

EMBARKING ON AN EMPIRICAL INVESTIGATION OF THE IMPACT OF A PROFESSIONAL SPORTS CLUB

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Aim of the paper

This research seeks to estimate the impact of a professional sports club on its local market. Specifically, it builds a model that outlines the economic and non-economic potential outcomes possible for a professional sports club in its home market. The research grew from the need of a professional sport club to articulate the value of their organization to the region in which they work. In recent years, this effort has become a top priority for the management of professional sport clubs in many markets. The rationales for such an interest are often related to government relations (e.g., accessing funding, achieving approvals, etc.), sponsorship sales, and grant applications, where demonstrating the impact of a professional sport team is important. Previous research and practice has often adopted economic impact studies to undertake this assessment (Preuss, Seguin, & O'Reilly, 2007), however some of these studies have come under scrutiny for over-estimation and the mis-use of multiplier effects (Crompton, 1995), while others note the limited economic impact from certain events (Gratton et al., 2000). The current research seeks to overcome the problems associated with over-estimation by (i) always adopting the most conservative assumptions, (ii) using industry standards for multiplier effects, (iii) not including multipliers when their validity is suspect, and (iii) focussing on non-economic impacts as well as economic ones. The focussed attention to non-economic factors such as intangible impacts and sport outcome are not normally considered. Thus, this research proposes a view of 'impact' that includes a conservative view of the traditional economic impact, but also considers the community development based impacts, as well as the sport-related impacts.

Literature review

Economists and market researchers are commonly performing cost/benefit analyses of teams, individual activities, sporting events and public expenditures on sport but, such studies often over-estimate economic impact (Swindell & Rosentraub 1998). In periods of economic recession and government cutbacks – such as the present - there is typically an increased focus on the economic contribution of sport at both the Olympic and the professional level. This is accompanied by a focus on strategies to stimulate tourism and arguments for more complex economic modeling in sport (Ahlert, 2000). As a result, assessments of economic impact and research have become common in the literature where studies assess the impact of a single mega-event (e.g., Kasimati, 2003) such as the Olympic Games or the Super Bowl, a team or a facility. Although the results of such studies are often used in policy making, there is debate in the literature as to their value in this regard and the soundness of methods used study-to-study (Crompton, 1995). Crompton (1995) specifically notes that he supports the use of impact studies in decision making but only if implemented properly and with integrity.

Method

This research undertakes an impact analysis of a major North American Professional Sports club in a large North America city. The research is sequential in nature. First, based on the literature, a model to measure the economic, sport and community impacts is developed. Importantly, the model is guided by three over-arching principles:

- 1-Undertake realistic and conservative estimates and assumptions and limit the use of multipliers.
- 2-Expand the approach to include the intangible impacts in a realistic fashion, including variables related to both community development and sport benefits.
- 3-Endeavour to generalize findings to similar contexts and provide learning about the importance of a professional sport franchise to its market.
- 4-Although previous data may be used to proxy for current situations, impacts will be measured for an annual basis and with a future perspective.
- 5-Impacts will include economic, social, sport, brand, tourism, and community development variables with a broad approach taken to identify sources of potential impact. Impacts will include direct, indirect and intangible benefits expressed with a variety of metrics not limited to financial.
- 6-In estimating each variable, the best available data will be used or acquired pending financial and time considerations. In all cases, a conservative approach will be taken. Given the extensive nature of the study, estimates and proxies may be used in certain cases.

Following the development of the model, a measurement of each of the items in the model has been undertaken with a select professional sports club. Data sources include internal data, survey (fans, residents, tourists), focus groups (special interest groups), financial data, and secondary sources.

Discussion

The initial impact model was constructed based on previous literature, including both the academic literature and examples of published impact studies undertaken on professional sport teams and mega-events. Due to its size and complexity the model is not presented in this short abstract. To illustrate, however, the model is described here briefly: based on this review, the initial model has 134 boxes, comprised of 16 target markets, 3 types of impacts and 4 classifications of impact. The 16 target markets include: citizens/residents, tourists (4 types), new Canadians, season ticket holders, suite holders, single game ticket holders, and more. These are crossed with the 3 types of impact (i.e., direct, indirect, and intangible) and the 4 classification of impact (i.e., financial, community development, infrastructure, and sports).

References

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