
The economics of hosting regular sports events - A case study of World Cup competitions

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All authors:

Harry Solberg (corresp), Per Ståle Knardal

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Synopsis:

This research analyses the benefits and costs of hosting World Cup competitions. Special attention is paid on factors that affect the distribution of these impacts between the International Skiing Federation and the local stakeholders.

Abstract:

INTRODUCTION

Although sports events and particularly mega events can generate substantial revenues, most of the academic research has concluded that the monetary gains do not defend the costs of hosting them, neither for the local event organiser nor for the host destination (Zimbalist, 2010). One reason for this is that a large proportion of the revenues goes to the juridical owner, which usually is an international sport governing body. Additionally, many venues have become significantly more expensive than the initial budgets (Andreff, 2012; Flyvbjerg & Stewart, 2012).

While the research has given substantial attention to events such as the Olympic Games and international championships, less attention has been given on events of a somewhat smaller size, and which are hosted regularly in the same destination. Such events, is the main topic in this research. The empirical data are from skiing competitions which were hosted in Trondheim, Norway, from 2011 to 2015. They belong to a series of World Cup competitions, formally owned by the International Skiing Federation (FIS). This research will first identify the stakeholders involved in hosting them, but also their objectives. It will analyse the factors that influence the distribution of revenues and costs between the local organising committee, the local public sector, and the FIS. It is important to have in mind that stakeholders earn some of their revenues from different sources, and that the pattern can vary between the host destinations. It has also been an objective to analyse the development over time, i.e. over the last couple of decades.

THEORETICAL PERSPECTIVES

The main theoretical perspectives come from stakeholder theory, but with supplements from principal agent theory and welfare economic theory. The former two theories have been used to analyse the distribution of market power between the stakeholders, while the latter is necessary to analyse the behaviour of the local public sector.

METHODS

The empirical data are from interviews with 11 people who were involved in hosting the events. This included the local organising committee, but also the local public sector. Additionally, we also interviewed representatives of the national skiing federation and the International Skiing Federation (FIS). The latter was necessary to analyse the development over time. We also collected data from documents, including the budgets and annual accounts of the organiser.

RESULTS/DISCUSSION

Sport governing bodies, such as the FIS compete with each other to attract TV viewers and in a competition that has elements of a rat-race (Ackerloff, 1976). This, in turn make it important to invest in efforts to improve, or at least uphold the popularity of their main events.

Over the years, a growing number of cities has become interested in hosting such events. This has strengthened the market power of FIS, which in turn has allowed them to take more control of the commercial revenues. This particularly involves sponsorship revenues. Although the local organisers can recruit sponsors, they are neither allowed to promote these sponsors at the arena nor along the ski-tracks. Only the sponsors of FIS are given such places. The national skiing federation sells the TV-rights, but gives some support to the local organiser. This, however, does not cover the event organisers costs of hosting the events, which also includes accommodation costs of the athletes and their supporting staff.

Trondheim is not a skiing resort. Hence, the events have hardly any promotion effects for the city. Therefore, the local tourism industry have not been willing to support to the event financially, for example by discounted accommodation. This in contrast to destinations at skiing resort, which consider such events as efficient promotion instruments for themselves and the destination.

Consequently, the event organiser relies heavily on financial support from the local public sector. The interviews also documented that the municipality had also been extremely supportive. One reason for this it that the city will apply for the World Skiing Championship, which they consider will promote the city significantly more effective than a World Cup event. It is expected that a successful hosting of World Cup competitions will increase the chances of being awarded the World Championship. Additionally, as host of the World Championship, the venue will be given status as a "national arena". This, in turn, will automatically release governmental subsidies that will cover 50% of the investment costs.

For the local public sector, the list of objectives also includes other externalities, such as making the city a more attractive place to live and locate business in. More detailed and profound analyses will be presented at the conference.

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