

Direct economic impact of JYP Ice Hockey Team to the city of Jyväskylä and the surrounding region

Authors: Aila Ahonen, Senior Lecturer; Risto Rasku, Senior Lecturer; Timo Värre, Senior Lecturer

Institution: JAMK University of Applied Sciences, Sport Business School Finland

E-mail: aila.ahonen@jamk.fi

Aim of the study

Public discussion in Finland, and in many other European countries, has questioned whether investing public money in professional sports is justified or not. The conflicting arguments are that this money is either an investment in the local economy, or on the contrary, a form of public sponsorship that benefits only the club, and its fans and partners. The aim of this study was to measure the direct economic impact of one of the Finnish top level Ice Hockey teams, JYP Jyväskylä Ltd, to its home city of Jyväskylä and the surrounding Middle-Finland region during the season 2014-2015. The approach considers the team as a small and medium-sized Finnish enterprise. The measurement of the direct economic impact is based on the model introduced by Könecke et al. (2015).

Theoretical background

In Finland, most of the sports clubs are typically non-profit associations run by volunteers. Until recently, only the highest top level sports clubs' in ball games have turned into businesses, starting from the late 1990's. The sport business sector in Finland is still mainly run by municipalities, and public funding plays a remarkable role in financing the sports sector (Heikkala 2009). Successful sport business as a business where the high-class sport together with some by-products would be commercialized is still very rare. However, the public funding has lately been decreasing, and therefore, the importance of entrepreneurship in sport has grown, and made the non-profit organizations turn into businesses on a larger scale. Therefore, the growing potential of companies in the field of sport, together with their influence on their operating environment, needs to be evaluated in more detail. Currently, there is very little research available on professionally run top level sport enterprises.

The research of the economic impacts of sports has mainly focused on sport mega events or international sport events, until recently more regional and local approaches have been applied. (Preuss et al. 2010, Könecke et al. 2015). The significance of the sporting events' impacts on the hosting city or region is increasing since the overall development of sport industry is developing (Kaspar & Kaiser 2013). Könecke et al. (2015) point out that local events can have a significant effect on the local region concerning spectator spending and club's business activities. They introduce a model for calculating the economic impacts on a specific region and a city during a regular football season. Their study was based on the Keynesian theory, where the actual impacts have been calculated by considering all relevant financial flows into and also out of the region.

Methods and data collection

The aim of this study was to calculate the direct economic impact the ice hockey club JYP generates to its home city and

region by participating in the Finnish National Ice Hockey league. The three step model, calculating the match day spectator spending together with club's payment flows, which was introduced by Könecke et al. (2015) was also adapted for this study. The direct economic impact of the club's business activities was calculated from the club's financial statements. Furthermore, the managing director of JYP Jyväskylä Ltd and the person in charge of accounting were interviewed to ensure the use of the financial data. The direct economic impact of spectator spending during the match days was examined by using a questionnaire tested earlier in the WRC Rally Finland event. The data was collected during 8 home and 2 away games during the season 2014-2015. A total of 1186 interviews were analyzed to measure the spectator spending. When calculating the primary impact of the club, the double counting of match day sales was eliminated.

Results, implications, and discussion

The results of this study indicate that the primary economic impact of JYP Jyväskylä Ltd Ice Hockey team during the season 2014-2015 to its home region was approximately 9 million euros. Almost one million euros benefitted the city of Jyväskylä directly in a form of taxes and other payments, 2,3 million was paid to employees (players, coaches, managers and office) as salaries, and 2 million euros went to local companies (sub-contractors, clients and service providers). Approximately 3 million euros were divided between the state as taxes and other payments outside the region. The direct economic impact calculated in this study does not take any indirect or intangible impacts into account. As the approach of this study was conservative and pragmatic, the real economic impacts are likely to be somewhat bigger than presented here.

References

- Heikkala, J. 2009. Sport Governance in Finland. Finnish Sport Federation (Suomen Liikunta ja Urheilu).
- Kaspar, R. & Kaiser, S. (2013). The impacts of sport. In Beech, J. & Chadwick, S. (eds.) *The Business of Sport Management*. Pearson UK: 96-116.
- Könecke, T., Preuss, H., & Schütte, N. (2015). Direct regional economic impact of Germany's 1. FC Kaiserslautern through participation in the 1. Bundesliga. *Soccer & Society*, 1-24.
- Preuss, H., Könecke, T., Schütte, N. (2010): Calculating the Primary Economic Impact of a Sports Club's Regular Season Competition: A First Model. *Journal of Sport Science and Physical Education* 60, 17-22.