

Chapter 8

MAKING IT HAPPEN



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## The elephant stumbles

Over the years, the Olympics Games have become an important global showcase for new technology. In 1984, the Los Angeles Games introduced e-mail to a wider world. Back in 1964, Seiko's Quartz timing system debuted at the Tokyo Games, and Matsushita used the Seoul Games in 1988 to break into the professional broadcast market.

For technology companies, the Games offer a unique platform – a world stage to demonstrate state-of-the-art technological sophistication and vision. Abby Kohnstamm, IBM's head of marketing, described the Olympic Games as 'the ultimate showcase of technology'.

The technology is not decorative. World records require accuracy and reliability, otherwise their entire credibility is undermined.

The Games have become increasingly dependent on technology. IBM sent 2,000 people to run the computer systems at the Sydney Games, aided by a further 4,000 volunteers – creating the largest temporary computer network ever built on the planet. The network was designed to process three trillion bytes of data – the equivalent of the amount of information contained in an average newspaper every day for 30,000 years; enough paper to stretch from here to the moon. Also at Sydney, Xerox brought in over 600 employees to help run the Games document management systems made up of over 800 copiers, 800 fax machines, 400 printers and eight publishing centres, working around the clock, to help deliver the results and key information to the media and sports officials. Anne Mulcahy, chairman and CEO of Xerox said the Olympics 'serve as a competitive benchmark and as a showcase for talent, teamwork and excellence'.

Technology costs now represent upwards of 30 per cent of the total operating budget for the Games. According to Tom Furey, general manager worldwide for Olympic technology, the Games have become 'the largest, most complex information technology challenge in the world'. Should the technology ever fail, the Games face great difficulties. The IOC and IBM learned this to their great cost and embarrassment at the Centennial Games in Atlanta.

## The blues

IBM's involvement with the Olympic Games dates back to the 1960 Winter Games in Squaw Valley. It was the first time a computer was used to help compile the results (35 technicians working on an IBM RMAC with punch cards). Four years later in Tokyo, IBM had to place its computers in fridges to prevent them from overheating.

In the early 1990s, the IOC and IBM began exploring ways to simplify the technical operations for the Games. By the 1992 Barcelona Olympics, the IOC was concerned about the growing cost of technology. It set out to find a way of formally transferring the complicated and unique Olympic systems from one Games to the next.

IBM was also rethinking its approach. It was having a torrid time in its traditional markets, experiencing losses for the first time in its history. As a company, Big Blue was in the process of changing its overall strategy, shifting its image from a manufacturer of boxes to an overall solutions supplier and systems integrator. IBM's market was changing, with companies like EDS becoming a far greater threat to its core business.

Until Atlanta, the computer network and results systems were run by a consortium of different technology companies. IBM provided the hardware, while others, like EDS, provided the systems integration, and specialist companies, like Sema, provided specific niche solutions for accreditation and other systems. IBM, however, came to the conclusion that from its own marketing and business standpoint, it needed to take over the whole operation. Big Blue had to 'own' all aspects of the Games' computer network and related systems.

IBM's head of European marketing, Paul Wipperfurth, came to Lausanne to see me. He explained that a consolidated solution would not only meet IBM's overall business objectives, but provide the IOC with a safer and more cost effective way to handle the required technology. Rather than entering into individual agreements for each Games, why didn't the IOC consider a long-term strategic alliance for a multi-Games deal? This would allow IBM to create new state-of-the-art systems from which the company could then recoup its investment over a longer period.

For IBM, the Games would become the centrepiece of its strategic marketing programme. This would help the company's change of image by

showcasing new integrated solutions to a global audience. IBM's proposed strategy, Wipperfurth said, would help increase the IOC's overall management of the Games, reducing operational risks and helping to control escalating technology costs. Dick Pound and I took IBM's plan to Samaranch and the IOC Board, and it was quickly approved.

The IOC and IBM teams then got together to begin thrashing out the details of how to create a permanent technology transfer team. Recognising the investment that IBM would now be making in the Olympics, the IOC proposed to upgrade IBM to full TOP programme status. Jack McMahon, who was leading the IBM negotiating team, told us in no uncertain terms that what they wanted was a strategic partnership with the IOC, not to be part of the TOP programme. 'We are not interested in putting the Olympic symbol on our products. If you insist on continually pushing TOP, we will withdraw our offer of support for the Olympics – TOP is not right for IBM,' he said.

We couldn't understand IBM's position. The IOC was offering the company the highest level of Olympic sponsorship, to become a member of the most elite marketing club in the world, and IBM didn't want anything to do with it. IBM wanted all the rights and benefits, but not membership. The IOC had no choice but to accept McMahon's dictat and the negotiations dragged on. Months went by and we did not seem to be any closer to closure. The contract simply grew in length. The longer it became the further away we seemed from concluding anything.

In April 1993, John Ackers, chairman of IBM, suddenly resigned to be replaced by Lou Gerstner. This seemed to be the worst news possible for the IOC. Gerstner had been a senior member of the American Express executive team that had turned down the Olympics. It looked like two years of negotiations with IBM were about to come to an abrupt and unceremonious halt.

I flew to New York to meet with Gerstner's new head of communications, David Kalis, expecting to be told that the whole deal was off. But, before I could begin to explain the deal, David promptly announced: 'Lou told me to tell you, that he has made the mistake once of losing the Olympics and TOP and he is not about to make the same mistake a second time. The only way we are prepared to go forward, is if we are a full TOP partner – nothing else.'

Having spent the previous 12 months of negotiations with McMahon and his team removing any reference to TOP from the draft IBM contract, it was amusing to watch McMahon do a complete U-turn. At our next meeting, he explained how all the TOP references had to now be reinstated. With Gerstner in the driving seat, soon to be joined by Abby Kohnstamm, who also came over from American Express as his new head of global advertising, the deal was quickly concluded.

### Hot technology

IBM set about preparing for the Atlanta Games, putting all its technological and marketing muscle behind the programme. Senior IBM executives touted the challenge they faced to their customers and to the press. 'Imagine the largest hotel chain in the world, the largest restaurant chain, the largest medical facility and on top of that, two Super Bowls a day for 17 days, then you have something like the operating environment for the Olympic Games,' Dennie Welsh, general manager of IBM Global Services, explained to his customers.

Ron Pamlich, an IBM veteran and core member of its Olympic team, acknowledged the challenges of an immovable deadline. 'We could always defer a space shot or big projects of this type. The Olympics are different. July 19, 1996, and the Games begin. It's show time. We have to perform. We have a sacrosanct deadline. It's like hide and seek. Here come the Olympics, ready or not.'

Palmich continued the media rounds, talking of Olympic 'computer and technology requirements that surpass those of 95 per cent of businesses. The Olympics mimic a client environment that has rigorous requirements, like tough deadlines and a huge scope. We want our potential clients to leave the Games and think – How can this model work for me?'

Eli Primrose-Smith, the former chief operating officer of the 1994 Soccer World Cup in the US, was brought in to be IBM's overall Olympic project director. She said their partnership with the Atlanta Organising Committee (ACOG) gave the company a chance to demonstrate that 'if we can help to plan, manage and run much of the Olympic Games, we can provide the technology infrastructure for any size'. John Patrick, vice-president of IBM Internet Technology, announced that 'IBM's goal is to

come to the Olympics with the image as the world's hottest internet company.'

Atlanta's technology director Bob Neal also continued to raise the stakes. 'The reliability, accuracy and productivity of systems and telecommunications technology will be a critical element in attaining the Organising Committee's goal of providing the best Games ever,' he said.

IBM's publications explained how their products had been chosen exclusively, 'because they provided the only industrial strength solution'. IBM's results system promised to deliver information to broadcasters between 3/10 and 7/10 of a second after reporting. The Info 96 System, a 60 gigabyte warehouse, contained a century of history and Olympic results, the biographies of some 10,500 athletes, event schedules and an e-mail system for the 150,000 accredited members of the Olympic family.

The hype was insistent. Lou Gerstner, meeting with a group of shareholders in Atlanta a few months before the Games, acknowledged: 'We both have a lot on the line. It's a chance for your city and our company to show the very best of the world stage. I don't need to tell you there's an element of risk in stepping on to that stage.'<sup>1</sup> Gerstner's declaration proved prophetic.

## Crash test dummies

One year out from the Games, the IOC felt that the technology systems were not coming together as they had in previous Games. For the first time, broadcasters and the international press agencies were starting to express concern, calling the IOC and saying they were nervous. We raised the issue with IBM and ACOG, only to be told bluntly not to worry and that everything would be OK. After all, this was the United States, the world capital for technology, and this was IBM, Big Blue.

The IOC kept its own counsel and looked on wearily. Who were we to question one of the world's largest computer companies and the world's technological capital? Every now and then we checked in with IBM and ACOG, asking how the technology testing was going and was there anything we should be aware of? We were told to stop worrying, everything was fine and to, basically, mind our own business.

Two weeks before the Atlanta opening ceremony, it was blatantly clear that everything was far from fine. The Games results system – the most high profile and critical of all of the Olympic information systems – was not behaving itself. Everyone involved started to seriously worry; everyone that is except IBM. ACOG, and its blunt, no-nonsense, chief operating officer, AD Frazier, still trusted that IBM would eventually come through. But IBM was not listening, especially to the real experts – the international press agencies that had the most to lose if the results system did not work. There was still time to create a back-up system. Kevan Gosper, an IOC vice president and chairman of the IOC Press Commission, pleaded with ACOG and IBM to develop a simple back up with the agencies.<sup>2</sup> IBM would have nothing to do with Gosper's proposals, and proceeded blindly on. July 19, 1996, arrived and the stage was set for a record-breaking Centennial Olympics. For the first time in the history of the Olympics all the recognised NOCs were present – 197 countries. While the Games started in style, the technology did not. The words of Paul Wipperfurth, the IBM executive who had pioneered the broader Olympic strategy, came true: 'If you can handle the Olympics, you can handle anything. [But] if we fail, the Olympics fail.'

In time-honoured tradition, when things start to go wrong they go wrong big time. The results from IBM's much hyped information results system never appeared. Actually some results did appear – and the information only served to highlight the extent to which IBM had lost control of the system. It had a life of its own. The IBM results systems started producing stories of one metre high boxers; 900-year-old pole-vaulters; a 12 centimetre tall Nigerian ping-pong player pitted against a 19 metre tall Chinese competitor; and Danes and Australians setting new world records for events that had not yet taken place.

No doubt much of the information – or misinformation – was the result of human error in the inputting of data. But with no effective results coming out, it was the press, and in particular the international press agencies, who were embarrassed in front of their clients. They were rightly furious and swift in their condemnation. Some of the world's largest and most influential newspapers, which had been planning to run full-page results from the Games, were left with blank pages. IBM could not have

found a more important or influential audience to disappoint. IBM's failures provoked a barrage of negative headlines around the world.<sup>3</sup>

IBM was reduced to faxing the results to the major news organisations, even sending runners carrying paper results, which then had to be fed into the media's own computers. By day three of the Games, the press were in a state of rebellion. At the daily morning meeting of the IOC Co-ordination Commission Samaranch told the ACOG that their mistreatment of the world's press, was 'killing the Games'.

IBM had made a huge mistake by failing to run enough simulated tests on a system that they knew was about to embark on possibly the most ambitious exercise in integrated communications ever attempted. IBM's head office was in a state of panic, as they watched their carefully planned advertising and public relations campaigns collapse around them.

Advertising boasting of IBM's work in Atlanta was immediately pulled. Senior IBM communications experts were flown in to try to defend IBM's reputation. To be fair to IBM, six out of the seven major systems the company had developed for the Games were working perfectly. Only one was not. Unfortunately it was the one providing the results to the world's press.<sup>4</sup> IBM spokesman Fred McNeese admitted, 'We fouled up with the people who buy ink by the barrel'. The press reported the story ad nauseam, even blaming IBM for things that it had nothing to do with. The *Philadelphia Enquiry* even suggested that an IBM system might have contributed to security lapses.

Slowly the IBM and ACOG engineers addressed the basic issues facing the results system, and the media moved on to criticise other aspects of Atlanta. But, it was almost a week before the results operation was running smoothly. Lou Gerstner in Atlanta for the Opening Ceremony was not amused and stormed around reading the riot act.

Immediately after the Games, post-mortems were held on the Games technology systems, to understand why they had failed and to make sure that the same mistakes were never, ever made again. Unfortunately, all that seemed to materialise was a major exercise in finger pointing. IBM claimed it was not allowed by the Atlanta organisers to speak directly to various end users about their needs. So it was unable to fine tune the systems. It did not seem to dawn on IBM that the head of ACOG technology was actually an IBM employee and that other technology partners like Swatch had no problem contacting key stakeholders.<sup>5</sup>

What should have happened, in my view, especially in light of the major public relations hammering that IBM took from the world's media, was for Lou Gerstner to have called for a major inquiry by an independent auditor. But Gerstner never tried to find out why the system collapsed. No external inquiry was ever called and no one ever really knew where to place the blame.

Even so, IBM's own post-Games research produced an interesting conclusion. Among the company's technology savvy business customers, there was considerable empathy towards IBM's predicament and the fact that systems can and do fail. These customers were more interested in how IBM reacted and got things fixed.

Even the critical press did not seem to diminish IBM's enthusiasm. 'We have found no residual downside whatsoever,' IBM's Eli Primrose Smith told *Business Week*. 'Our customers and potential customers understood we were working in a high risk environment.'

## Twice shy

Going into the Winter Olympic Games in Nagano, IBM took no chances. It went back to square one to review all systems and, where necessary, develop totally new ones. Big Blue added dramatically to the number of employees working on the project, building back-up systems to the back-up systems and testing everything again and again and again. The systems worked perfectly in Nagano, but the costs had soared. So much for keeping costs under control by transferring the same operating system from one Games to the next.

Things were starting to get out of hand. IBM processed one terabyte of data (one trillion bytes) during the entire Nagano Games, or five times as much as the Lillehammer Games, four years earlier. The information system logged more than six million requests – triple the volume at Lillehammer. IBM stepped back and took a long, hard look at the costs. The IOC took a similar look. It was not a pretty picture.

Rather than creating a structure to control costs, the situation was spiralling out of control. With all sides paranoid about repeating Atlanta's technology disaster, Sydney saw its information technology budget escalate to over \$375 million. This was against the \$75 million spent eight

years earlier in Barcelona. The number of athletes was basically the same and there had been no dramatic increase in the number of events. But the demands of the end-users and the need to create multiple back-up systems had driven costs through the roof.

When the IOC and IBM sat down to talk about the future and whether to renew their long-standing partnership, the parties were hundreds of millions of dollars apart on what the true cost of the Games technology should be. The IOC had an obligation to keep technology for the Games at the forefront of information management systems, but at a sensible price.

The other new development was the advent of the internet. IBM was convinced that it should exclusively 'own' internet access to the Games as part of its TOP sponsorship. For the IOC, the internet was a new medium and one that different stakeholders and partners had a legitimate claim to. There was no way that one company could claim all the rights. Kodak with its digital imaging business, Visa's electronic payment systems, Samsung's mobile phones with internet access – all were involved with the internet in one way or other. IBM did not see it that way. On one occasion, for example, Xerox wanted to give its web site details in an Olympic advertisement, only to have IBM object. There was intense frustration among the sponsors at IBM's attitude

Over the course of months of renewal negotiations, it slowly dawned on both sides that we were not going to be able to make this work. The IOC was convinced that the best way to manage costs and reduce risk was to return to a technology consortium of best of breed companies that had proved so successful and efficient up to and including Barcelona. For IBM, this was counter to its overall strategic positioning. Regretfully, after a 40-year Olympic partnership, the parties agreed that the time had come to go our separate ways.<sup>6</sup>

IBM still faced the responsibility of delivering a flawless results system in Sydney and going out in style. The press watched closely, as nearly 13 million lines of software code were put to the test, and 6,000 IBM and technical support personnel were drafted in. Even then, it was not until just a few weeks before the Games that everyone was really comfortable that all systems were go, and IBM got the headlines it so strived for: 'Glitches to Gold'. IBM flew in over 1,000 customers from around the world for its final

Olympic party. And, in spite of all the problems the company had faced in Atlanta, 'the Olympics', according to Rick Singer, IBM director of world wide marketing, 'really did enhance how people thought of us'.

### The integrated mousetrap

With the decision not to renew with IBM, the IOC decided to return to the tried and tested, and much more cost-effective system, of a technology consortium led by a systems integrator. We approached Sema, Europe's second largest computer services company, to take on the role of overall systems integrator for the Games. Sema had already run many of the systems back in 1992 at the Barcelona Games, and had quietly worked since then as a sub-contractor to IBM for a number of key Games systems, like accreditation.

The IOC was anxious to turn to a more flexible technology arrangement. Sema would be able to select the best and most cost-effective solutions. The Games would not be hostage to marketing people imposing whatever new system was to be showcased that month, whether it was suitable or not.

Sema's chairman, French industrialist Pierre Bonelli, told the *Wall St Journal*, 'I don't intend to use the Olympics to market products like IBM does. All I care about is showing the world this company has the knowledge to get the Olympic job done on time and on budget. We are a company of engineers not a company of marketers. There is zero tolerance for error'.<sup>7</sup>

Sema set about preparing the systems for the 2002 Winter Games in Salt Lake City. Members of the organising committee were nervous as they watched Sema turn up with a fraction of the number of engineers IBM had sent to the Games. But as Sema senior vice president Tidu Maini kept pointing out, 'the bar may look high, but that's just because of the way the previous partners chose to jump'.

The Salt Lake organisers became even more nervous when, in April 2001, Sema was suddenly acquired by Schlumberger, an oil services conglomerate looking to diversify its operations. Would Schlumberger, which had shied away from any form of publicity, continue to support the Olympics with the same enthusiasm as Sema? Would the key technology executives stay with the company? Salt Lake did not have to worry – Schlumberger jumped into the project with even more enthusiasm and commitment than before.

SchlumbergerSema calmly and methodically built a new set of systems. It then devoted 100,000 hours to testing. Nothing was left to chance. The company opted for a low-key marketing campaign to support its Olympic partnership. It wanted to first prove to the world that its systems and methodology worked, earning it the nickname of 'the invisible sponsor'.

SchlumbergerSema's attitude was to let its services, and its successes, do the talking. This was less to do with any global brand-building programme, and more to do with a carefully targeted communications programme to build trust within a specialist and very select group of customers and potential customers.

Irwin Pfister, chief operating officer of SchlumbergerSema, became more bullish as the Games progressed and the technology systems continued to perform flawlessly. This, he said, is 'the largest, most complex sports related information technology project in the world; and we're the best, so we wanted to be able to demonstrate that, and being able to pull off a project of this magnitude just establishes the level of credentials that's unparalleled.'

The Games results and technology management systems went off without a hitch. SchlumbergerSema sat back and relished the glowing media coverage. 'Right now good editorial gives me more credibility with our business than does any advertisement I could buy,' was how Michele Bernhardt, Schlumberger's director of communications summed up the results of their post Games press.

Bill Cottam, one of SchlumbergerSema's project directors, recalled: 'If the systems failed ... It was our name that was going in the paper. The team worked 24 hours a day. There was no room for error of laxity. We have an "a" system, a "b" system and a "c" system. Failure was not an option. The unexpected also posed challenges. The decision to award two gold medals in one event – the figure skating, after a judging controversy was not something that had been tested on the system.'

Schlumberger had delivered. Jacques Rogge, presiding over his first Games as IOC president, succinctly summed up the result when he wrote to the SchlumbergerSema team after the Games. 'All of this was achieved with significant cost and operational savings over previous Games. SchlumbergerSema achieved all this without any way increasing the risk of technology operations. On the contrary, they reduced it.'<sup>8</sup>

With Schlumberger handling the overall systems integration, the IOC looked to bring on board other key technology partners to complete the consortium. As Swatch was already handling all timing and scoring, they were perfectly placed to handle the critical area of 'in-field results management'. Nicolas Hayek, chairman of Swatch, jumped at the opportunity to expand his company's Olympic involvement.

### Chinese computing power

The third key pillar of the consortium, was to find a computer partner and, by late 2002, the IOC had begun negotiations with Chinese computer giant Lenovo to join the TOP programme.<sup>9</sup> The Chinese Government was very keen for one of its key industrial leaders to step up onto the global stage and take full advantage of the 2008 Games to showcase their technological potential.

Lenovo had seen how Samsung quickly built a global brand position through Olympic sponsorship, but remained uneasy about whether it had the international resources to take on the global responsibilities of a TOP partner, especially servicing the IOC's global computer needs, and the not insignificant requirements of the Torino 2006 Winter Games.

As much as the IOC was attracted to the potential of bringing a Chinese company into the TOP programme, the Games technology experts were anxious to ensure that Lenovo was up to the challenge. Months and months of testing took place, as the marketing negotiations continued on. With Lenovo passing the technical evaluations with flying colours. Mary Ma, Lenovo's head of corporate marketing, announced that Lenovo would in due course make a major international acquisition to build up its international presence. Lenovo formally joined TOP in March 2004, and less than nine months later, Mary Ma delivered on her earlier promise of a major international acquisition. Lenovo acquired IBM's PC division, overnight becoming the world's third biggest PC manufacturer.

### New media, false dawn

Technology is not only critical to delivering the Games, communications technology is also key to the Olympic's financial well-being. In January

2000, the IOC called a meeting of key broadcasters in New York to discuss how to manage the growing challenge of the internet. If we were to believe the press, the broadcast industry – the principal source of funding for the Olympic Movement – was under threat, and within a few years would probably be extinct. One forecast had advertising on sports-related websites growing to \$6.27 billion by 2005.

Gathered around the conference room table in New York were the representatives of some of the world's most powerful 'old' media conglomerates: General Electric's NBC; Channel 7 from Australia; Canada's national broadcast network, CBC; the European Broadcasting Union; and a cross-section of broadcasters from Japan. Everyone was concerned. The Sydney Games were scheduled to take place in a matter of months. New media technology was challenging the governing principles of the sports broadcasting industry, which was founded on the basis of clear territorial definitions and exclusivity. The internet was no respecter of the boundaries of exclusivity or territory.

Change was in the air. A start-up company, iCrave TV, had already begun to broadcast live US network television into Canada on the internet for the first time. *USA Today* welcomed the upstart's arrival as 'a move that threatens to blow holes in the TV industry as we know it'. The traditional media and sports property giants, including Disney, Rupert Murdoch's Fox Network, CBS and the NFL, along with ten other entertainment industry superpowers, proceeded to carpet bomb iCrave with a barrage of lawsuits. It became the largest ever legal attack on an internet company. Reflecting the mood of the time, a Federal Communications Commission official said, 'Broadcasters have told me, that if they lose this case, it's the end of the world'.

The broadcasters at the New York meeting had been gathered together to discuss whether we should put Olympic footage from Sydney on the web. They agreed that while the internet might offer interesting new opportunities to expand the viewers' experience, it was not possible to control the territorial footprint of the transmission. If all broadcasters could not agree to a new global protocol, then there would be no broadcasting of video images or audio on the internet for the Sydney Games. This decision was greeted with dismay and shock by the rest of the world's media industry.<sup>10</sup> The condemnation of the IOC's perceived short-sighted view was almost universal. The *Sun* in Malaysia reported that 'the Olympic Committee is

treating the net with the same suspicion they did the television 44 years ago’.

## Discovering the internet

The first Olympic Games to encounter the internet was Atlanta, with the official site attracting some 200 million visits, a record at the time. Although several companies had approached the IOC with various internet proposals, none had been able to show that it truly understood the sports world or could explain how sport could be enriched by this new medium. None, that is, until two Australians founded a small specialist company called Quokka.<sup>11</sup> Its sole focus was the creation of the interactive sports experience and how to bring the spectator closer to the athlete experience.

One of the founders of Quokka was John Bertrand, the legendary Australian yachtsman who had skippered Australia’s challenge for the America’s Cup in 1983. Bertrand’s victory had broken the US’s continual 132 year run as Cup holder. Bertrand and his America’s Cup team had been one of the first sports team to truly realise the value, power and potential of technology as a tool to assist them in design of their boat and analysis of weather and wind conditions. The other founder was Alan Ramadan, chief technology officer for the Australian Syndicate in 1992.

Ramadan got his brainwave during Australia’s 1995 attempt to win the America’s Cup, when he realised that the experience for the sponsor guest could be greatly enhanced by being allowed to follow the data pouring into his computers from the boat, detailing wind speeds, weather conditions and other statistics meant that the difference between winning and losing. Ramadan also saw that this sponsor experience could be expanded to a much broader audience if it could be made available in a user-friendly format over the net.

Bertrand and Ramadan teamed up and created the concept of ‘total immersion sports’. The traditional armchair viewer was transformed into his own producer, surfing hundreds of channels, and in-depth data, permanently clicking his or her computer mouse. Their objective was to create the leading sports entertainment company in the digital world, and in the process trigger a revolution in the comfortable, simple world of the armchair sports fan.<sup>12</sup>

Quokka was not alone in its conviction that the new media world would own and control the future of sports presentation. IBM felt that it was also sitting on a goldmine. (As noted, Big Blue had convinced itself that it owned all Olympic rights to the internet.)

The fact that the word 'internet' did not appear once in the Olympic partnership agreement with the IOC was of little consequence. From IBM's perspective, it made all the bits and pieces that ensured the internet worked, so, therefore, it owned the category. The logic was baffling.

I responded that it was similar to one of the other TOP partners, like Panasonic, claiming it owned the broadcast rights to the Games, just because it made TV sets and video recorders. My arguments fell on deaf ears.

IBM refused to accept that the internet was a medium. Its executives refused to acknowledge that the internet was much more than a sponsorship category. This difference of opinion led to a breakdown in negotiations between the IOC and IBM, precipitating the eventual collapse of any renewal discussions post-Sydney.

As the internet continued to gain momentum – or at least continued to generate a lot of hype – the IOC, like many other organisations, began to consider how to take control of the various Olympic domain names, as an investment for the future. The IOC identified some 1,800 names that had already been registered with some form of Olympic related prefix – mostly by individuals with the sole aim of then re-selling the URL to the highest bidder. Under new anti-cyber squatting legislation introduced by the World Intellectual Property Organisation, the IOC proceeded to launch the largest ever lawsuit against cyber squatters to take back control of the Olympic terminology. Eventually, when the US District Court ruled on *US Olympic Committee v 2000Olympic.com*, it affirmed an earlier magistrate's ruling cancelling 36 domain names and transferring 818 back to the IOC. By the time of the 2003 ruling only 45 of the 1800 domain names originally listed remained.

There was no question that the internet was empowering a whole series of new stakeholders, who until now had been solely dependent on the traditional media to gain any exposure or profile. The new medium was embraced by sports agents and managers. They saw the potential to build their athletes as commercial brands by taking their message directly to the public.

At the US Olympic trials, 400 metre runner Michael Johnson, reportedly ignored the media at the post-race conference, preferring to post his comments about the race, his injury and his supposed rivalry with Maurice Green on the NBC.Olympics.com site run by Quokka. The public, however, only learned of Johnson's views when a wire report picked up the story from the Quokka site and repeated it through traditional media.

### Sink or surf

In preparation for the onslaught of the new media world at the Sydney Games, the IOC began preparing its defences. In the midst of a digital revolution, it was suggested that the IOC should change its official languages of English and French to zeros and ones. Prior to the Games, some 25,000 different sites were identified as having some form of Olympic content. Of these, close to a thousand might have the capability to transmit video images.

A specialist legal monitoring team was formed led by Net Results, with a group of lawyers surfing the web around the clock, ready to serve injunctions at short notice.

During the final contingency risk management training exercises, run by the Sydney Organising Committee with the IOC before the Games, everything from security procedures for terrorist attacks, to food poisoning at the athletes' village was reviewed. But there was one scenario that completely threw the operational planners.

What would we do, I asked, if a website in India started taking the broadcast signal live and streaming it to the world? And then, the scenario continued, the fax came in from NBC announcing that it was withholding the final multi-hundred million dollar rights fee payment for breach of rights. There were some long blank looks around the table. Finally, Michael Eyers, the deputy chief executive of the Organising Committee, shot back at me, that as the television contracts were signed and negotiated by the IOC, then it was clearly the IOC's problem to fix.

It was, therefore, with some trepidation that the IOC entered the Sydney Games, wondering whether we would see the meltdown of the broadcast industry. 'In today's Wild West environment, NBC's huge investment in Sydney can be chipped away at by competitors, athletes or anyone sit-

ting in the grandstands with a digital camera, cell phone and personal web page, an investment of about \$500,' observed one article. The sports industry would either learn to surf the web, or drown.

The media were convinced that the power of the internet could eventually undermine the economic foundation of the modern Olympic Movement. 'The 27th Olympic Games may be remembered for many things – world records, peacetime logistical planning,' wrote the *New York Times*, 'but it will surely be a benchmark in the struggle between those who hold intellectual property rights in sporting events and those seeking to cover sports, especially for the ever expanding universe of news outlets on the internet.'

Yet, in spite of all the media hype and IBM's marketing push that these were the 'Olympics of the internet', it simply didn't stack up. Within the internet industry, everyone was used to talking about billions of hits, but no one was asking how many individual users this actually meant. When the final numbers came in, everyone, including the most optimistic champions for the new media world, experienced a rude awakening.

IBM claimed that the official Olympic.com site had attracted 11.3 billion hits and had set a new industry record for a sports site at the time of 1.2 million hits per minute.<sup>13</sup> But this only translated into 8.7 million unique visitors. NBC-Quokka, with its complementary site to the US network broadcast, attracted some four million visitors. Such was the scramble to push the numbers up that IBM was even accused of misdirecting hits from the NBC site to its own to beef up the final result.

Other broadcasters, like Channel 7, anxious not to get left behind in the new media rush, felt it necessary to put their own stake in the ground, only to find that the numbers fell far short of expectation. Channel 7 attracted over 16 million television viewers at home for the opening ceremonies, and another 2.7 million in pubs and big screens throughout the country, against only 200,000 clicking onto the web.

The most optimistic estimates of the global internet audience, across all the official sites, was less than 20 million people. This amounted to just 0.5 per cent of the global TV audience of over 3.7 billion. The average TV viewer was spending upwards of ten hours in front of the TV screen, and a lot more time in major markets like US and Japan. But the average internet surfer was spending less than 50 minutes over the 16 days in front of his computer screen on Olympic sites.

Quokka spent over \$30 million building and promoting the NBC Olympics site, attracting some \$12 million in ad revenue. IBM and the Sydney Organising Committee were estimated to have spent over \$50 million to produce their real-time results official site.

It did not take long for the accountants to examine the numbers and realise that the business model, despite all the hype, was just not there. Global Olympic broadcast advertising revenue had exceeded \$1 billion; global internet ad revenue connected to the Olympics had barely reached \$20 million. The broadcasters made a respectable profit on their Games telecasts. The internet made a substantial loss. Within a few months this would drive many of the industry leaders over the cliff into bankruptcy. The internet bubble burst.

### Casualties of hype?

There is no question that the Sydney Games were a watershed in the relationship between sport and technology. For many, the 2000 Olympics were regarded as the first true internet Games. The Games were also a clear watershed for the ambitions of many of the dot.com companies. Depending on where you stood, the Games were either an encouraging signal of the brave new world that lay just around the corner, or a salutary lesson about the limits of new technology.

Recognising the threat, the IOC staged the first ever world conference on sport and new media. Over 1,000 people came. The *Wall Street Journal* likened the event to the Congress of Vienna which carved up Europe after the Napoleonic Wars. The broadcasters argued that Sydney was an acid test for new media that by and large failed. NBC Olympic's vice president of business affairs, Gary Zenkel, warned, 'the value of our rights is totally locked up in exclusivity. We can not run the risk that other web casters working in other time zones are going to put video on the internet'.

Not all broadcasters supported the internet ban. Those, like the BBC which had been actively developing a broader internet strategy, felt locked out. 'Our Olympic experience left a nasty taste in my mouth,' was how BBC's head of Sport Online Pete Clifton recalled his Sydney experience. 'The millions of pounds that the BBC spent to be in the Olympic family worked against us when it came to our internet coverage.'

The BBC had been given a yellow card for breaching internet guidelines. Clifton had not taken kindly to being woken up at 3.00 am by BBC controllers back in London, pointing out that the BBC was in danger of having all of its Olympic access withdrawn, for failing to block out Olympic coverage from their regular news bulletins. In the end, BBC Online had to employ a team of eight people for the duration of the Games just to press one button, so that any Olympic streaming video was blanked out of the regular news reports.<sup>14</sup>

And not everyone subscribed to the idea that separating out the new media rights was the best way forward. Philip Melchior, managing director of Reuters, pointed out that 'the more you divide rights, the more you disenfranchise people'. Kerry Stokes, chairman of Australia's Channel 7 network, made the simple observation that 'before anyone starts cannibalising the rights, it might actually be a good idea to look at the opportunities to bring it all together'.

But, for all of the new media hype, it was clear that the internet industry was far from ready to take up the challenge. The basic Olympic experience was built on moving images. Streaming video was not a problem for the broadcasters, but for the new media industry it remained a very expensive and somewhat far-fetched option. Streaming a mass event, at that time, would have absorbed half the world's telephony capacity. The lack of telecommunication infrastructure was proving a very real barrier to what the internet was really capable of – at least in terms of its ambition to become an entertainment medium.

The advertising industry was also far from certain of the true potential of the new medium. Coke marketing boss, Steve Jones, made all the right noises, challenging networks to work with other technology suppliers, in order to make the content effective for the consumers: 'The business model has changed from brand-centric to people-centric so we must leverage the power of new media to stay alive. The new media tailors messages to one person at a time. Fans want more experiences, they want interaction and to share information with friends and talk back to athletes.'

Jones went on to envisage an Athens Olympics where Coca-Cola sent the previous night's action direct to the individual, dictated to by the users' sporting preferences, and sent wireless video messages throughout the day, which the consumer could then send on to family and friends.

'Coca-Cola is a multimedia entertainment brand,' continued Jones, and 'Coca-Cola wants credit from fans for enhancing the Olympic experience. You can deliver totally different messages online – and provide the person with more value. The more people I have a relationship with, the more money Coca-Cola makes'.

There was just one problem. For all of the hype and promise of the new media, for all the talk about the opportunity, money talked. The bottom line was that Coca-Cola was spending less than two per cent of its global media and marketing budget on internet related advertising and promotions. Nike, a leader in pushing the boundaries of marketing and communications, was spending over \$1 billion per annum on athletes and marketing, but allocating less than two per cent of its marketing budget to new media.

What the internet did prove in Sydney was that it could deliver incremental value to sponsors – although maybe not at the levels that were first envisaged. The ability of the medium to expand the marketing opportunities, because of its multi-directional scope, rather than the single direction of television, did start to deliver the results in Sydney. General Motors with an extended advertising campaign through the official NBC.Olympics.com web site, was able to deliver an additional 500,000 direct potential customer leads.

A few brave new media players hung in trying to paint a promising picture for the future. Rick Gentile, who had produced several Winter Olympic telecasts while at CBS, was now heading up a New York-based company, WeMedia, that specialised in streaming video from sports events on the web.

WeMedia had acquired the rights to broadcast the Paralympic Games from Sydney, and Gentile argued that 'you can webcast and broadcast without hurting either medium,' and that they had successfully delivered three simultaneous streams over 12 days from the Paralympic Games.

The issue here though, was that no broadcaster in the US was even interested in taking Paralympic coverage, and the web became the only way the event was going to get any exposure. WeMedia entered into a multi-year agreement with the International Paralympic Committee as their global broadcast partner. But WeMedia would soon be going the same way as Quokka – the costs of webcasting far outstripping any potential revenue source.

Quokka's Ramadan had already sadly begun to see his vision slowly slipping away, acknowledging to the conference that they had all been 'starry-eyed two years before the Games, and none of us really understood what we were saying'. Within a few months, Quokka sadly filed for Chapter 11 bankruptcy protection.

And the biggest technology players of all, like Samsung, which was investing hundreds of millions of dollars in the future, quietly warned against getting too carried away on the technology hype.

What became increasingly clear was that, although the internet could offer important operational and communication benefits for the sports movement, it was far from being an entertainment medium. For all of the attractions of Quokka's deep immersion sports concept, people wanted to be entertained and, when they came back from the office or the school, they wanted to put their feet up and relax, not to have work hard clicking down through hundreds of pages to find some unique additional piece of information about an athlete's heart rate and then watch a grainy picture on a small computer screen.

The advertising community slowly began to realise that straight banner ads across the top of a page were not delivering their message. The business model, at least for the first iteration of the internet, began to dry up. While the appeal of the internet is that there is not supposed to be any barrier in cyberspace, advertisers realised the real world is awash with barriers.

## **New media, new mission**

By the Salt Lake City Games in 2002 things had changed. The number of sites carrying Olympic information had dropped from 25,000 to less than 6,000.

But while the internet had failed to become an entertainment medium to challenge the broadcast industry, it was starting to establish itself as a key operations and communications partner of the Games, helping to both reduce operating costs, and in some cases create genuine additional revenue opportunities.

Nothing better illustrated the true role and value of the internet than its support in ticket sales. In Sydney, around ten per cent of the ticketing inventory had been sold online. By Salt Lake City, 80 per cent of all

public ticket sales were purchased online – not only dramatically helping to reduce the costs of managing and processing ticket orders, but through specially designed navigational software, helping spectators to complete their Olympic experience, by offering them additional opportunities for extra events during their stay in Salt Lake.

In volunteer recruitment, the Salt Lake organising committee was able to attract and process over 67,000 applications, 90 per cent of their overall volunteer needs for the Games. In communications, the IOC was able to develop online resources for the media, ensuring that they received timely and comprehensive information – removing the barriers that had so beset the IOC with various public relations issues over the years.

In marketing, with the development of specialist extranets, a whole new level of marketing and client service support was established, with online approvals for partner marketing programmes, and accessible data banks of market research and thirty years of sponsor television commercials.

The Olympic Television Archive Bureau established one of the first online search libraries of video images, allowing TV producers from around the world to trawl through 100 years of Olympic history and download key video clips.

And, after all the debate over moving images on the web, the IOC was able, with three partners – Swiss Television, SchlumbergerSema and Swisscom's Bluewin internet service – to test the potential of video-on-demand via broadband connections to a few thousand homes in Geneva.<sup>15</sup> Swiss TV presented multiple live video feeds and access to the Games commentator information system as a compliment to their traditional overall television coverage of the Games. The test proved a success. For the first time, it was possible to control the territorial footprint of the signal, and thereby respect the integrity of the rights of other broadcasters. And the sports fan was able to expand, on a supplemental basis, his viewing experience. The success of the test prompted several broadcasters working with SchlumbergerSema to expand the programme for Athens.

The results of the official Games time site nevertheless underscored the fact that the medium remained a supplemental information tool, and was never going to become close to being the primary or even secondary vehicle for people's Games time experiences. At its peak, the official site was

only able to attract five million unique visitors per day, and average of just three million per day, throughout the Games.

## A brave new world

Technology has always played a critical role in the development of the Olympic Movement, expanding the Olympic experience beyond the confines of the spectator in the Olympic stadium. New technologies will continue to broaden the experience of the sports fan, allowing the individual to choose what he wants to watch, when he wants to watch, in what language and with what supporting information. But, at the end of the day, although people want information, they also want to be entertained, and technology has often underestimated the impact of the barriers it has placed in the way of the consumers' enhanced experience.

Quokka's immersion sports offering looked impressive to the analysts and investment bankers. But everyone became seduced by the promised-land and forgot the fundamental business dynamics of how to make it all pay. The advertisers were not queuing up and are still not for general sports sites.

The mobile telephone operators made the same mistake when they went on their wild spending spree to buy up 3G rights, only to begin multi-billion dollar write-offs a few years later. Sport was supposed to be one of the key drivers of this new medium – but who honestly is going to watch anything more than a news clip of a soccer goal on their mobile phone? (Data information and transmission is altogether another issue.)

'Old media' has regained the leadership, not that perhaps they had ever really lost it, except in the eyes of various commentators and the investment banking community. 'New technology' will continue to help the 'old media' to broaden the entertainment experiences for the fan, but television will, from the entertainment perspective, remain the engine for many more years to come.

The trouble with technology is that it is highly seductive. Many people thought that the dot.com bubble changed the world. The tangible world seemed to be altered by the creation of a parallel – and as we ultimately discovered, illusionary – world in cyberspace. The trick for an institution like the Olympic Games is to walk the fine line between what is possible

technologically and what is practical and affordable. Fall behind and you risk looking out of touch. But get ahead of the curve and you risk failure and financial ruin.

With IBM, we learned an important lesson. Technologists have a tendency to believe their own propaganda. The technology tail was in danger of wagging the Olympic dog. The deal with Sema was one of the biggest and most important in Olympic sponsorship history, but the announcement was all but eclipsed by another story. The Salt Lake City scandal was, perhaps, the most serious crisis the IOC ever faced. It was a distinctly low-tech, old-fashioned tale of corruption. But it looked like breaking the IOC – and undoing all that we had achieved since Moscow.

## NOTES

- 1 The press also recognised the risk. The *Atlanta Constitution* wrote, with some understatement, that 'IBM has quite a bit riding on the Olympics'. The newspaper quoted a confidential report from business research firm the Aberdeen Group analysing IBM's plans. 'IBM needs to score a perfect 10 or risk worldwide embarrassment. If IBM scores a perfect 10, it will have sent a message to the world that it is still the premier supplier of complex systems. One slip and IBM gets the blame. If scores are late, wrong or mis-delivered to the 15,000 strong army of journalists and broadcasters, IBM dons the dunce cap.'
- 2 Kevan Gosper was a long-standing IOC member, a silver medalist at the Melbourne Olympics, and also a regional president of Shell – not exactly, therefore, technologically illiterate.
- 3 'IBM's Olympic Fiasco' was *Fortune's* take on events. 'Big Blue screwed up at the Olympics, no doubt about it ... multi-million dollar ad campaign touted reliability. If self parody were an Olympic sport, IBM have medalled.' 'IBM's frenzied race to save face in Atlanta,' was *USA Today's* view. Associated Press, which had paid IBM for additional special results services, likened IBM to 'an Olympic veteran which exuded confidence at the prospect of repeating past successes, but when it came to the crunch could not perform.'
- 4 Other IBM and ACOG technology systems had dealt with 800,000 accommodation nights; a 10.5 million ticket inventory; a 265,811

person accreditation database; 131,000 workforce of staff and potential volunteers who, during the 17 days of the Games, log 5.5 million hours of service, and require over 1 million uniform pieces, and a 6,600 vehicle fleet – all without too much of a glitch.

- 5 Bob Neal, ACOG head of information technology, was a senior IBM executive on loan to ACOG, as were a large proportion of ACOG's technology department.
- 6 The *Wall Street Journal* reported that 'Divorce is never a pretty sight' and quoted Dick Pound as saying, 'IBM's institutional solution is to throw money at every problem ... IOC accused IBM of gold plating its Olympic computers, designing too fancy a system that the IOC could have bought a third cheaper elsewhere. IBM accused the IOC of being computer illiterate, failing to realise how complex the Olympic technical requirements had become since 1960, and refusing to pay up.'
- 7 Tidu Maini, Sema's senior vice-president, talked of the company's 'ability to web together different systems rather than push proprietary systems as IBM did, [and that] worked to our advantage'. 'We're not seeing the Olympics as a way to promote any hardware or software product,' he added. The media immediately recognised the potential for Sema. 'Victory over sexier US information technology companies will transform the little known European system integrator of 16,500 people, into one of the world's most recognised brands,' was how the *Wall St Journal* greeted news of Sema's Olympic partnership. Associated Press commented that 'the high profile tie with the Olympics should put the company on the world map'. Bonelli proudly announced that 'this sponsorship would take Sema out of the shadows of the big US IT companies'. Analysts talked of how 'the Olympic association gives potential customers a warm feeling that you are up there with the leaders in technology and can also deliver'.
- 8 SchlumbergerSema's success in Salt Lake City was crowned when the Management Consultancies Association awarded the company the 'gold medal' for its work. The judges described SchlumbergerSema's challenge as a 'very complex project on an impressive scale'. The company had 'successfully managed a diverse group of stakeholders and partners. Client satisfaction was very evident. The fixed deadline required excellent management. It worked!'

- 9 Lenovo was known as Legend until April 2003 when it changed its English brand name to Lenovo, in order to develop a global brand position. Founded in 1984 in Beijing by eleven scientists – including Liu Chuanzhi from the Chinese Academy of Sciences in Beijing – Lenovo, in the tradition of other great start-ups, began life in a small hut. When Lenovo acquired IBM's PC division in 2004 for \$1.3 billion, its revenues shot up fourfold to \$12 billion.
- 10 *The Financial Times* kicked off the pre-Games debate with the headline 'See no action, hear no action, click no action.' 'For the duration of the upcoming Olympic Games in Sydney, we're all supposed to plug our ears, cover our eyes and pretend the internet doesn't exist,' ran a *Chicago Tribune's* editorial. 'The IOC has refused to [sanction video images on the web]. If this sounds a little ridiculous, well it is. In this age of instant information, the IOC and NBC are trying to smuggle sounds and images of the Games past a worldwide network that's perfectly designed to distribute such data.'
- 11 Quokka was named after one of the first Australian mammals ever to be seen by Europeans. A quokka is a type of wallaby.
- 12 So powerful was Ramadan's vision that he was soon listed in *Time's* cyber elite. Venture capital funding poured into the company.
- 13 Olympics.com site attracted 1.2 million hits at 15.19 Australian EDT on September 17.
- 14 The problem was that broadcast rights were, and still are, sold on a territorial basis, but the internet does not respect territorial boundaries, and sites are available on a global basis. As such, any site broadcasting outside of its national host territory, breached the rights of all other broadcasters – and with the different time zones around the world could pre-empt key prime time programming.
- 15 The Salt Lake City live web-cast service was offered free to subscribers in Basel, Geneva and Zurich for the first three days, thereafter a charge of Sfr10 (\$5.90) was levied for the remainder of the Games.

