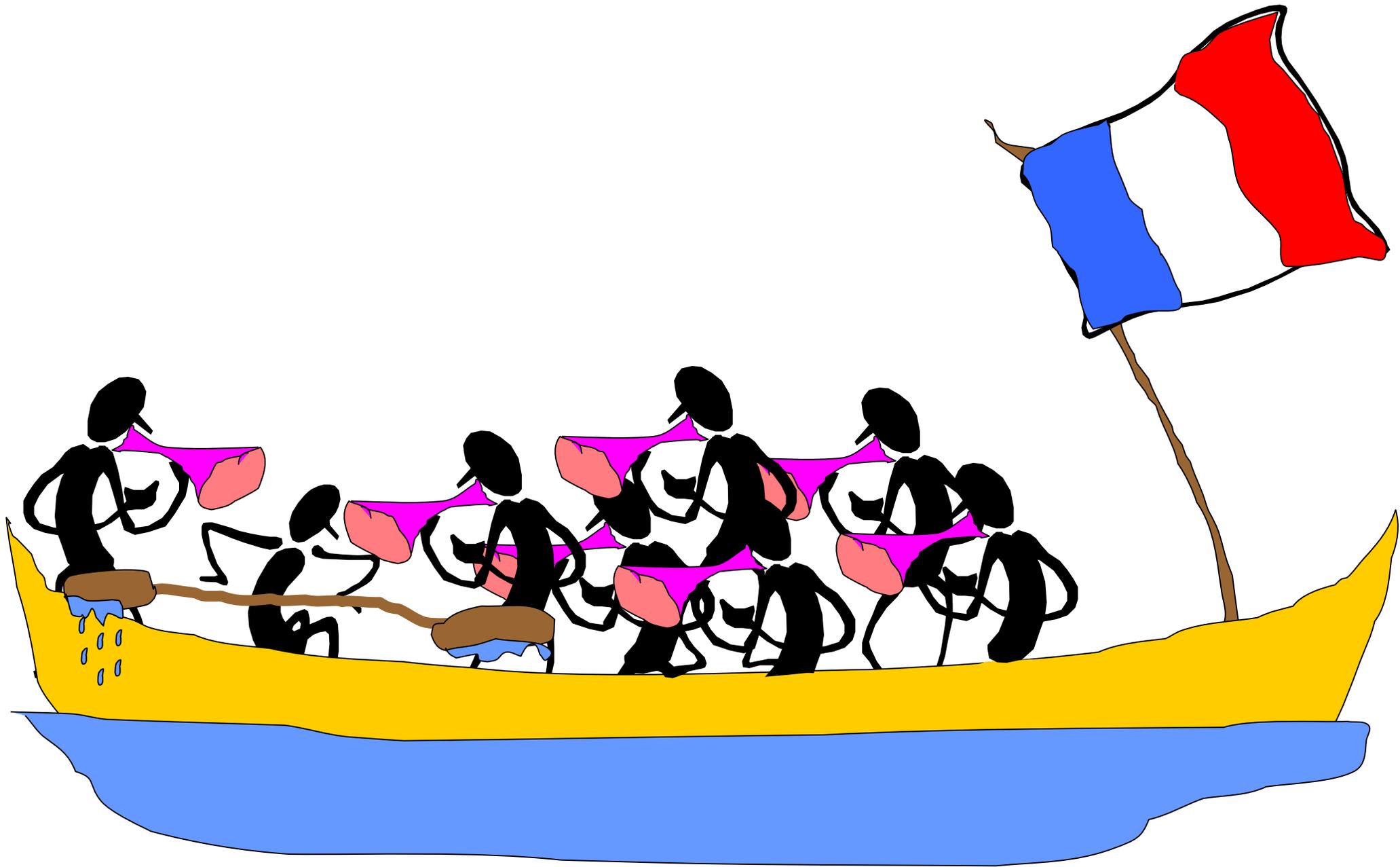
The Top management decided that they should win next year race. A study group was set up to review the situation.



The study group discovered after numerous analysis that the Japanese crew had seven rowers and one captain.

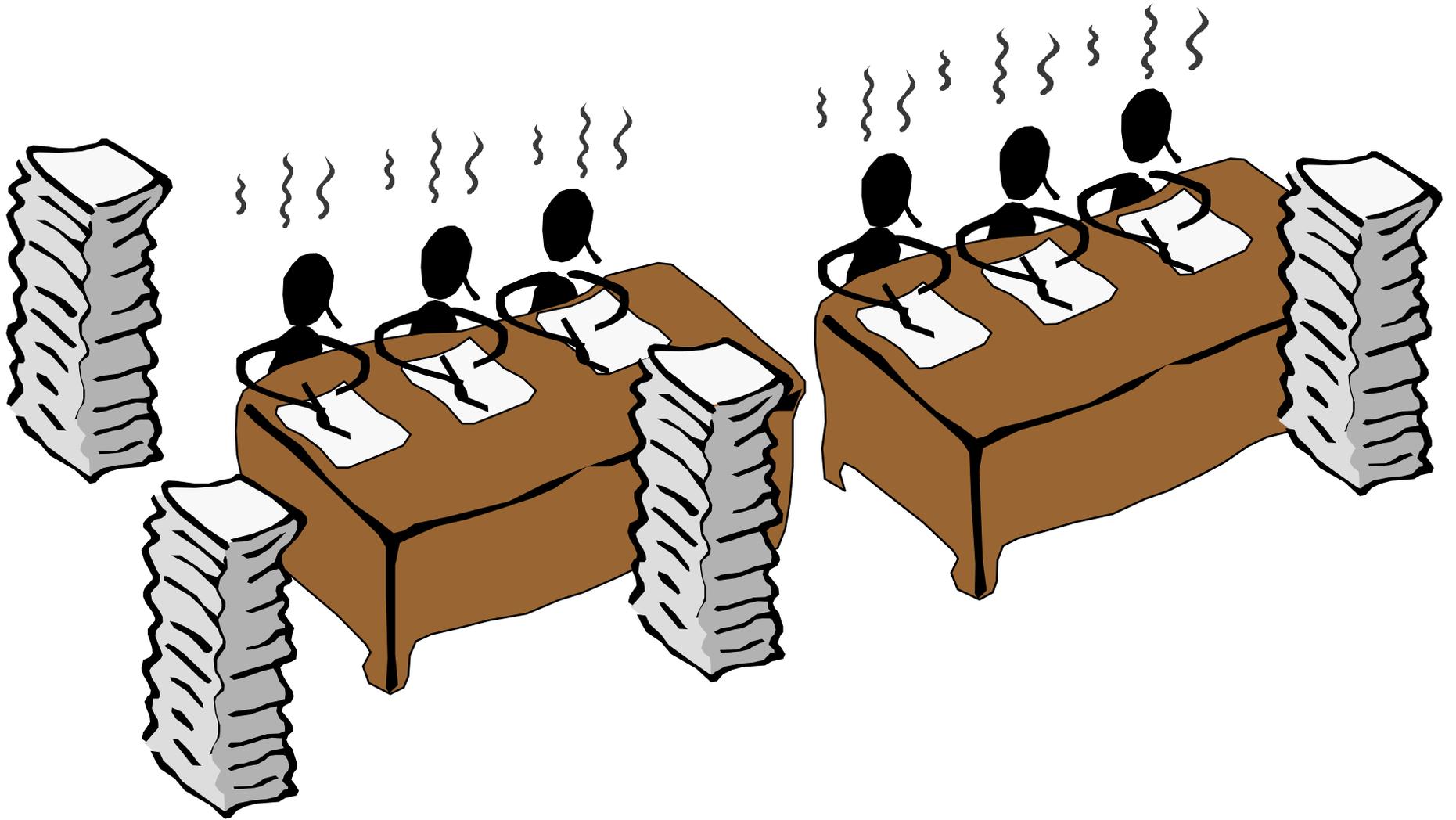


On the contrary, the French team had one rower and seven captains.



In view of this crisis situation, the Management acted very wisely: they hired immediately some consultant company to analyse the structure of the French team.

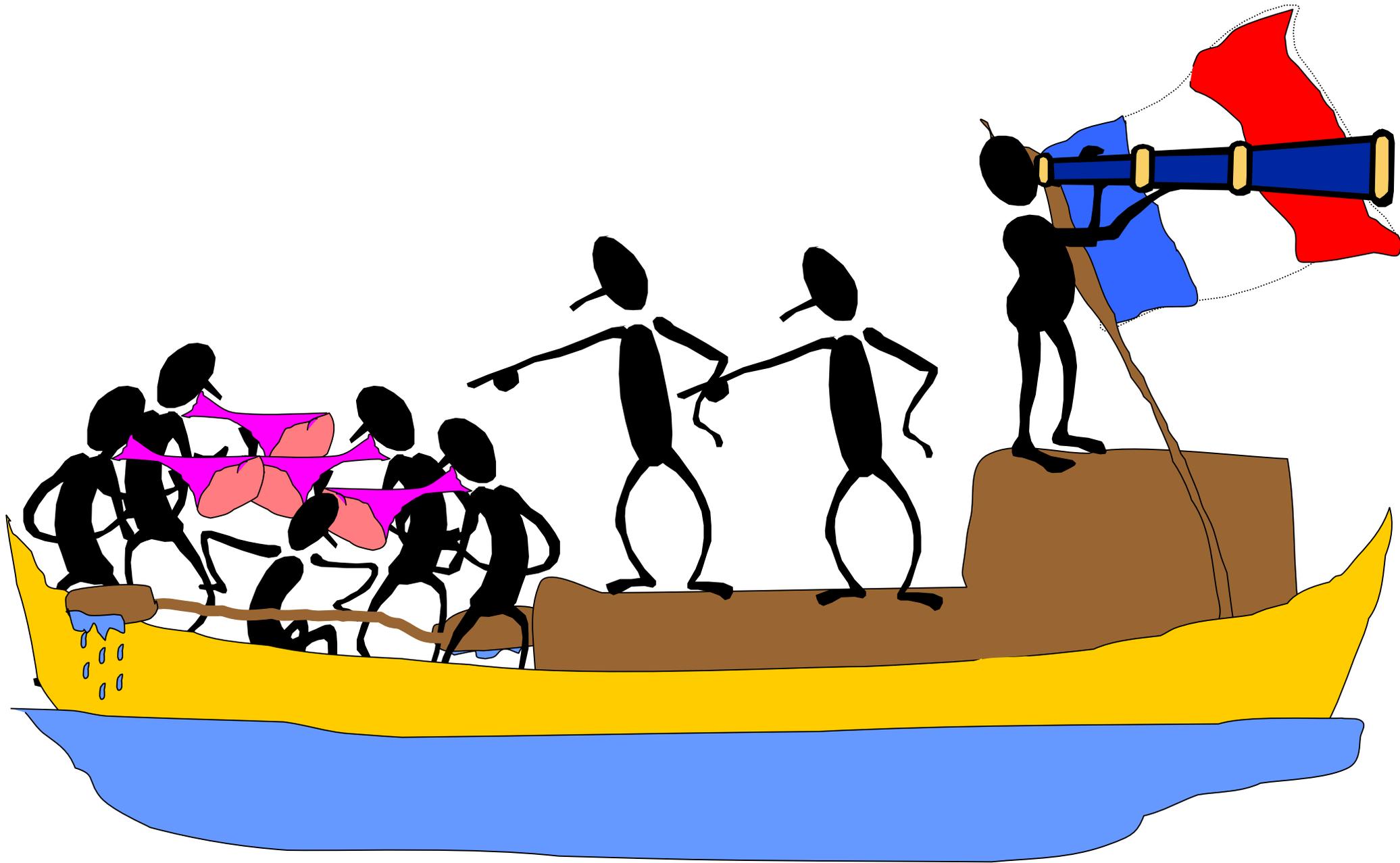




After several months of hard work, the experts concluded that the French team had too many captains and not enough rowers.

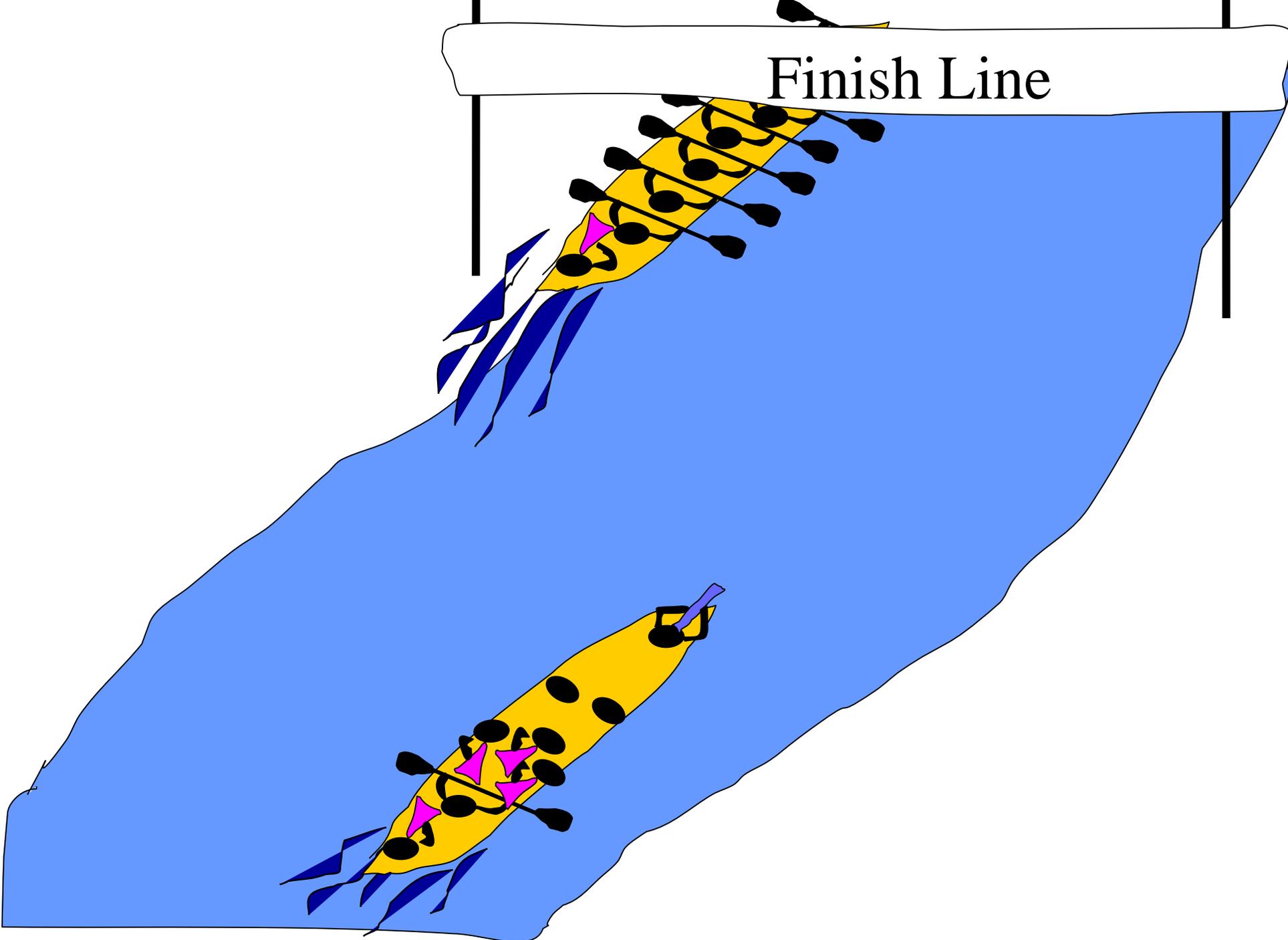
Based on this report, it was then decided to immediately change the structure of the crew.

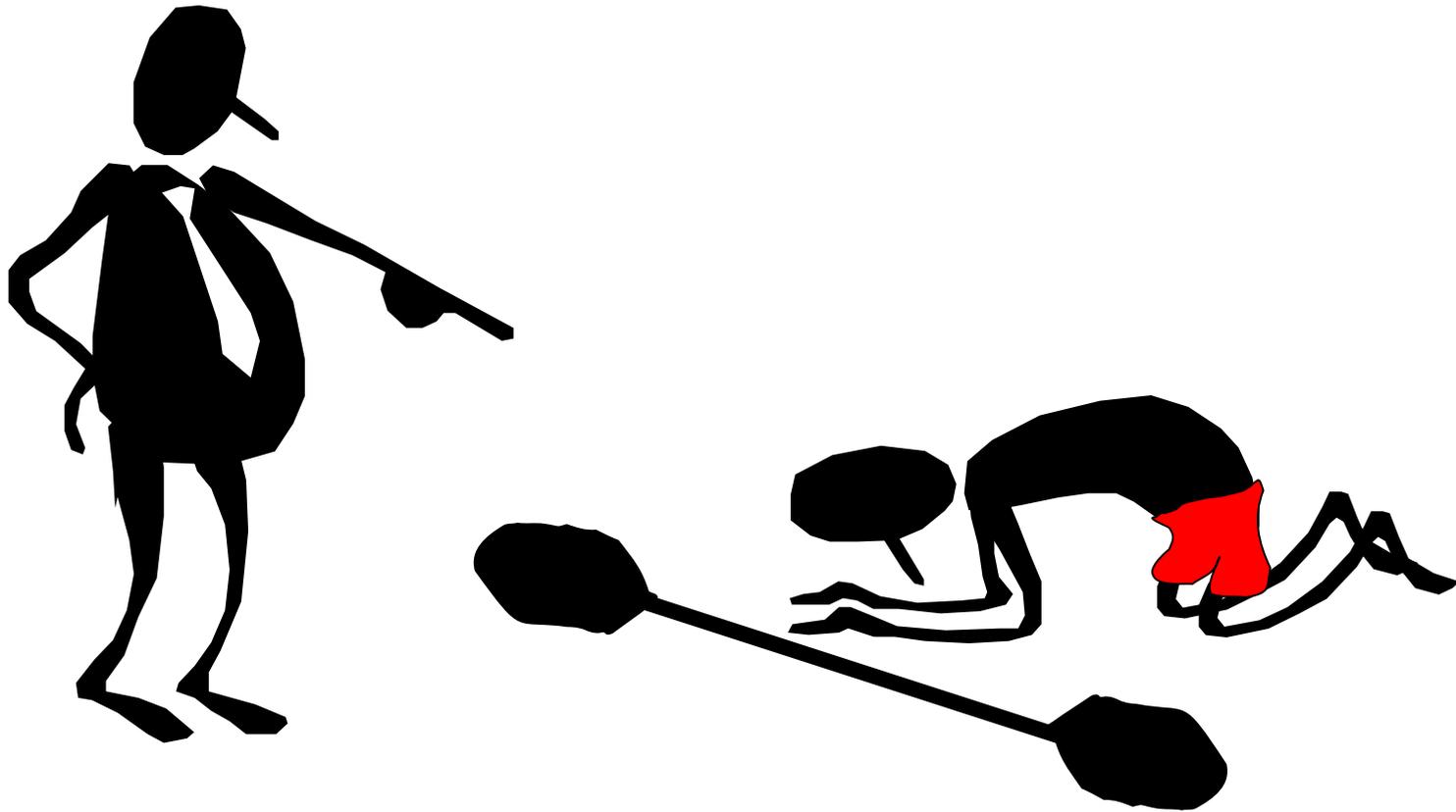
As of now, there will be four commanders, two supervisors, one supervisor in chief and one rower. In addition, a series of measures were taken to motivate the rower: "We have to improve his working conditions and give him more responsibilities".



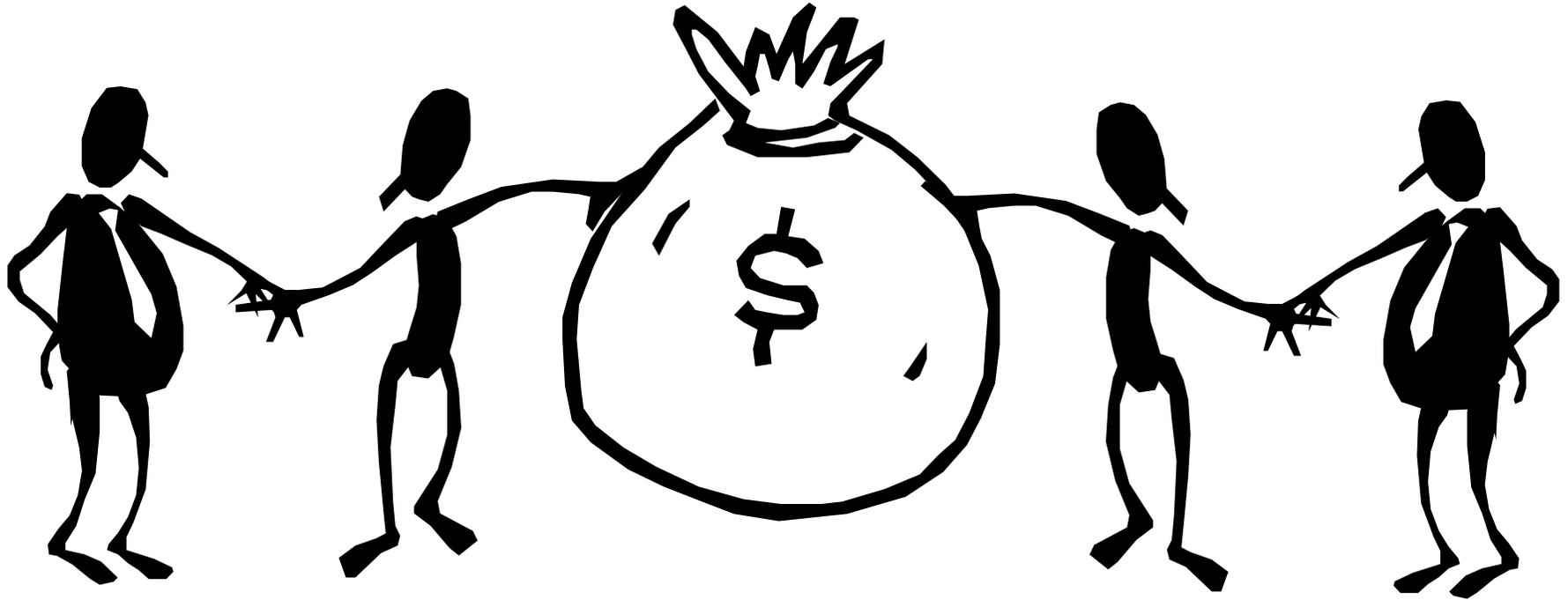
The following year, the Japanese were two kilometers ahead at the finish line.

Finish Line





The French team sacked immediately the rower because of the very bad results.

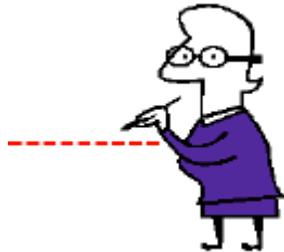


Nevertheless the Commanders got a bonus for the great motivation of the French team.

The Consultant company prepared a new analysis demonstrating that the tactic was good, that the motivation was excellent but that the material used had to be improved.

At the time being, the French team is considering a new canoe!

Thank you for your attention



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