

The economic impact of sporting events and spectators profiles: The case of the RWC 2007

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Aim of paper, research questions, and literature review

The economic impact analysis of mega sporting events is now very common, and used systematically as a tool to try to make the bid a success. Nevertheless, there are only few economic impact studies on the Rugby World Cup: papers written in regard to the RWC 1999 in Cardiff (Jones, 1999), while of a great interest, were of a qualitative nature and an input-output model was applied to the RWC 2003 in Australia which provides some valuable data (URS, 2003). The French Ministry for Health and Sport requested the CDES to measure the effects of the RWC 2007 in France. A global report was authored by Deloitte (Deloitte, 2009) incorporating the main conclusions from the Australian and French reports.

- From a narrow economic point of view, considering that the organising budget amounts to only €255 million TV rights to €130 million and marketing receipts to €60 million, the RWC is not a sport mega event comparatively to the Olympic Games or the FIFA World Cup. Moreover, marketing and TV rights are leaking out of the hosting regions because they are collected by the IRB, located in Ireland. On the other hand, because of the number of tickets sold (more than 2 million for the matches on the French territory alone), with attendance rate reaching 95% combined with the number of TV viewers all over the world (about 4 billion), the event may possibly generate a massive impact.
- There is a geographical concentration of the game of rugby internationally (some ten countries can be considered as having a rugby culture) as well as at a national level (the game is mainly located in South West of France). In this respect, it will be interesting to determine how this spatial characteristic can affect the way the impact is distributed among hosting regions. The ten stadiums being located all over France, sometimes in areas where the rugby is prevalent and sometimes in areas where football is uncontested, it will be possible to test whether the impact is similar in size and structure.

Research design and data analysis

Economic impact studies are subject to debates among the economists on what is the most appropriate method to be used to deal with economic effects. In English speaking countries, that seem to have comprehensive statistical regional databases, the input-output analysis is usually used, so that the impact on each sector of the economy can be distinguished. In non English speaking countries, one is forced to resort to more aggregated multipliers, relying on Keynesian principles, and notably the base theory which appears to be appropriate and efficient at an infra-national level. From a methodological point of view, the paper is of interest for three main reasons:

1. In using an appropriate methodology, we managed to address the most common misunderstandings that can often be found in economic impact studies: substitution effects,

time switching of expenditures, omission of leakages, eviction effect, occasional visitors....
The risk of double or triple counting will be discussed in more detail.

2. The paper emphasises the fact that it is not possible to go from the regional level (the 8 regions hosting the RWC) to the national level by just adding regional impacts that have been estimated. Indeed the exogenous or non-exogenous nature of monetary flows is strongly determined by the territory where the analysis is conducted. We will present how the data should be totally recomputed to estimate the national impact.
3. We argue that a huge survey is required for events such as the RWC, where the expenditures of stadium and giant screens spectators are generating a big part of the economic impact. We have to ascertain that spectators profile and their average expenditure based on nationality, provides statistically representative data. In our case study, all of the RWC matches (except for Paris) were investigated. As many as 3896 stadium spectators were interviewed, as well as 1554 giant screen spectators.

Results

The national economic impact of the RWC amounts to €538 million. From a structural standpoint, this overall impact includes a tourism impact (87%) and an organisation impact (13%). The tourism impact stems essentially from the stadium spectators (87%) followed by the accompanying persons (9,8%) and giant screen spectators (3,2%). The organisation impact is coming essentially from the organizing committee *GIP France 2007* expenditures (74,1%), followed by that of the French Rugby Union (FFR) (20,9%), and additional team expenditure (5%).

The regional impact accumulated in the 8 hosting regions reached €590 million. This figure is higher than at the national level because we lost injection of French spectators, and of the French Government. The breakdown of the economic impact among the eight hosting regions show big discrepancies, two regions, which hosted the quarter finals and final (Ile de France and PACA) represent two thirds of the global impact.

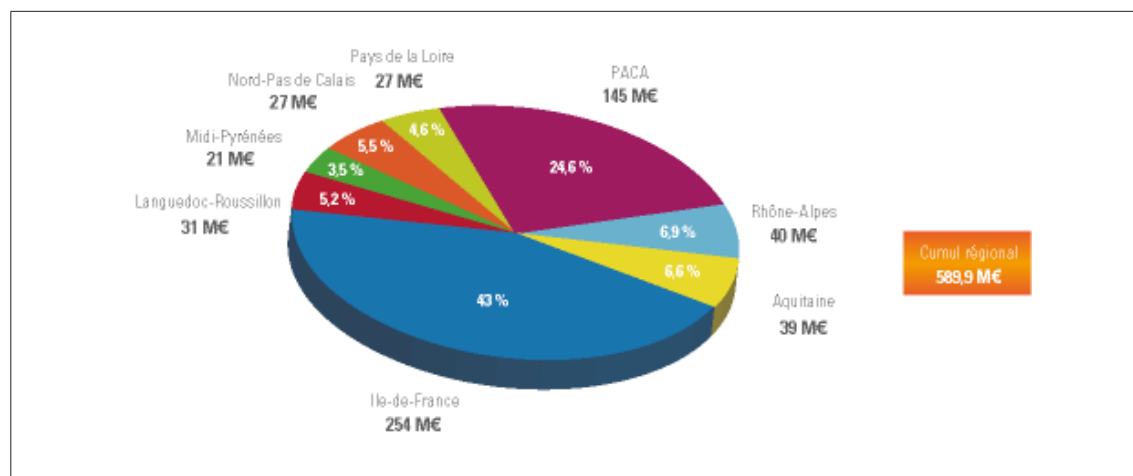


Chart 1: The regional impact of the RWC 2007.

The tourism impact is dominant in all the regions except in Paris. It ranks from only 53% in Paris where the organising committee was located, to 83% in Aquitaine and 93% in PACA. Injection of stadium spectators which accounts for most of the tourism impact is chiefly due to foreigners. The reason for this is an expenditure basket much higher than that of French fans.

Categories of spectators	Average expenditure of spectators (in euros)
Africa	2530
North America	2300
Australia	4487
European Anglosaxons	1255
European Non-Anglosaxons	645
France	244
Other Pacific Island	4126

Table 1 : The average expenditure of spectators according to the living area.

Discussion and conclusion

The results show that a strong local rugby fan base is correlated to a reduced economic impact, while attraction of southern hemisphere visitors leads to increased benefits for the host region. The implications for decision makers is that the choice to organise the event in areas where the participation rates of this sport is the highest is not a good idea regarding monetary benefits (while legitimate from a social perspective). It is necessary to think about policies and programs specifically dedicated to attract and keep foreigners in the region, and as much as possible southern hemisphere visitors when it comes to the sport of rugby.

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