

Critical issues and pitfalls within economic impact analyses of major sports events: The case of the Bob and Skeleton World Championships 2008

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Aim of paper, research questions, and literature review

For more than 20 years researchers and practitioners have been interested in the economic impact of major sports events defined as the net economic change in the host region attributed to event related spending (Crompton, 1995). Outcomes arising from these analyses are used to obtain acceptance for the event to justify public investments or to legitimate the redistribution of resources. However, the results often seem to be calculated generously which leaves room for reasonable doubts (Crompton, 1995; Crompton, Lee & Shuster, 2001; Matheson & Baade, 2006; Preuss, 2005; Preuss & Solberg, 2006). This paper aims to illustrate the complexity of economic impact studies and identifies potential pitfalls which challenge the validity of the calculated outcomes.

Research design and data analysis

The 'Bob and Skeleton World Championships 2008' in Germany (BSWC08) (17.975 spectators) serves as an example of possible mistakes. To analyse its impact we conducted surveys with different stakeholders (558 spectators, 21 business travellers). Moreover, we examined the organiser's expenditures (e.g., lease costs, operating costs, and personnel costs) and revenues (e.g., from ticket sale, stall rental, and sponsoring). We demonstrate how the estimation of the economic impact may vary dramatically due to methodical faults. Our reference point is a cautious calculation of the BSWC08's economic impact of approximately € 1.5 million. This figure excludes all potential pitfalls, which are discussed in the following.

Results

The economic impact of a sports event relates exclusively to new money injected into the region's economy by different stakeholders (e.g., spectators, event-sponsors, vendors). For spectators, it has to be differentiated between expenditures of local and non-local residents (Crompton, 1995; Crompton, Lee & Shuster, 2001; Preuss, 2005). The expenditures of the former represent only a recycling of money that already exists in the region. Therefore, these spectators should be excluded from the analysis. Due to the high number of non-local spectators at the BSWC08 an inclusion of all local residents' expenditures would lead to overestimating the economic impact (€ 1.5 million) slightly by 1.5 percent. In other cases, where the ratio between local and non-local spectators differs, ignoring the residency might entail serious problems. However, if the local residents travelled out of the region to attend this or a similar event, this would lead to a loss of local money (Preuss, 2005). Hence, solely this group of residents should be involved in the analysis. For the BSWC08 these residents account for .9 percent of the net economic impact.

Furthermore, the non-local spectators need to be divided into (a) those who visit the region mainly to attend the event, (b) 'casuals' and (c) 'time-switchers'. Casuals are spectators who were attracted to the host region by other regional characteristics instead of the sports event. Literature (Crompton, 1995; Crompton, Lee & Shuster, 2001; Preuss, 2005) indicates that they substitute other spending in the community with their expenditures at the event. The time-switchers include all spectators who had planned to visit the host region but adjusted their stay following the event. Since the expenditures of both groups would have occurred without the event, they have to be excluded from the analysis. Consequently, expenditures of casuals and time-switchers do not contribute to the economic impact. Neglecting the exclusion of casuals and time-switchers, the analysis runs the risk of overestimating the economic impact by 37.3 percent for the BSWC08.

In addition to the group of spectators, further stakeholders (e.g., business travellers, sponsors, vendors) and their spending have to be considered (Frechtling, 2006; Tyrrell & Johnston, 2001). For the BSWC08 ignoring business travellers (e.g., officials, media representatives, trainer or athletes) would decrease the economic impact by 41.6 percent. In addition, the expenditures of sponsors account for 22.4 percent and of vendors (e.g., stall rent) for 1.1 percent. Again, because economic impact is defined by new money entering into the community from outside its boundaries, the analysis should disregard local stakeholders. For example, including local vendors would lead to an overestimation by 2.1 percent for BWSC08.

Further attention should be paid to the revenues of non-local vendors. This money represents a potential loss for the community and therefore needs to be excluded from the impact analysis (Chhabra, Sills & Cabbage, 2003). Otherwise, the BSWC08's impact is overestimated by 5.5 percent. Additionally, income of non-local event producers constitutes a further regional loss. Disregarding this issue may lead to an overestimation of 62.2 percent for our example.

Discussion and conclusion

In conclusion, there is a wide range of pitfalls which may result in a misinterpretation of major sports events' economic impact. Neglecting the discussed recommendations for the BSWC08 opens a range from underestimation of 65.7 percent to overestimation of 113.5 percent of its economic impact. Against the background of employing such figures to legitimise a position, stakeholders should avoid over-reliance on large numbers presented as results of economic impact studies.

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