

Leveraging the Sydney Olympics for tourism

Laurence Chalip

University of Texas



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This text corresponds to a session of the postgraduate seminar on the Sydney 2000 Olympic Games given by the author as part of the activities programme as Invited Professor in Olympism in 2000.

Ref. WP096

To refer to this document you can use the following reference:

Chalip, Laurence (2000): *Leveraging the Sydney Olympics for tourism* [online article]. Barcelona: Centre d'Estudis Olímpics UAB. [Consulted: dd/mm/yy] <http://olympicstudies.uab.es/pdf/wp096_eng.pdf>

[Date of publication: 2000]

One of the key concerns for any city or country that hosts an Olympic Games is the legacy that will be left. In other words, what is the long-term benefit (if any) to be gained from hosting the Olympic Games?. This is a question Australian policymakers asked themselves many times as planning proceeded to host the 2000 Summer Olympic Games. For Australia, one of the core legacies will be the tourism that is engendered – not merely during the Games themselves, but during the years before and after the Olympics. As a result, Australia has put into place a substantial array of strategies and tactics designed to leverage the Olympics for tourism. It is the most ambitious tourism leveraging effort ever associated with an Olympic Games. Australian tourism leaders expect that significant lessons will be learned – not only for future Olympic organisers, but also for the leveraging of sport events more generally. Consequently, a substantial investment has been made to examine and evaluate the leveraging efforts.

This report provides a descriptive overview of Australia's efforts to leverage the Sydney Olympics for tourism benefit. The report is based on preliminary data from a more substantial research and evaluation effort that is ongoing.

The concern for legacy

It is no wonder that legacy has emerged as such a significant concern for Olympic organisers. There is a huge investment in the Games. During the ten years leading up to the 2000 Olympic Games, the Australian private investment has been AUS\$1.2 billion, and the public investment has been AUS\$2.3 billion. The total investment represents 0.6% of GDP – a huge investment for an event lasting less than three weeks. So, it is natural to ask what the return is on that investment.

The most commonly noted return is the new high-quality sport facilities that remain after the Games. However, many Olympic sport facilities are under-utilised or have had to be closed because they are simply too costly. In Barcelona, for example, the Olympic diving facility and the Olympic baseball stadium are no longer in operation.

The other infrastructural legacy is the improvements made to the host city. In Sydney, the city government has invested millions of dollars (AUS\$115 million in 1998-1999 alone) to beautify the city in preparation for the Olympic Games. In addition, roads have been enhanced and the Sydney airport has been expanded. This public investment has been complemented by private investment. From the time the bid was won until the time the Games open, Sydney will have increased its hotel room capacity by 25%. The expected outcome of all this is that the city will become a more attractive one to visit and in which to do business.

But there are downsides to these gains. The two Olympic stadia are each projected to require 200 events per year to break even. At present, they are not obtaining even half that amount. Further, the costs of these facilities have led to prices for use that exclude most clubs.

In terms of the city's construction, all the new developments for the city have compressed into a few years what would have occurred over a longer period of time. The result is that the boom in construction has been followed by a lull. With the stadium and most hotel work completed, there has been an 18% decline in

non-residential construction during 1999-2000, and projections are that there will be an additional 13% slowdown in 2000-2001. Further, the fact that so much infrastructure went into place at the same time means that the infrastructure will age at the same time, leading to a long-term threat of rapid decline.

Hotel occupancy in Sydney is projected to be strong in 2000 (in fact, at nearly 100% throughout the Games period). However, occupancy during 2001 is projected to be around 65-70%, with room rates falling by about 5%. Consequently, it is expected that many small and independent operators will fail (which is also what happened in Atlanta). Thus, small accommodation businesses may suffer in the long term, while the larger corporate operations will increase their share of the market.

So, if sport facilities do not withstand scrutiny as an investment, and if the hotel investment may be an income transfer (over the medium-term) from small business to larger chains, is the hosting the Games worthwhile? In aggregate terms, apparently, yes. Australia has undertaken several economic impact studies over the years leading up to the Games, and all forecast a substantial benefit. The recent estimates predict that over the ten year period from 1994-2004, Australia will gain AUS\$6.5 billion through the Games (\$5.1 billion in New South Wales, where Sydney is the capital). Subtracting out the total investment (public and private), that yields an estimated net gain of AUS\$3 billion for a gain of almost \$.86 for every \$1.00 invested.

What is interesting is that a closer look at the figures shows that 50-60% of the impact is projected to be generated by Olympics-generated tourist visits and tourist spending over that ten year period. Indeed, the Tourism Forecasting Council (TFC) estimates that between 1997 and 2004, an extra 1.6 million people will visit Australia as a result of the exposure provided by the Games. These, the TFC predict, will spend \$6.1 billion and create 150,000 jobs. Although this number suggests that the tourism impact may be even larger than most economic impact forecasts predict, it demonstrates clearly that the key economic benefit from hosting the Games is the tourism benefits that are obtained – not just during the Games, but before and, especially, afterwards. Therefore, the challenge is to leverage the Games to obtain the best tourism impact possible. In order to do that, tens of millions of dollars have been invested by the Australian public sector at federal, state and local levels to formulate and implement strategies to leverage the Sydney Olympics for tourism. No previous Olympics host has made a comparable effort.

Benefits and challenges

Previous work on the Olympics and tourism suggests that one of the key benefits to be obtained by the host is the exposure and the consequently enhanced positioning that result. However, that same work suggests that the added saliency and attractiveness that are engendered by an Olympic Games are relatively short-lived. From a tourism marketing perspective, then, the challenges are: (1) to obtain the best benefit possible during the Olympic build-up and during the Games, and (2) to work to capitalise on the resulting gains.

A second issue that emerges from previous experiences and from Australia's own marketing research is that there are significant spikes and valleys of tourist interest. In the Olympic year, some tourists in key

international markets see Australia as being “closed for the Olympics”. Thus, there is some diversion of tourists throughout the Olympic year, despite the fact that the Olympics take up only three weeks (and are happening primarily within a single city). Further, past Olympic experience has found that immediately following the Olympics, there is a slump in tourism. This has been attributed to a variety of causes – most commonly to a lack of marketing for the immediate post-Olympic period (i.e., the months immediately following the Games). Thus, the challenge is to make it clear to wholesalers, tour operators, and potential visitors that the country is open for tourist business throughout the Olympic year, and to include marketing activities specifically to fill the immediate post-Olympic period.

The third challenge is to coordinate the plethora of organisations that must be coordinated to make any strategic leveraging effort work. This includes the many public and private tourism organisations, sport organisations, the Olympic family, and other key stakeholders, such as sponsors and economic development agencies. The coordination challenge is akin to the kinds of challenges faced by central planners in state socialist systems (and it risks comparable levels of failure). This may be one reason that a leveraging effort of the scope and ambition found in the Australian case has not previously been undertaken by any host with a free market economy.

Strategic needs

Three key strategic requirements have been identified in the Australian case. First (but least importantly), there has to be work to get visitors to the Sydney Olympics to travel elsewhere in Australia – to use their Olympic visit as an opportunity for tourism. Second, relationships must be built that will enhance Australia’s capacity to build tourist business. Third, the Olympic Games need to be used as a vehicle to build the interest of potential tourists – to increase the saliency and attractiveness of Australia as a destination generally. Three kinds of visitors are important: leisure tourists, business visitors, and MICE (meetings, incentives, conventions, and exhibitions) visitors. Although leisure tourists are the largest category, MICE visitors offer a higher yield (spending roughly 7:1 what is spent by a leisure tourist). Business visitors add impact by bringing new business into the country.

The Olympic year

Australia’s research in its core international tourism markets has revealed a perception that Sydney is full because of the Games. Sydney will be full, but only for 3-4 weeks in September (when the Olympics occur). However, travellers generally do not know when the Olympics are, so they are avoiding the whole year. This is a particular problem for Australia because Sydney remains an essential inclusion for most first-time visitors, particularly those from Europe, the United States, and Japan. So, the sense of many tourists is that Sydney is unavailable, and if it is unavailable, then there is no point in planning a trip to Australia.

To counteract this perception, the Australian Tourist Commission (ATC) has launched a multi-faceted campaign built around the slogan, “Australia 2000: Fun and Games”. The entire campaign is designed to capitalise on the presence of the Olympics, but to reassure wholesalers, tour operators, and potential visitors that the country is open for business, and is having a party. The idea is to turn the fact that 2000 is

an Olympic year into a positive.

The “Fun and Games” campaign is designed to address the problems of diversion. The other challenge, of course, is to get Olympic visitors to engage in tourism. This is actually the smallest part of the strategy. Sydney is expected to be full during the Games, and other destinations feel that the focus will be on Sydney because of the Games (and therefore not on them). So, long-term leveraging has been the focus. Nevertheless, the tourism authorities at national and state levels have worked with the various travel providers to package pre- and post-Games itineraries. These are being marketed (usually by brochure) to visitors who have Olympic tickets or who expect to visit Sydney during the Games.

Positioning

The key challenge has been to exploit the attention Australia will get as a host of the Games in order to: (1) obtain a more sophisticated image for the country (i.e., one that is less associated with Crocodile Dundee, and that is more associated with modern know how), (2) make Australia seem less distant, and (3) showcase the variety of experiences and places Australia has to offer. Six strategies have been put into place:

- a program to increase visits and stories by overseas journalists
- work with the Sydney Olympic Broadcasting Organisation (SOBO)
- assistance to unaccredited media during the Games
- building of MICE business
- work with (some) sponsors
- using the Torch Relay.

The Visiting Journalists Program. Beginning in 1989, Australia increased her effort to obtain stories about Australian destinations in international travel publications. The program was known as the Visiting Journalist Program (VJP). Once the bid to host the Games had been won, the program was expanded substantially to capitalise on the increased interest journalists would have in Australia. The program works to bring travel writers to Australia. It helps them to find and research stories. It supports the journalist's work by providing facts, video footage, photos, and introductions. In 1998 and 1999, almost 1500 media visits were arranged through the program, yielding an estimated AUS\$1 billion worth of coverage (calculated using comparable worth estimates).

Working with SOBO. It is expected that 12,000 accredited broadcast media and technicians will attend the Games. They will be responsible for the images of Australia that the world sees. In order to facilitate their work, the ATC has provided ideas, video footage, facts, and “postcards” (i.e., images for broadcast) that can be used by Olympic broadcasters.

The Sydney Media Centre. In addition to the accredited journalists who will attend the Games, it is expected that 15,000 unaccredited media will also arrive (which is 2½ times the 6000 accredited print media). These unaccredited journalists will have to file stories, just as the accredited ones do. However, they will not have access to the Main Press Centre or the International Broadcast Centre that are being put

into place by SOCOG for the accredited media. The concern is that these journalists should be assisted to find and file stories that are consistent with the destination positioning that Australia seeks to achieve through the Games. In order to facilitate that, the Australian federal government and the New South Wales state government provided \$4 million to develop a media centre for unaccredited journalists who come to the Games. In addition, they have sought private sponsorship to enhance the Sydney Media Centre's operations.

The Sydney Media Centre will be located in Darling Harbour – at the heart of Sydney. It will be open from 7:30 a.m. - 11:00 p.m. daily during the Games. It will offer 2100 square metres of support, including meeting rooms, internet access, and story support.

MICE. The experience of previous Olympic cities has been that hosting an Olympic Games brings more MICE business before and particularly after the Games. The Games are being used to position Sydney and the rest of the country as a highly sophisticated destination that is capable of supporting any kind of meeting, incentive, convention, or exhibition. As one marketer put it, "What we tell people is that if we can host an Olympic Games, we can host anything."

The strategy seems to be working. Sydney has become the number one conference and convention destination in the world. Between the time Sydney won the bid until 13 December 1999, Sydney had won 202 bids for MICE business. These bids constitute 251,280 delegates and over 1.3 million room nights. The estimated economic value to Sydney is AUS\$919,649,010. In addition there is a flow-on benefit to other destinations that are included in the pre- and post-conference itineraries of MICE visitors. Since the expectation (given the experience of past host cities) is that the post-Olympics MICE business can be higher than pre-Games business, over AUS\$500 million has been budgeted for MICE bidding activity for Sydney over the four years following the Sydney Olympics.

Working with sponsors. The sponsors have a stake in the image of the host city and the host country. Consider the way that American Express ambushed Visa during the Barcelona Olympics. American Express advertisements showed happy shoppers using their American Express card in Spain. Although the advertisements never mentioned the Olympics, the association was made, and many viewers thought that American Express was an Olympic sponsor. The ambushing worked because viewers associated the Olympics with the place in which it was held.

Consequently, Visa has worked with the ATC to do joint advertorials and to build Sydney and Australian images into its advertising. The total spend has been over AUS\$30 million. Visa has also worked with the Sydney Convention and Visitors Bureau to provide links to its partners, particularly to help associate Visa with Sydney through various meetings and incentive programs.

Some other sponsors have also taken up the idea. Kodak launched promotions in the United States using images of Australia to promote its new line of films and cameras. McDonalds in New Zealand worked with the ATC to deliver a TV and in-store campaign that the ATC estimates delivered AUS\$1 million in

exposure.

This linkage of destination promotion to sponsorship is a relatively new idea. SOCOG and the IOC have been reticent to facilitate relationships between tourism organisations and sponsors, perhaps because they fear that sponsors will feel harassed. But, as the examples above demonstrate, there is a conjunction of interests between sponsors and destination marketers. This will be an important realm for future work.

The Torch Relay. The Torch relay offers an opportunity to provide exciting visuals to international media. Australian destination marketers have worked closely with relay planners to obtain and use imagery that will showcase the country as a potential tourist destination. The relay will begin at Uluru, site of one of Australia's most significant tourist icons, and the world's largest monolith. The torch will be taken underwater at the Great Barrier Reef (another key tourist icon). At other sites outstanding visuals have been planned, such as a fire in sugar cane fields in Queensland. These are intended to attract media, and to provide newsworthy visuals.

Building relationships

Many travel companies that have not previously marketed Australia will be doing business in Australia as a result of the Olympics. This has rendered two key challenges. First, Australian tourism organisations have worked with them to help them learn about the country's destinations. Second, the companies have been encouraged to continue to work in Australia and to market Australian destinations internationally after the Games are over. Most have said that they will.

Nevertheless, there is still the challenge of filling the expected short-term post-Olympics lull. In order to obtain high-yield MICE business, AUS\$5 million has been devoted to a "Meet in Australia" campaign. The campaign works with Australian companies to encourage and assist them to bring meetings and incentive travel to Australia. The idea is that interest in Australia will be high after the Games, so Australian companies may be particularly successful at getting their overseas offices, partners and subsidiaries to choose Australia as the site for their next meeting or as a place to send staff they want to reward. The campaign works through relationships – between the ATC and Australian businesses, and between Australian businesses and those with whom they do business.

Businesses also attract visitors who want to do business. The "Australia Open for Business" campaign that is run by Austrade is designed to promote such visits. The campaign has created a networking system built around Olympic interest. Called "Business Club Australia", it features networking via the internet as well as a spacious facility in Darling Harbour where business people can meet to do business during the Games. In addition, Austrade has created a trade visitors program built around the Olympic year – yielding a trade visit approximately every week, and with 30 trade visits planned for the Olympic period.

Finally, Pre-Olympic training offers an opportunity for communities beyond Sydney to build useful relationships. Here the challenge is to use the media that may be associated with pre-Olympic training and to build relationships with the athletes and officials who come for pre-Olympic training. As one city put it,

“We want the athletes who train here to become ambassadors for us.” This has worked best when the sport organisations and tourism authorities work closely in the planning and implementation of strategies and tactics.

Concluding comments

Tourism enhancement is a key Olympic legacy. Leveraging the Games for tourism benefits requires new or enhanced organisational linkages and alliances – public and private, sport and tourism, tourism and event organisers, tourism and sponsors. Leveraging requires attention to flow-on tourism at the time of the Games, the effective use of media to position the country and its destinations, and to the strategic use of business-to-business relations. The leveraging of sport events, in general, and the Olympics, in particular, is a relatively new art. The challenge is to examine and evaluate these efforts in order to obtain lessons that can be applied to future events.