

Session: **Open session II.**

Abstract nr: **EASM-0068**

Calculating the Primary Economic Impact of a Professional Sport Club: Development and First Test of a Model

T. Könecke¹, H. Prof. Dr. Preuß¹, N. Dr. Schütte¹

¹Institute of Sports Science, Faculty of Social Science Media and Sport, Mainz, Germany

koenecke@uni-mainz.de

Background

Public and political discussions in Germany very often address the question whether public spending on sports and especially popular sport clubs – e.g. on infrastructure, security for sport events, or financial support for athletes and organisations – can be justified. Due to the many – often very contradictory – estimations concerning the economic impact professional sport clubs participating in regular season competition have on a city or region, it appears to be necessary to develop a sound model to quantify this impact. Corresponding to the research done on sporting mega-events (c.f. e.g. Preuß, 1999; Brill et al., 2002; Preuß/Weiß, 2003; Kurscheidt, 2008; Ruetter/Popp/Busin, 2008; Preuß/Kurscheidt/Schütte, 2009; Preuß et al., 2010), the first step in this process has to be finding a reliable way to calculate the “autonomous cash flow” into the region of interest directly linked to the club. This “autonomous cash flow” (or primary economic impulse) would not be generated for the region if the specific club did not exist or compete at such a high level.

Looking at the few analyses of the economic impact of sports teams participating in regular season competition done so far (c.f. e.g. Rappaport/Wilkerson, 2001; first suggestions for teams in Germany’s “Bundesliga” have been made by Hamm, 1999; Willms/Fischer, 2001; and Völpel/Steinhardt, n.d.), it shows that these studies either are strictly theoretical or focus mainly on marketing-related figures and do not satisfy the need to thoroughly capture the consumption patterns of the spectators, which – in mega event analysis – have been proven to be one of the major keys in correctly calculating the economic impact of a sporting event on a specific region. Furthermore, the cash flows of the relevant club have never been thoroughly examined concerning their *actual regional* effects.

Objectives

The aim of this research project is to develop a model to capture the primary economic impact of an established sport club participating in regular league competition on a specific region of interest by analyzing the two main sources for this impact: spectator spending and the cash flows of the club itself as economic agent.

Methods

In a first step, the tools that have proven to work well in capturing spectator spending in the economic analysis of singular major sporting events were analyzed and modified to put them to use when calculating the primary economic impact related to a sport club participating in regular league competition. In a second step, a model for the analysis of the club's cash flows was developed that would enable a researcher or a knowledgeable accountant to "regionalize" the club's cash flows. Furthermore, it was shown how the "regionalized" cash flows could be used to calculate the autonomous cash flow into the region of interest due to the club as economic agent. The total sum of the results of steps one and two indicates the sought-after primary economic impact on the region of interest.

While developing the model and the calculation-guidelines, a very conservative approach was chosen to make sure that the results do not overestimate the actual impact.

Results/Application to practice

After finishing the model, it was tested on a soccer club in one of Germany's top leagues and proved to give solid results. In this effort, a paper-based questionnaire (n=1.104) was used to capture spectator spending and the club's cash flows were analyzed by its accounting department in accordance with the guidelines provided by the research group.

Conclusion

The development of a model that captures the primary economic impact of a sport club participating in regular league competition on a specific region of interest by analyzing spectator spending and the club's cash flows has been successful. Even though, some problems concerning the data collection and the analysis of the club's cash flows have been identified, solid results could be achieved.

In the evaluation of data calculated with this model, it is important to keep in mind that, due to the research question at hand, no direct, indirect, induced, or intangible effects are considered. As a result, it can be estimated that the overall economic effect of a specific club on a region of interest is by far greater than calculated by using the model suggested.