

THE PRIMARY ECONOMIC IMPACT OF VISITORS AT MAJOR MULTI-SPORT-EVENTS – A THEORETICAL APPROACH

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Introduction

Cities and regions are investing billions of dollars into major multi-sport-events. The main economic benefit for a region derives from the consumption by visitors during the event and increased tourism in the post-event period. For the German Olympic 2012 bid of Frankfurt Rhein/Main, Preuß/Weiss (2003) calculated that the regional tourism-related impact represented over 40% of the total economic impact for the region over the 17 years under consideration.

Literature shows that one of the main hurdles in determining the economic impact of major multi-sport-events on a city or region is the lack of knowledge about consumption patterns of visitors and the number of persons likely to visit the event. Empirical research showed that the consumption of visitors during the 2002 Commonwealth Games in Manchester was not the same as that of 'usual' tourists visiting the city. In addition, it was also found that the consumption patterns of the residents visiting the events of the 2002 Commonwealth Games changed (Preuss, 2005).

Keeping the lack of knowledge in mind, it is interesting to notice that calculating the economic impacts of major multi-sport-events and travel on a host city/region has been a main research activity over the past 20 years. The research has resulted in an increased ability to assess the economic impact of travel and tourism along with a proliferation of methods, models and procedures. However, what value gets generated if the primary impact is still not precisely calculated? How can we conduct a precise tourism economic impact analysis? What persons affected through the event have to be considered in that analysis? How can the number of affected persons be measured? What are the consumption patterns of these affected persons and what part of this consumption has to be considered?

Method

To answer these questions, a theoretical framework has to be constructed. The presentation will be of a theoretical nature, developing equations to determine the primary economic impact.

Results

This paper describes the complexity of evaluating the regional primary economic impact of event-affected persons. Two facts make it particularly difficult to calculate this impact: First, if an appropriate impact region is undefined, it creates confusion in separating 'new' dollars from outside the area from local spending. A basic approach to overcoming the obstacle of determining 'regionally-effective' streams of money is explained in this presentation. Second, the evaluation of the number of games-affected persons and their different consumption patterns needs investigating, while the missed consumption of crowded-out visitors must be considered. The model to calculate the long-term opportunity costs is based on the availability of hotel occupancy rates for pre- and post-event periods.

Discussion

Most cities and regions planning to bid for a major multi-sport-event face immense investments in their leisure and general infrastructure. Therefore, the citizens and politicians have a high interest in reliable information about the economic impact the event will have for them. The main part of benefits for the city/region derives from 'new' currency carried into the city/region by people affected by the event.

In the past research has been done on event economic impact models, but so far neither was much effort put into detailed measurement of the regional primary impact, nor into the correctness of money streams that have to be considered. This paper presents two theoretical models: first, a model to determine whether a person affects the regional impact, and second, a model to evaluate opportunity costs.

Both present some findings so far overlooked in many papers:

1. For an event economic impact it is not enough to only consider the consumption of tourists who visit the event. Depending on the size of the region under investigation, there are many other event-affected people who have to be considered. Their different consumption patterns or the changes in them have to be evaluated and considered as primary economic impact
2. Nearly all people visiting events, even the residents, have to be considered as adding to the impact. There is only one group – ‘the changers’ – who can be excluded. Even if they leave the city/region because of the event and carry money out of the region, they do not create opportunity costs, because they would have travelled anyway.
3. The theoretical approach in this paper estimating visitor impact as precisely as possible has to be distinguished from efficient field research. Therefore it is enough to evaluate consumption patterns of groups staying at different levels (hotels, Bed and Breakfast, Friends and Relatives, at home) and to consider the major groups. Groups with similar consumption patterns and small groups do not need to be considered. Therefore even if this presentation was very detailed, the empirical research done is not necessarily wrong.
4. Cities expecting to have the tourism expenditures as their main economic event impact have to consider that hotel capacity is a limiting resource, and so event impact is limited to capacity over the average occupancy rate. ‘Time Switchers’ may fill up the remaining hotel capacity, and thereby reduce the potential long-term economic impact, because these people “stay away in pre-/post-event periods, and fill up the capacities at event time. The consumption of the event time is different than at pre/post periods.
5. There often is an argument that crowded out visitors who have come on a regular basis might be lost as tourists to the city/region due to their new experiences in travelling elsewhere for one season. This might be true. However, new visitors exploring the city/region due to the event and the worldwide broadcasting of the event might replace them. long-term hotel occupancy in cities that have hosted the Olympics show increasing rates in the post-Olympic period, demonstrating an overcompensation for the lost tourists.

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