

# Selected Issues Related to Funding of Czech Olympic Movement

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Olympic movement has a long tradition in our country and in the current Czech Republic is one of the leading elements for domestic sport. Czech Olympic Committee is forced in present days to face out the some new facts concerning to the multi-sources financial flows for this organization. In this case we could mentioned join stock company Sazka and ambush marketing.

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*Keywords:* Olympic movement, Sponsorship, Sazka, Ambush marketing

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## Introduction

Present Olympic movement has become the acknowledged world sport leader during its more then hundred years old history. The Olympic Games were originally known as an event for hardly hundreds of competitors but on the other side it was the occasion where the best sportsmen could met together - under the five Olympic rings - in various sport disciplines. Overtime the international competitions as championships have originated in the particular continents, but importance of the Olympics Games has been constantly grown and soon have crossed the sport border. Olympic Games has turned into society phenomenon and even its founder, French baron Pierre de Coubertin, couldn't expected such a huge success in his fantasy.

Entrance of TV broadcast and sport marketing development meant the increasing amount of money in the world Olympism. The International Olympic Committee (IOC), the main Game promoter was despite the fact a poor organisation for a very long time. This antagonism was changed in 80s

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when Juan Antonio Samaranch became a head of IOC. He implemented the modernization and made commercialization (which was not taken as nuisance effect) of the world Olympism and by this the IOC has turned to the rich organization. Cash flow is composed of selling TV rights, partners payments included in so-called TOP programme from the half of the 1980s and others.

Czech Olympic movement is managed by the Czech Olympic Committee (COC) in the Czech Republic. Czech Olympic Committee should have own sources of funding. This article strives in brief to map these sources and show some existing problems of the Czech Olympic movement funding. To this end, the methods as analysis, synthesis, comparison, and work with documents will use.

### **Czech Olympic Committee**

Czech Olympic Committee was founded at the end of 19th century, in Prague on 18th of May 1899. First chairman was Jiří Guth who was also a member of International Olympic Committee from its beginning in year 1894. COC developed and promoted Olympic ideals and ensured our sportsman participation in the Olympic Games. First Czech attendance in Olympic Games was in Paris 1900 and it was very successful delegation - František Janda reached the second place in discus throw. Untill the begining of the First World War, was very difficult for our sport diplomats in head with Mr Guth and Josef Rössler – Ořovský to assert Czech independent team participation at the Olympic Games because Czech lands were part of Austria-Hungary. After the war in 1918 was founded the independent state Czechoslovakia and Czech Olympic Committee changed name of Czechoslovak (in 1919). Czechoslovak sportsmen have reached huge success at the Olympic Games, have won many Olympic winner titles and have brought fame to Czech Republic abroad. I could mention some of the Czech sport heroes as Emil Zátopek, Věra Čáslavská or Jan Železný. After the disintegration of the Czechoslovakia state, the Czechoslovak Olympic Committee turned to the name Czech again and our representation is only Czech from the half of nineties.

*Czech Olympic.* Czech Olympic Committee is a civic association established according to Act nr. 83/1990 Coll. Law on Associations of Citizens and Foundations. In 1997, the Committee established join stock company (Committee is 100% owner) named Czech Olympic. Czech Olympic is marketing Agency, which “ensures the medial presentation for partners, preserves the Olympic symbology in the Czech Republic and ensures the Czech Olympic team participation in the Olympic Games.” (<http://www.olympic.cz/cz/cesky-olympijsky-vybor/961/obecne-informace>).

Czech Olympic deals with business, marketing, and advertisement issues which are related to promotion of the Olympics symbols and ideas. This marketing agency establishes partnerships with companies providing funds for Czech Olympic Committee in four years Olympic cycles. Committee these funds mainly uses for ensuring the Czech athletes participation at Olympic Games and for preparing the Czech representatives. Czech Olympic Agency provides medial presentation for partners of the Czech Olympic Committee (<http://www.olympic.cz/cz/cesky-olympijsky-vybor/961/obecne-informace>).

Czech Olympic is entrusted with protection of the Olympic symbology in the Czech Republic and enforced rights protection for the Czech Olympic Committee and its partners (<http://www.olympic.cz/cz/cesky-olympijsky-vybor/961/obecne-informace>).

Sport, culture, promotional events and press conferences ensure for the Czech Olympic Committee its marketing agency. Czech Olympic organizes prestigious sports photos exhibition named Sport foto, and among its projects belongs Olympiad for children and youth which is held every year (<http://www.olympic.cz/cz/cesky-olympijsky-vybor/961/obecne-informace>).

Czech Olympic also arranges stays for COC partners in the Olympic Games, and ensures the working of the Czech House during Olympic Games (<http://www.olympic.cz/cz/cesky-olympijsky-vybor/961/obecne-informace>).

### **Funding of the Czech Olympic Committee**

Czech Olympic movement has incomes from different resources. Now we will focus on COC marketing programme and cash flow from company Sazka due to interesting development in both cases in recent times.

*Czech Olympic Committee Partners.* How it was mentioned above, marketing agency Czech Olympic is preferably searching, the stable and financially strong partners which would be willing to join their names with COC for four year period. Why is it four year period? Answer is very simple – four year interval corresponds to the one Olympic cycle. Czech Olympic Committee needs funds for preparing the Olympians during that four years. Some athletes are only attractive for sponsors in the Olympic year. It is mainly in sports which are not so watched except Olympic Games. Typical example is discipline sport shooting. David Kostelecký gold story in Beijing fascinated lots of Czech people, but sincerely, who knows, how is he today? Even if he has won all shooting competitions, people nearly don't note this fact and he will be attractive for sponsors again only during Olympic Games. Sponsors, thus COC partners are

divided into several groups in accordance with performance. At the present time COC partners are divided to general, official, leading media, media, and official supplier. For this ongoing four year period it is:

*General Partners:* Pilsner Urquell, RWE, Škoda, ČEZ.

*Official Partners:* ALPINE Pro, GE Money Bank, Zentiva, Česká pojišťovna, Česká pošta.

*Leading Media Partners:* Dnes, iDnes, Česká televize, Český rozhlas 1 Radiožurnál.

*Media Partners:* Euro, Xantypa, Outdoor akzent.

*Official Supplier:* Nutrend.

You can see very clearly from the list, that majority of funding or media spaces for the Czech Olympic Committee comes in fact from Czech tax payers because number of companies mentioned above is owned by state completely or from majority part (ČEZ, Česká pošta, Česká televize, Český rozhlas 1 Radiožurnál).

### **Ambush marketing in Czech Olympic movement.**

Ambush marketing, we could say that it is parasiting, fraudulent marketing which is very known term in the Olympic movement. We could mentioned spot of VISA competitor - VISA company is actually International Olympic Committee partner. This competitor abused without authorization for its promotion the 1988 Seoul Olympic Games. Slogan "In Korea and everywhere in the world always with you" and to this stadium against background in the spot, where wasn't used the words Olympic or Olympic Game and Olympic symbols, which are severalty of International Olympic Committee, it was the most typical example of Ambush marketing .

High Court of Justice in Prague has pronounced verdict which has meant big success in Ambush marketing abatement in the Czech Olympic movement. Brewery Budějovický Budvar under the verdict made the impression that brewery is connected with the 2006 Turin Olympic Games. Brewery has to pay penalty 2,25 millions Czech crowns to the Czech Olympic Committee and has to publish the apology.

In this case the Brewery had several advertising spots in which was evoked the Olympic Games through the series signs – run with Olympic torch, journey to the Italy, medal. Court concrete dealt with one part of the Czech word „olympiáda“ in the phrase „hokejijáda“ and with burning bundle of hockey-sticks. This would arouse a feeling of Olympic flame. So this is typical example of ambush marketing.

Olympic symbols as Olympic circles, Olympic flag, Olympic motto, Olympic flame, Olympic torch, Olympic hymn, Olympic emblems and the words Olympic Games or Olympic belong to Olympic symbols which are protected by the Law, Act 60/2000 Coll., Law on the protection of the Olympic symbols.

It is very important to realize that in this case isn't essential the published apology or compensation amount, but the main thing it is not to damage the partners of the Czech Olympic Committee. Committee partners can within the agreement under the fixed terms and conditions use the Olympic symbols. In this case was damaged only the one producer of beer among partners - Pilsner Urquell.

### **Sazka**

Sazka lottery company ensures, today we could rather say ensured, the cash flows, to the Czech Olympic Committee.

„Company SAZKA was founded in year 1956. Civil associations which work in sport and physical training are owners. Nearly quarter of the Czech population is member of these associations. Company SAZKA is aimed at gathering funds for public utility purposes especially in sport and physical training. These resources reimburse the cost for sport, physical training, leisure time activities of children and youth as well as construction, running, service and sport or multipurpose buildings reconstruction“. This statement is introduced on the official Sazka Company web sites. And contemporary problem consists in this non-fulfilment of that idea.

Property shares in this company, according to the table 1, have some of the very important sports organizations. Share of two percentages also belongs to the Czech Olympic Committee. Dividends flowed from the Sazka Company profit have considered for many years as the steadiest resource of the Czech sport funding and also for the Czech Olympic movement were welcomed income.

Table 1. Shareholders of Sazka

<b>Shareholders of Sazka</b>	
Czech Physical Training Association	67,98%
Czech Sokol Organization	13,54%
Auto Club Czech Republic	4,00%
Association of Sports Unions in the Czech Republic	3,56%
<b>Czech Olympic Committee</b>	<b>2,00%</b>
Czech Shooting Federation	1,45%
Association of Sport Unions and Clubs of the Czech Republic	1.02%
Orel	0,88%

Source: <http://www.msmt.cz/>

Origin of the problem due to Sazka shareholders will obtain in the next years maximally 200 millions Czech crowns (it is less than fifth of previous state) we could find in year 2002. At that time began to build beautiful and modern Arena in Vysočany, which was finished in 2004. Since its opening there have been held lots of significant sports events, but funding the construction has been the case of the very complicated financial situation.

According to Sazka declaration, hall costed 7,2 billion CZK, whereas was originally mentioned that construction will be cost approximately 2 billion CZK. The hall owner and operator is company Bestsport (from financial Group Sazka), whose owner is nearly from 100 percentages the civil association Green Island.

Repayment of the hall construction brought problems for Sazka. Company, for funding this investment, issued bonds of maturity 10 years in amount 175 million EUR (about 4,4 billion CZK). In year 2006, shareholders approved new issue of bonds, which replaced ten years valid bonds in volume 215 million EUR (about 5,4 billion CZK) of maturity in year 2021. Therefore the final cost could be double. Owing to repayments, Sazka began to have a complications with back-payment to the bank and couldn't pay finance for sports unions and their activities ([http://www.financninoviny.cz/zpravodajstvi/zpravy/sazka-pry-uvazuje-o-prodeji-vysocanske-o2-areny/578912?utm\\_source=rss&utm\\_medium=feed](http://www.financninoviny.cz/zpravodajstvi/zpravy/sazka-pry-uvazuje-o-prodeji-vysocanske-o2-areny/578912?utm_source=rss&utm_medium=feed)).

Today when it is still possible to determine insolvency administrator for Sazka, it is evident that expensive Arena construction in Vysočany was fatal

mistake of management which was approved by shareholders. Actually it is management failure which is unique in the field of the Czech sports.

The main guilt on contemporary disconsolate position of Sazka indeed lays on the biggest shareholder management - Czech Physical Training Association, but for the Czech Olympic Committee current situation means that in the next years it will be not possible to expect from Sazka Company more than share of 200 million CZK which will be given to all shareholders. In addition it is here also the threat of strategic partner entry along with the increase of basic capital and by this the reducing current two percentages share of Czech Olympic Committee within property of Sazka.

### **Expected future development of the Czech Olympic movement funding**

It could be expected in the future that the Czech Olympic movement funding will be continue in some areas along the groovy trends whereas in the rest areas we can't predict well the future development.

In question, of contract conclusion with COC partners we can expect continual development. In principle number of partners has been already fixed in several four year cycles and their financial contribution is more or less the same for the Olympic movement, so constant is also their provided counter-value. Partners composition is generally unchanging. Related to this above we should mention the change of official dress supplier for Olympians, one of the official partners, when company Adidas has been replaced by the company Alpine Pro. This change brought more originality for Czech sportsmen dress , but as for funding the conditions stayed constant.

Very important fact, for maintenance this functional system with Olympic partners, was winning the case related to the company Budějovický Budvar. This winning guaranteed the interests of existing partners which have exclusiveness for Olympic symbols usage and can profit from it within their marketing strategies.

As for Sazka Company proceeds the Czech Olympic Committee is in complicated situation, because Committee as a minority shareholder can only observe the development. We can expect drop for the Sazka dividends– and fall their importance for the Czech Olympic movement funding in the future.

We can't estimate the development in questions of additional funding for the Czech Olympic Committee from different categories of the state budget,

this is more political question, sad to say the politicians very often change their opinions within actual political situation and we can't count on their constant position.

### Conclusions

Olympic movement during more than century long history has become the sports leader in the world sport scene. Even in the Czech Republic has Olympic movement a long tradition and significant position. Czech Olympic committee needs for your functioning some financial resources which come from different sources. Large part of funding brings cooperation with COC partners within one four years Olympic cycle. However partners Law could be threaten by so-called ambush marketing. It was very important for COC got after seven years law-suit in case of abuse the Olympic symbology the judgement which was in favour of Czech Olympic movement, its partners and conception their contractual cooperation. Less positive for the Czech Olympic movement is development in Sazka company, but COC can't influence the situation because of its minority shareholding.

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## Funding of Czech Olympic Movement

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