

A Football Club's Regional Economic Impact Depending on the League

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Aim of abstract and research question

Discussions in Germany very often address whether spending taxpayers' money on Bundesliga football clubs – e.g. infrastructure and security – is justified. Frequently, it is argued that this money is a sound investment in the regional economy and its development. But estimations on the economic impact such clubs have are very often contradictory. Consequently, it was necessary to develop a sound model to capture at least the primary regional impact (Preuss/ Könecke/Schütte, 2010) and to test it with real data.

In 2009 the model was applied in cooperation with the German football club "1. FC Kaiserslautern". At that time the club participated in Germany's Second Bundesliga. As presented at the EASM-Conference 2011, solid results were obtained, indicating that the club's primary economic impact amounted to approximately € 18 million for the city of Kaiserslautern and approximately € 11 million for the state of Rhineland-Palatinate.

Since the club moved up to the First Bundesliga in 2010, the question arose how much this would affect its economic importance for the city and state. Consequently, a follow-up project was initiated to answer the following research questions:

What is the primary economic impact, the 1. FC Kaiserslautern generated for its home city of Kaiserslautern and its home state of Rhineland-Palatinate due to its participation in regular season competition of the First Bundesliga in 2010/2011? In what regard does this impact differ from the 2008/09-season when the club was in the Second Bundesliga?

Theoretical background

Corresponding to the research on sporting mega-events (e.g. Preuß, 1999; Brill et al., 2002; Ruetter/Popp/Busin, 2008; Preuß et al., 2010) a model had been developed for calculating the exogenous impact of a club on a region of interest (e.g. a city or state). This exogenous shock would not be generated for the region if the club did not exist or not compete at this particular league. Based on Keynesian theory, the actual impact of the football club was measured by considering all relevant financial flows into and also out of the region(s) which have to be attributed to the club being a Bundesliga-participant. The two main contributors to the impact are spectator spending at home and away matches

and the financial flows (revenues and spending) of the club itself.

Methodology

To capture spectator spending, a paper and pencil questionnaire based on ones used at many other spectator events (e.g. Preuß, 1999; Preuß et al., 2010) had been adapted and used in 2009. Based on the knowledge gained then, this questionnaire was again refined and used during four home matches at Kaiserslautern in April and May 2011. A total of 1.664 questionnaires could be used for the analysis of spectator spending during home and away games.

Furthermore, the club's cash flows were analysed concerning their primary economic impact on the two regions at hand. Thus, the accounting department of the 1. FC Kaiserslautern was instructed to "regionalize" the club's cash flows concerning their respective origins (in the case of monetary flows into the club) and their destinations (in the case of monetary flows out of the club).

When calculating the total primary impact of the club on a particular region, it was important to avoid double counting. If, for instance, the club receives money from ticketing or merchandise, it has to be taken into account that these revenues are also part of the consumption pattern of the spectators and only have to be considered for either the club or the spectators.

When calculating the impact on the city and on the state, two distinct calculations were necessary.

Results and implications

The calculation of the primary impact of the club's participation in the First Bundesliga during the 2010/11-season will be finished during June, since some of the accounting and ticketing data could not be provided in time for the deadline of this abstract. Consequently, the total calculation will be finished in July 2012. This enables a comparison with the impact calculated for the 2009/10 season and will provide insights on the importance of the league as a whole.

Generally, it has to be pointed out that the primary economic impact calculated here does not consider any indirect, induced, or intangible effects. These effects could not be calculated due to lack of data. As a result and also due to the conservative approach applied, the real economic impact of the club was most likely (much) greater than will be pointed out here, which is true for both, the period in the First as well as the Second Bundesliga.

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