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MAY 2014

# FIFA World Cup 2014: Brazilian Goals



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## Executive Summary

On 12 June 2014 the 20th FIFA World Cup kicks off in Brazil. The eyes of the world have been on the host country, eagerly awaiting the return of 'The Beautiful Game' to Brazil. There has also been much reporting on the anger among Brazilian people as to what is seen as excessive spending on stadia and associated infrastructure. This overview report Brazilian Goals, evaluates the returns

and impacts of previous World Cup events on host nations, and considers the long-term gains for Brazil. Most of the benefits of hosting the World Cup are indirect and long term; therefore difficult to directly quantify. The report finds that measuring the success or failure largely depends on the host nation's motivations for holding the event, which are not necessarily limited to financial gains. These goals include:



### Winning

The key immediate advantage to hosting a World Cup is that it increases the chances of the host country team winning the event outright.



### Infrastructure

Regardless of success - financial or sporting - a legacy of infrastructure remains, accompanied by improved roads, transport connections and telecommunications that might have not otherwise have been realised.



### Feel-good factor

The feel-good factor associated with the World Cup is hard to measure and individual to each host country, but it is widely acknowledged that hosting the event has a positive impact on patriotism and national unity.



### Profile/Brand

Most benefits of hosting the World Cup are not financial, but rather linked to a nations 'branding' in the international community. Playing host will immediately raise the global profile of a country and might even change perceptions of the host nation, resulting in increased tourism and political benefits and alliances, but accrue over many years.



### Costs

Reliable figures that encapsulate the total financial benefits that the event contributes to the host's economy do not exist; the cost per attendee is around \$1,300, however, this doesn't take into account the positive revenues generated by broadcast deals, corporate advertising and merchandising. For many, hosting the event is considered as priceless.



## Introduction: Seleção Brasileira/ Team Brazil

In an attempt to analyse the impacts of the goals and learn from the legacy of previous World Cups, Colliers International's research teams have undertaken global consultation to identify the impact of the World Cup on the economies and real estate markets of host countries. This paper draws on experiences dating back to the Mexican World Cup in 1970.

The net gains to be made by Brazil from hosting the World Cup will be substantial, but they are unlikely to be realised during the event; the gains will come in the years following the event and will be indirect.

- Experience shows that during mega-events, such as the World Cup or Olympics, there is unlikely to be any significant economic gain due to additional visitors. For markets with an established tourist base, visitors are "crowded out" during the June and July of a World Cup year. Direct gains are unlikely to be substantial. We would however expect a marked increase in leisure and business visitors in the years following events like the World Cup and the Olympics Games.
- New infrastructure and modernisation should support economic development, but this can only be measured in years, not months. Clearly there has been much anger in Brazil over World Cup spending, particularly over the runaway construction costs that may be attributable to corruption. The gain for Brazil is that it brings forward projects and modernisation in a far shorter time period than would have been expected without the World Cup.
- Both the upcoming World Cup and the 2016 Olympics will introduce Brazil to the global stage, just as South Korea,

China and South Africa were introduced in 1988 (and again in 2002, 2008 and 2010). The World Cup will act as a giant advertisement for Brazil and its host cities, showcasing them as places in which to invest, visit and live. It will provide a "place brand" as part of a larger marketing strategy. The gains will be indirect and should occur in 2015 and 2016 (although an Olympic crowding-out effect is likely) and into the longer term.

- We expect selected stadia in Brazil to catalyse urban economic and real estate development. The most successful will be those with well thought-out business, destination and economic development strategies. The greatest beneficiaries are likely to include Arena de Sao Paulo (Sao Paulo), Arena Pernambuco (Recife) and Estadio Pantanal (Cuiaba).

*"If you wish to promote a country and its main cities as a large corporate might promote its own brand; hosting a World Cup or any other mega-event would deliver success. In contrast, if you wish to make a commercial profit, or if you want to increase popular support in your country, ample evidence suggests there are far easier ways to achieve these very different goals."*

*Walter Boettcher  
Chief Economist | EMEA*

It is also worth noting that the World Cup, unlike the Olympics, translates to investment across the country and focused development in its most iconic global city. In hosting both the World Cup and Olympics (Rio de Janeiro) in 2016, Brazil is getting a "double whammy" benefit.



# Hosting Motivations- 'Going for Goal'

*"We must consider the motivations of a country (and its cities) for hosting so that a balanced review of the net benefits can be made."*

*Roger Hobkinson  
Director | Destination Consulting | EMEA*

The core motivations for hosting are likely to be:

**Profile:** strategic 'place branding' and marketing of the country and individual cities

**Political:** demonstrating modernity, transparency and asserting a regional and international role

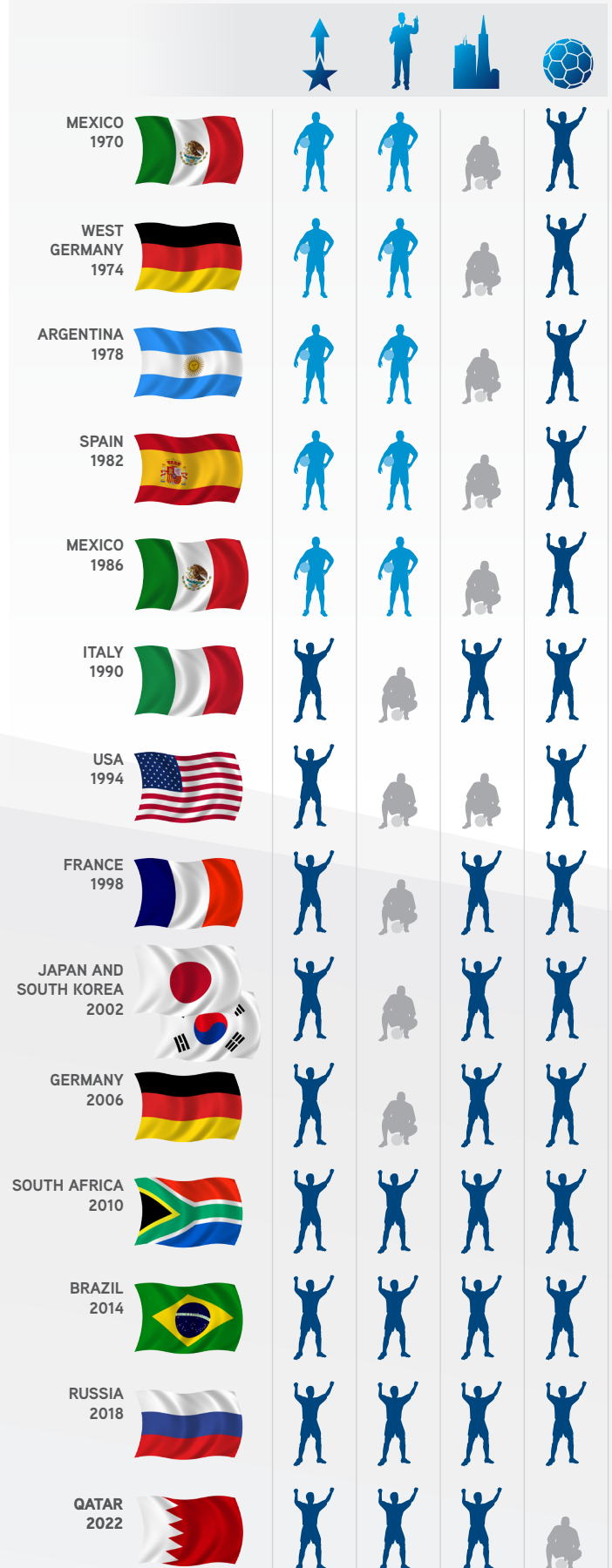
**Urban development:** bringing forward infrastructure and real estate projects to support national, regional and urban economic development strategies

**The Sport:** Promoting sport, participation and the benefit of exercise and healthy living

Given this high level review of motivations, what can be concluded? (Figure 1)

- Profile raising and sporting enjoyment are constant themes.
- The use of stadia as catalysts for urban development has only really gained popularity since the Italian World Cup in 1990, especially as a catalyst for the renewal of facilities.
- The emphasis on strategic city branding and marketing also seemed to arise from the Italian World Cup in 1990.
- Most host nations have a long and credible history in football (or soccer if you must); the exceptions include: the US, Japan, South Korea, South Africa and, above all, the controversially selected Qatar, for 2022.

Figure 1: Main reasons for hosting World Cups (1970 to 2022)



## LEGEND



Source: Colliers International

## The Key Common Themes – A Solid Formation?

A common theme that runs through nearly all the World Cups, however successful they are judged to be, is a legacy of infrastructural improvement. Measuring this impact in commercial terms is notoriously difficult as the economic values of improved roads, better transport connections, green initiatives and telecommunication upgrades all elude precise measurement.

It is tempting to conclude that the key result of seeking and committing to host a mega event, such as the World Cup, is the practical galvanising of national, political and popular will, to focus on delivering major infrastructure projects that may have been on the national agenda, unrealised, for a considerable number of years. It appears that in Brazil, the popular will has been missing from a significant group of people. It is worth recalling that Seoul, for its Olympics in 1988, witnessed similar protests from student and other groups expressing anger at the trade-offs made between Olympic related-funding and “social infrastructure” such as schools, hospitals, etc. There were also labour demonstrations in South Korea during World Cup 2002, as well as protests against the US military because of a military vehicle accident on June 13, 2002 in which two 13-year old girls were killed. Seoul and South Korea are true global economic powerhouses 26 years on.

Irrespective of the financial numbers, in almost every case, an international boost to national identity (immeasurable in itself), a ‘feel good’ factor (equally immeasurable) and long-lasting infrastructural improvements have, more often than not, been the key takeaways.

## Numbers – What’s the Score?

Certainly, World Cup attendance has increased substantially over the years, with the US event in particular achieving a record at 3.6 million, as Figure 2 reveals. This result was driven by the substantial existing sporting infrastructure with very many large-capacity stadia that operated at a reported 96% capacity.

*“In the US, no new venues were built and renovations were typically minor, with the only real expense linked to the addition of grass over artificial surfaces. The US event was a major success and spurred the growth of Major League Soccer.”*

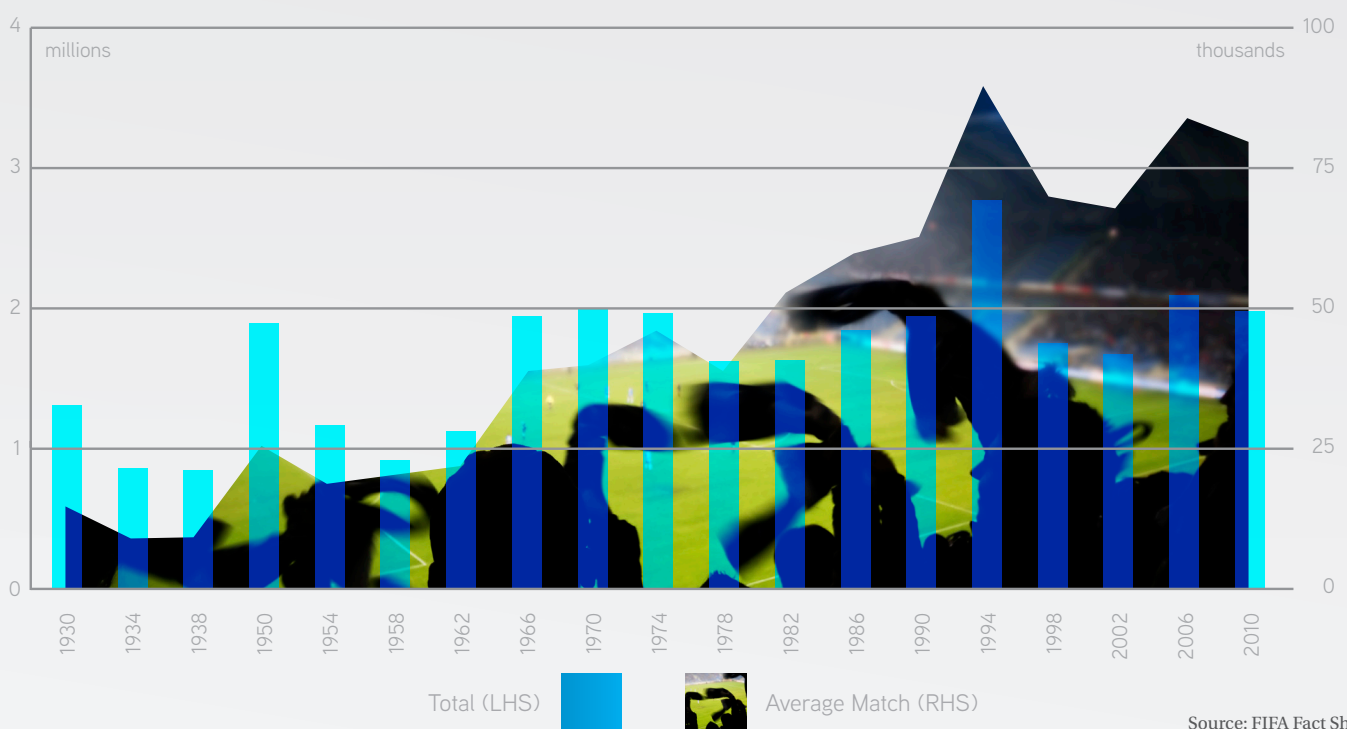
*Chris Pernevi  
Head of Research  
Colliers International | Los Angeles*

The US World Cup (1994) is reckoned by many to be the most commercially successful of all World Cup events so far and has had a lasting impact on establishing the sport in one of the largest nations on earth. By some accounts, it was among the most profitable, as FIFA typically contributes to infrastructure spending in the host country. Even so, critics suggest that even in America, the event was a loss from a US taxpayer perspective. On the field, the US national team has had an impressive qualifying record and has been increasingly competitive, reaching the quarter-finals in 2002—unthinkable just 20 to 30 years before.



*World Cup attendance has averaged 3 million since the mid-1990s.*

Figure 2: World Cup Attendance 1930 to 2010



Source: FIFA Fact Sheet

## Costs – Priceless?

Reliable cost figures are very hard to come by given the difficulty in separating operational costs from infrastructure costs, which should arguably be discounted over the life of the various assets. Nevertheless, if we use a bit of judgement in relying on the various figures in the public domain, it could be argued that hosting a World Cup has cost between \$1.4 and \$6 billion.

When compared to attendance figures, this suggests that the cost per attendee has averaged around \$1,300. The most expensive ticket available at the 2014 World Cup in Brazil is listed as \$990 which, in turn, suggests that if hosting a World Cup means providing improved infrastructure, then the event must, by definition, be a commercial failure for the hosts. This, of course, overlooks the fact that many of these tickets will be sold outside the host country of Brazil and will generate significant tourist spend through hotel stays. However, as already highlighted, it is likely that regular visitors (leisure and business) will be crowded out during the World Cup by football tourists. Experience tells us the end result is only limited additional visitors and resultant spending.

Additionally, it overlooks broadcast revenues, corporate advertising, sponsorship and merchandising, all of which dwarf ticket sales in the sport's top leagues today. (A brief glance at the 2012 English Premiership team finances shows that television broadcast revenue was about twice that of ticket revenue for the 18 clubs that gave a breakdown).

Even so, according to BBC reports, the final cost of the Brazilian World Cup is estimated to be near \$15 billion, most of which will come out of public funds. In contrast, the Brazilian Institute of Tourism estimates Brazilian revenues of \$11 billion.

The benefits seem to lie somewhat outside the strict commercial definition of profit. However, if we consider that Brazil will be *advertised* worldwide for a good few months (pre-, during and post event), the value of this global advert to Brand Brazil will be significant. For example, it is understood the average cost of a 30-second advertisement during American football's Super Bowl in 2014 was around \$4 million. Brazil will be top-of-mind for sports fans and non-sports fans alike for one month during the event—as a former World Cup sponsor might say: "Priceless."

## Impacts – Big Match Commentators

As Figure 3 suggests, the economic impacts can be short-lived. Japan spent \$5 billion in hosting the 2002 World Cup, possibly as part of a Keynesian initiative to stimulate growth in a recessionary economy. After four consecutive quarters of contraction, the economy expanded in Q2 2002 at a 4.3% annualised rate, but cooled immediately and fell back into contraction by Q1 2003 (-2.2%).

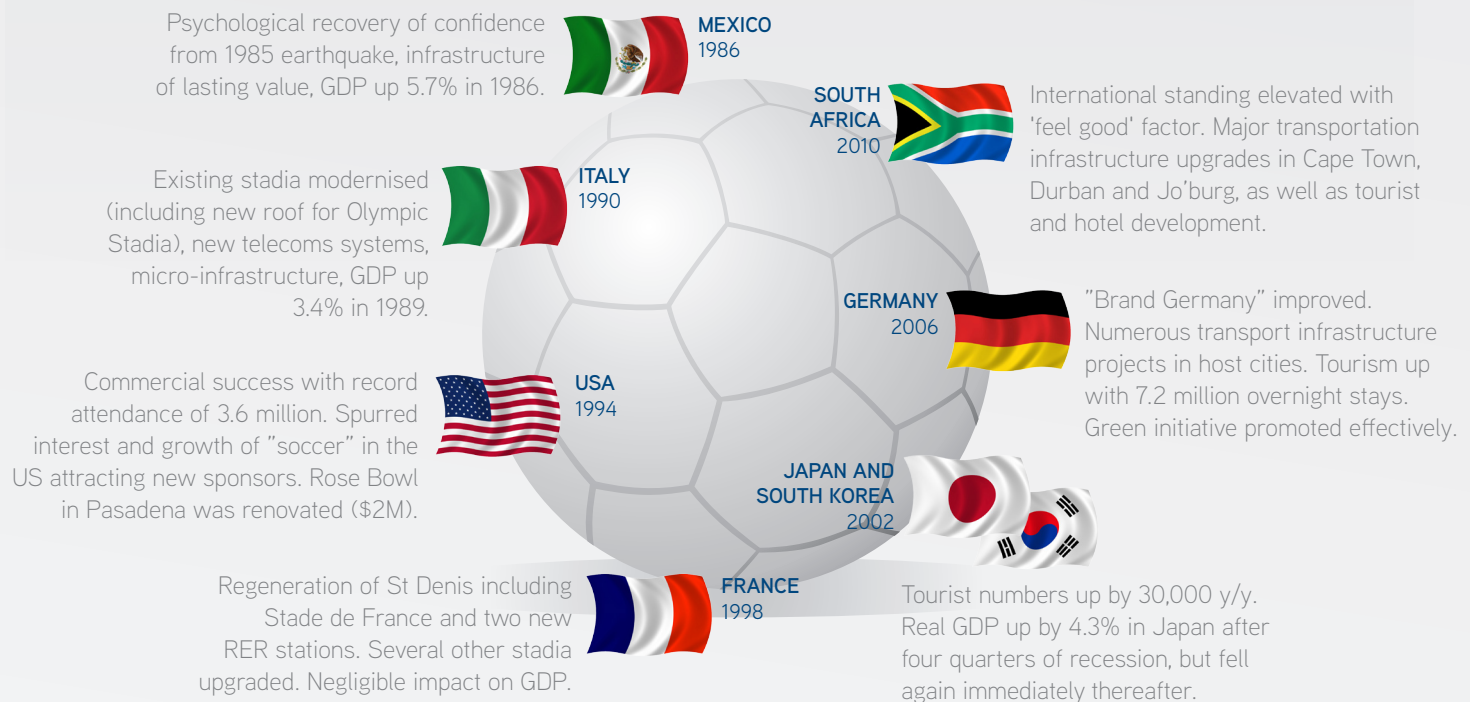
*"There were some positive impacts in Japan before and during games, such as an increase in the number of foreign visitors and a short boost to GDP. However, the World Cup is limited to football and its impact was different to Japan's experience with the Olympics, which has a wider appeal to a wider audience."*

*"In South Korea the results were more tangible. 185,000 jobs were created and there was certainly an allure to tourists, with 139,600 visitors for the World Cup and 93,200 indirect visitors."*

Simon Lo

Executive Director | Research & Advisory Services | Asia

Figure 3: Main impacts (1986 - 2010)



Source: Colliers International

## Key Non-Financial Takeaways

If the key takeaway is not in the numbers, then it must certainly lie in the national psychology as encapsulated by the phrase: ‘feel good’ factor.

This feeling is ephemeral and impossible to capture, but surely we must all have experienced such moments of elation derived from belonging to a greater whole, achieving goals that go beyond the capacity of an individual. In the history of the World Cup, it is hard to underestimate the ‘feel good’ factor that arose in England during the 1966 World Cup, linked perhaps to the on-going fragmentation of the Commonwealth. Similarly, the 1974 World Cup, hosted and won by West Germany, helped to confirm West Germany’s economic, social and political rehabilitation and success.

Perhaps more poignant was the Mexico World Cup in 1986. The preparations were interrupted by a devastating earthquake in September 1985. The main shock, measuring 8.5, and subsequent shocks measuring 7.5 and 7.0 levelled over 400 buildings and seriously damaged another 3,000, leaving 10,000 people dead and virtually no services or running water for months. In the aftermath, FIFA asserts that Mexico pulled off one of the most memorable World Cups, with Diego Maradona dominating the games in a way that only Pelé had before. This was all the more remarkable as Mexico hosted the 1986 World Cup only because Colombia had pulled out a couple of years earlier as host.

In Ireland, the Italia 1990 World Cup is seen as something of a turning point: Ireland’s on-field success, reaching the quarter finals, lifted the national mood away from the recession years

of the 1980s and helped spark the start of the Celtic Tiger (high economic growth) years.

The desire to create a strong sense of national unity in South Africa following a decade-long struggle at reconciliation must have been behind Nelson Mandela’s promotion as host for the 2010 World Cup. South Africa was awarded the opportunity to host the Cup partly in recognition of his work bringing South Africa together.

*“The World Cup was a huge ‘feel good’ victory for the young democratic South Africa, but perhaps a bit of an ‘own goal’ for its finances.”*

Mike Blair

CEO | Colliers International | South Africa

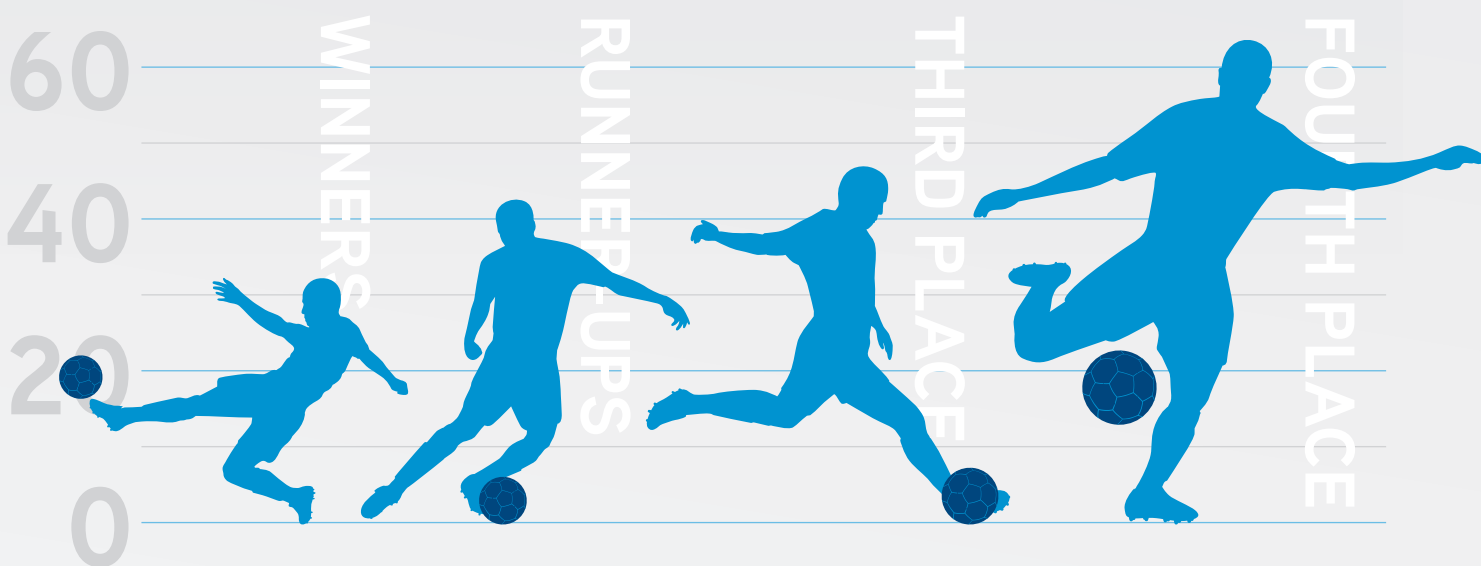
## Is there a Lesson for Brazil and Future Hosts?

### Sport and business links

Think long-term for the country, think long-term for the return, but think short-term for the actual competition.

There is often debate surrounding the lessons sport can have for business. Just as we can envision Jose Felipe Scolari, Roy Hodgson, Alejandro Sabella, Louis van Gaal and Joachim Löw saying to their respective World Cup squads: “This is our philosophy of how we play the game and these are the strategy and tactics we will employ,” we can easily imagine a CEO saying the same to his board of directors. This approach should help shape future host countries and cities.

Figure 4: Host Teams % Chance of Success



Source: FIFA Fact Sheet



*Hosting the World Cup means there is a 63% chance that the host team will make it to the semi-finals!*



## It's about Sport

The World Cup is meant to be about sport, not infrastructure and GDP growth. In this spirit, Colliers International predicts that the host Brazilian team of World Cup 2014 is very likely to win (Figure 4). Ample evidence suggests that hosting a World Cup increases the chances of winning substantially. 32% of host countries went on to win the competition outright, 42% finished in the top two positions, 47% finished in the top three, and a whopping 63% were in the top four.

The chance to host is often a doorway to a country's first (and sometimes only) real success. For instance, England in 1966 had never progressed past the quarters, much less appeared in a final. South Korea had never made it out of the group stage prior to a fourth-place finish in 2002; 2002 was Japan's second-ever World Cup and they passed through as well. The USA also passed through for the first time in 1994 (although beaten by eventual winners Brazil in the first elimination round). Chile's third-place finish as host in 1962 is the single bright spot on an otherwise unremarkable record; and Mexico's two quarter-final appearances were achieved as host (1970 and 1986).

Brazil—as a team and a country—has much to gain.

## Future World Cup Hosts

**2018: Russia:** For many reasons, this promises to be a fascinating World Cup. Nine new stadia planned plus others undergoing major upgrades, coupled with infrastructure improvements, add up to a current price tag of €20 billion. Planning work is reportedly advancing well with all stadia slated to be complete by autumn 2017. How many of these projects will be effective catalysts for economic development and how many will be white elephants?

Russia's motivations for hosting are likely similar to their motivations for hosting the recent Winter Olympics in Sochi: to showcase an open, modernised Russia and generate a positive profile for Russia around the world.

**2022: Qatar:** Much has already been written and discussed in the global media about the controversial awarding of the 2022 World Cup to Qatar. There's certainly more that will unfold. For instance, Australia may seek compensation for the cost of its bid, which included a proposal to host the World Cup in the winter.

All we will say on this is that FIFA must set out much more transparent bidding rules going forward. Otherwise, the risks and costs of bidding will be seen as simply too high.



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