

Session: **Sport tourism and environment / Sport e-business and e-commerce**  
Abstract nr: **EASM-0193**

### **Measuring the economic impact of minor sport events: Cost benefit analysis and case study for a small city**

*P. Sanchez-Fernandez<sup>1</sup>, A. Barajas<sup>1</sup>*

*<sup>1</sup>University of Vigo, Faculty of Business Administration and Tourism, Ourense, Spain*

patricio@uvigo.es

#### **Background**

Sport events attract a great number of fans. It implies an economic and social impact in the areas where they take place. There is a growing literature about the economic impact of mega events. It is a classic the work by Preus (2004) analyzing the economics of staging the Olympics. Matheson (2002) writes about economic impact of sport events and Baade (2006) writes about the economic impact of organizing sport mega-events. Concerning to the impact of sport events in small-medium size cities Baade, Bauman & Matheson (2008) focus their attention in the economic impact of football within local economies and Rodríguez Guerrero (2008) deals with the World Championship of speed-skating . Furthermore, Gibson et al (2009) present a case study of six events for small-scale sports events.

#### **Objectives**

The most common methods used for economic impact studies of mega events need an adaptation when we focus in events held in small cities.

Thus, this work has several objectives. First, we have studied methods such us satellite accounts, computable general equilibrium approach, input-output analysis, contingent valuation technique and cost-benefit analysis. We have analysed which of them fit better in order to study a small-scale sport event. Second, we have design a system in order to analyse a particular event. Third, we have tested it applying it to a particular case. Namely we conducted a research related to the Ourense Rally celebrated last summer in this Galician town (Spain).

#### **Methods**

The methodology followed has consisted of the following steps. First, we selected the method to be applied. In this case, after assessing their advantages and disadvantages, the cost-benefit analysis was selected. Then, the benefits and costs of the event (tangible and intangible) were identified and afterwards we conducted a survey.

The fourth step was related with the direct and indirect estimations, namely, the expenses and the number of spectators that allowed us to calculate the net impact.

The cost-benefit method is based on a technique that compares the benefits or gains generated by the event with the expenses incurred in its organization and celebration.

Concerning the Rally, the benefits for the city can be divided into two types, tangible and intangible. Also this division can be applied to the costs. Moreover, it is necessary to consider the possibility of development of future projects. It is important to mention that this study concentrated in the tangible benefits and costs. These are the following:

- expenses of the organization, spectators and mass media in the city
- investments of the sponsors
- expenses realised by the organization outside the city.

The survey to the spectators was conducted during the two days of the competition (16th and 17th of July). The sample was 163 persons from the public. We interviewed to the 39 participants.

The final calculation of the economic impact for the city (net benefit) was determined by the difference between the income or positive effects except the costs or negative effects for the city. That is to say, the objective was to measure the income coming from outside the city that financed expenses inside of it.

## **Results**

The economic effect originated by the Rally of Ourense is consequence of the expenses realised by the organization, the participants, the mass media and the spectators in the city. In addition, the income provided by the activity and the investments received from the sponsors suppose a positive impact, if these come from outside the city.

Therefore, the estimated economic positive effects of this event were 375.396 euro. This amount is distributed as follows:

- Net effect of the expenses of the organization: €38.092
- Expenses of the participants in the city: €99.587
- Expenses of the mass media in the city: €10.520
- Expenses of the spectators in the city: €162.987 and
- Advertising savings: €64.210

We have also obtained the ratio that relates the net impact of the event with to the total investment (including the income of all the sponsors). Thus, it can be stated that by each inverted Euro there is a positive effect of 1.72 Euro.

## **Conclusions**

In order to measure the economic impact of sports events celebrated in a small city the most suitable method among the existing ones in the literature is the cost – benefit analysis. Satellite accounts gives an exclusively accounting perspective of the information; computable general equilibrium approach fits better in supply and offer studies; input-output analysis works with more macro data; and contingent valuation technique results too expensive for this kind of events.

CBA is especially useful when the study focuses on the tangible impact of the celebration without trying to estimate intangible costs and benefits.

The use of this method will provide a valuable help to decide, on the basis of economic criteria, about the relevancy (or not) of celebrating sports events in a locality. Namely, the net impact of the event for the city (i.e. the impact after deducting the expenses) reaches 282.854 euro.

Concerning these figures, it is important to state that in a medium-size city such as Ourense there are no other events which are able to generate similar economic profits.

Therefore, for the case of study, the Rally of Ourense, the hostess seems of high profitability for the city. In fact, the financial profitability ratio arises the 72% which is a relevant percentage.

## References

Baade, R. A. (2006). 'The economic impact of mega-sporting events' in *Handbook on the Economics of Sport*. Andreff, W. & Szymanski, S. (Ed). Cheltenham: Edward Elgar.

Baade, R. A., Baumann, R. W. & Matheson, V. (2008). Assessing the economic impact of college football games on local economies. *Journal of Sports Economics*, 9(6), 628-474.

Gibson, H., Kaplanidou, K., Kang, S. & Bell, H. (2009) Small-Scale Event Sport Tourism: A Case Study of Six Events. Paper presented at the 17th Annual European Sport Management Conference, Amsterdam, Holland

Matheson, V. A. (2002). An examination of sporting event economic impact studies. *The Sport Journal*, 5(1)

Preus, H. (2004). *The economics of staging the Olympics. A comparison of the games 1972-2008*

Preuss, H. (2009). *Economic aspects of Olympic Games in Beijing 2008*. In EASM Conference 2009. Amsterdam.

Rodríguez, P. (2008). *Informe sobre el impacto económico y mediático de la organización del Campeonato del Mundo de patinaje de Velocidad*. FOED, Gijón.