2010 Games: Dreams of Gold

Claude Adams | Feb 3, 2010

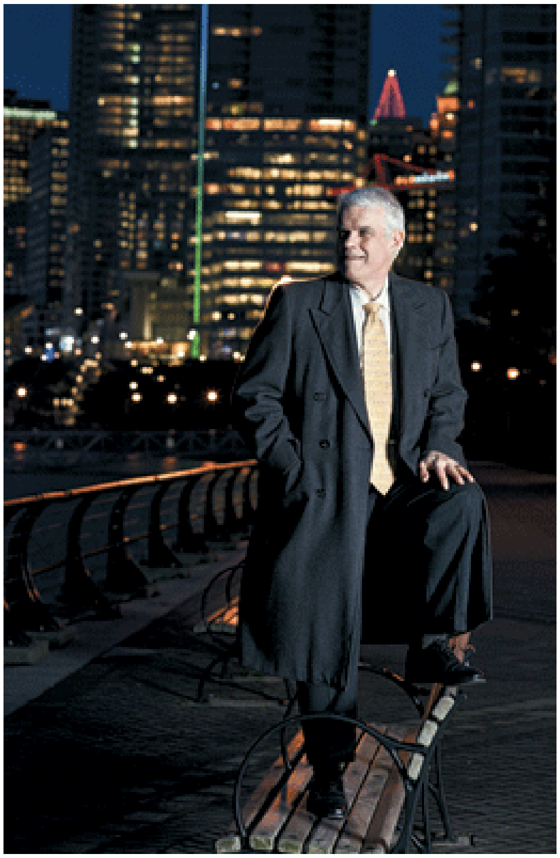

Image by: Dina Goldstein, Ben Oliver

For local businesses, the real Games begin when the world leaves town.

Three years after the 2002 Winter Games in Salt Lake City, a Utah furniture dealer was meeting with a group of visiting businesspeople representing the Vancouver Board of Trade. They had come to learn more about how a community can benefit from a world-class event like the Olympics. When the visitors asked him if having the Games in his state helped his business, the dealer grinned, shook his head and said, "Latvians don't buy sofas." Embedded in the joke was a truism that most B.C. businesses should take to heart as the 2010 Games unfold in Vancouver and Whistler: if you were hoping for a windfall of wild and reckless spending from the expected 250,000 visitors, you'll probably be disappointed. For the most part, business spinoffs will be modest, of limited duration and selective. Hotels, restaurants, ski resorts and security services will do very well, thank you. They always do in mega-events. But even in these sectors, once the Latvians, Americans, Germans and other foreign visitors go home in March, things could get very, very quiet. That sofa may be sitting in your showroom window for another year or so.

The moral: trim your Olympic expectations. And take the long view. "People aren't coming from around the world to buy furniture or artwork but to enjoy the Games," says Bernie Magnan, chief economist of the Vancouver Board of Trade. "If you can get them to come back, that's when you might get them to spend a whole lot of money." In other words, make them feel good while they're here and don't block their views of the breathtaking images of Whistler and English Bay – then maybe they'll return someday as visitors, investors or entrepreneurs. That's when the Latvians might open their wallets.

Other business leaders talk about the Games as a leap of faith, driven by the conviction that while the government can't guarantee a return on all the money being spent to deliver a good show, it's far better than sitting on one's hands and doing nothing. Like deer in the headlights, you die if you're stationary. "The competition is not standing still," says John Winter, president of the BC Chamber of Commerce.

With this in mind, the B.C. government, through its Commerce Centre in downtown Vancouver, has been hard at work explaining to business-people how to bid on Olympics-related contracts and "connecting" them to opportunities. It has held 250 workshops since opening in 2005 and staged 500 presentations across the province. It also put together a massive data bank to help companies find possible partnerships for bids that they would not be able to handle alone. Meanwhile, the government's and VANOC's overall strategy is this: construct the venues, organize things well, put your best face forward on the plasma screens of a billion viewers around the globe and hope there's a legacy of a more buoyant business climate. "That's the leap of faith," says Winter. "When you build it, do they come at the end of the day? That's the $64,000 question. . . . It's a leap, but it's the only leap we've got."

All that leaping sounds too much like Evel Knievel economics for Olympic skeptics and social activist groups. Back in 2003, UBC economist David Green did some number crunching to determine the long-term economic benefits of a Winter Olympics. In a report written for the Canadian Centre for Policy Alternatives (CCPA), he found the benefits to be "extremely limited." Green looked at Lake Placid, Calgary and Salt Lake City and concluded that, on average, hosting the Winter Games in those cities produced a net gain of only 1,400 new jobs. And most of those jobs happened before and during the Games, specifically in the hospitality and building industries. The CCPA also wonders whether spending a lot of taxpayers' dollars, while keeping your fingers crossed and hoping for the best, is wise public policy. Will a shaky world economy and concern over climate change inhibit business travel and tourism in the next decade? What does that mean for the viability of enormous convention centres, for example? "Public dollars are too precious to take leaps of faith," says the CCPA's B.C. director, Seth Klein. "We should use them wisely and direct them to things where we know spending will result in long-term investments that see us meeting our social and environmental goals."

Hot Staff?*Darryl Ray, co-founder of catering firm The Butler Did It, inside the company's kitchen near Olympic Village. Ray worries about the business hangover he'll face post-Games.*

The problem with this, of course, is that strategic social spending isn't nearly as sexy and globally eye-catching as hosting the Olympics. Cleaning up the Downtown Eastside doesn't get much media bounce outside the Lower Mainland. The Olympics, on the other hand, is the world's circus coming to town, with all the attendant hoopla. And that means a lot of immediate gratification for small and medium-sized businesses (as well as a few big ones, such as Hudson's Bay Co., with its downtown Olympic Superstore). VANOC boasts that the Games will generate about $4 billion in economic benefits, half of that in goods and services, with the lion's share of that tally – about 80 per cent – going to B.C.-based companies.

For people such as Dann Konkin of Coquitlam, that's all gold. Konkin runs Ampco Graphix, a family-owned business that printed the huge Olympic decals you see on the sides of three new B.C. ferries, highly visible advertisements both for the Games and for Konkin's company. Ampco graphics will also appear on 4,200 Olympic vehicles – used to transport officials, athletes, volunteers and staff between venues – and 500 buses for Games spectators. He's not allowed to say how much the contract is worth, but it's safe to say that it represents a good chunk of Ampco's $15-million annual business. "This really helps our exposure in the marketplace," Konkin says. "We've had inquiries from financial institutions, trucking lines and more."

Konkin can see potential Olympic spinoffs far into the future. Darryl Ray, on the other hand, has told his staff to expect a very quiet post-Olympic spring. Ray's company, The Butler Did It Catering Co., will be feeding some of the estimated 10,000 accredited media at Games locations throughout Vancouver and Whistler. He did $4.5 million in business in 2008, and he's expecting revenues of about a third of that just in February and March of this year. Ray will be handing out a lot of business cards, but he acknowledges that once the Games are over, "it's going to seem incredibly slow after all the buzz to the buildup."

Ray says the effects of the world recession will be felt for years to come throughout the hospitality industry. "A lot of people in the catering business were hoping for a big feeding frenzy, but the days of the multimillion-dollar [corporate] party zones during the Olympics are over."
If the Salt Lake experience offers any guidance for Vancouver, it's that small and medium-sized businesses will be disappointed if they focus their attention too narrowly on the Games period itself. Bob Farrington, who directed Salt Lake City's Downtown Alliance during that city's Games, says the wise entrepreneur is looking beyond all the excitement. "You've got to think about your next steps before the Games begin," Farrington says. "Afterwards there will be a lot of exhaustion and decompression . . . so it's good to have some things you can key up in the afterglow."

The same Vancouver delegation that heard about Latvians and sofas during that 2005 trip to Salt Lake City also learned a valuable lesson about overreaching. As Bernie Magnan of Vancouver's Board of Trade tells it, the group met with the manager of the Marriott hotel chain, which had picked up a new hotel just six months after the 2002 Games. The hotel had been built in Utah's pre-Olympic fever – and, indeed, it had high occupancy during the Games. But less than a year later, when the tourists stopped coming, it went on sale for a fraction of its original value, and Marriott snapped it up. As a comprehensive post-mortem on the Salt Lake City Games summarized it, if you build business expectations on hyperventilated Olympic growth patterns alone, you risk a rash of "bankruptcies,
foreclosures and other negative economic conditions." (Vancouver's Sutton Place hotel, in fact, has a similar history, says Magnan. Built in anticipation of 85 per cent occupancy rates during Expo 86, it went on the market one year later when occupancy plummeted to below 40 per cent.)

While businesses in the immediate vicinity of Olympic sites, especially those selling Olympic memorabilia, consistently do very well during the Games (in Salt Lake City, credit card spending was up 31 per cent in and around the venues, and more than half the downtown businesses reported a jump in sales), the opportunistic small-business owners will use the Olympic connection as one helpful step in a long-term strategy. Richard Findlay, a Richmond landscape architect, is one good example. He signed a licensing agreement with VANOC that allows him to use the Olympic logos and mascots on his customized hockey-stick tape, called BladeTape. In return VANOC collects a royalty (Findlay can't reveal how much) on every piece of Olympic tape he sells. Findlay is delighted to be one of only a few dozen Olympic licensees, but he knows the VANOC connection is not his prime ticket to success. "It's one product lineup for us," he says. Findlay is looking to individual NHL players, along with web-based "viral marketing," to help move his product's profile. He's already sold product to leagues in 20 countries, and that matters a whole lot more than two weeks of Games in February.

The hard truth is that a lot of local businesses wouldn't be unhappy if the Olympics didn't happen at all. A survey by the B.C. Human Resources Management Association (BCHRMA) released this past September found that only 22 per cent of 282 Vancouver-area organizations polled felt the Games would be positive for them. The others complained about the "distraction factor" and traffic disruptions: you can't get to clients, clients can't get to you, your employees have trouble getting to work and so on. "The business activity

***The Promoter:** MVC's Lee Malleau has invited 100 execs from around the world to visit B.C. in February.*

is too mixed and clouded," says Ian Cook, director of research for the BCHRMA. "And there's no absolute proof that the Games lead to any kind of [sustained] uptick."

But you'll never convince the true believers of that. These are the marketing people who believe in the theology of leveraging: trying to squeeze the most dollars out of the Olympic experience. It's a mix of seduction and alchemy, turning a global entertainment extravaganza into a brightly lit storefront for your goods and services that buyers and investors wouldn't otherwise notice. And it's about as subtle as the circus barker getting you into his big tent. Leveraging is what nine Lower Mainland municipalities are doing in a big way, with a joint program called Metro Vancouver Commerce (MVC). They've invited 100 select business executives from the U.S., South America, Europe and Asia to visit for four days in February. In return for a downtown hotel room, free meals, transportation and tickets to prime Olympic events, the execs will meet with local businesses and explore the possibilities for investment or partnerships. "Please don't call it a junket," says MVC's director of business development, Lee Malleau. "Obviously we want them to enjoy themselves, but this is all about business. We are using the Games as a platform to get them here." She says attracting business is a full-time, year-round job, but "the Olympics allow us to do our job on steroids."

Malleau, who came to MVC from the City of Richmond, has high hopes for the $1.5-million project. She expects many of the visiting companies to leave something behind, in the form of "either an investment, a new office, a studio, a sales partnership, a knowledge transfer, a technical transfer, some kind of commitment." When asked for an example of a multinational company that has accepted MVC's invitation, Malleau says she is bound by confidentiality. But she does refer to a new Vancouver-area company in the "green building" sector that has good technology and is doing interesting R&D that MVC would be introducing to a pair of successful American companies later this month. "These startups are so busy they don't have time to lift their heads and look around," Malleau says. "All it takes is a little help to take them to the next stage." She anticipates a success rate of 50 per cent – that half the executives MVC brings up will be impressed enough to do some new business here.

That's the kind of starry-eyed optimism that causes SFU marketing professor Lindsay Meredith to roll his eyes. He says that expecting a 50 per cent success rate in attracting new business to the region is "blue sky," unless that estimate is based on careful pre-selection and prior interest on the part of the potential investor. And Meredith says that, based on what he's heard of the MVC plans, there's little to suggest they can meet that target. He thinks that much of the Olympic economic benefit will be transient, and we should all accept that: "Nobody does themselves any favours if they get too grandiose about the estimates of spinoffs that this is going to generate." Meredith acknowledges that the frenetic construction activity in preparing for the Games stimulated a sluggish regional economy at just the right time – in the depths of a recession – but he warns that modesty is in order as we look to the future.

Economist Jeffrey Owen of Gustavus Adolphus College in St. Peter, Minnesota, is even blunter. In a 2006 paper called Bread or Circus, Owen wrote that Games rarely if ever produce the new jobs or the visitor spending that their boosters predict because of the way they are financed. In a recent email interview, he told me that not since the 1984 Summer Olympics in Los Angeles has such an event returned an investment. "This does not mean you necessarily have to oppose hosting the Olympics," Owen said. "Just be aware that you are going to pay for the privilege."

But who really listens to grey, fusty economists anyway? Who wants to pore over cost-benefit analyses and compare investment projections when the Olympic frenzy begins and the greatest winter athletes in the world start showing their stuff? This is when the Olympic believers, such as Bob Farrington of Salt Lake City, start marketing transcendence.

"In the final analysis," he says, "it's not about the money. It's not about the streets being paved with gold. It's about enjoying the experience. From everything I know about Vancouver, you're in a terrific position to capitalize on the intangibles: the exposure, the goodwill and the visibility you'll get as a community. And those things last quite a while."

And if, among the intangibles, there are a few Latvians looking for furniture, so much the better.

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