



THE ECONOMIC IMPACT OF MAJOR EVENTS





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This section explains how to make an economic impact assessment of your event. A fuller and more in-depth appraisal of the technique can be found in two recent UK Sport publications: *The Economics – A Guide to Measuring the Economic Impact of Events* and *The Economic Impact of Major Events: Measuring success* (see the Further Reading section).

A DEFINITION

The economic impact on a host city is defined as the total amount of additional expenditure generated within a city that can be directly or indirectly attributed to the staging of a major sporting event.

Having determined this figure, the impact of an event can then be calculated by comparing money spent in the local economy with money generated and retained.

The aim of this process is to assess the net effect of staging the event in the local area. For large scale, or 'hallmark', events, there is often a regional or country-wide effect that can bolster the UK economy as a whole.

The data used to determine the net impact of an event can also be analysed in more detail, to give estimates of local expenditure, income, and employment opportunities generated by an event.

WHY MEASURE THE IMPACT OF MAJOR EVENTS?

The promotion of events is recognised as having a positive economic impact on towns and cities, simply because large numbers of people coming from outside the locality – from other regions of the host nation and from abroad – spend their money on accommodation, shopping, food and drink. This spending provides an economic boost to local organisations.

Such an injection of income into a local economy has the potential to create more jobs, and it is possible that a cycle of economic development will occur, driven by sport and other sectors of the leisure industry, as the catalysts and vehicles of local economic impact.

By using economic impact assessment techniques, any authority or organisation monitoring the impact of their event will have much more reliable and credible information with which to evaluate the return on their investment. The application of these techniques can

often justify the use of local resources to help promote a city and enhance its external image through sport.

The cost of finding out whether strategies are working is an integral part of investment in the strategies themselves; and armed with appropriate information, local authorities will be in a far more informed position from which to evaluate their policies for economic development through leisure and tourism.

DIFFERENT TYPES OF EVENTS

The economic impact of an event is often determined by the nature of the sport, the locality in which the event takes place, and seasonal or geographic factors. In an economic sense, it is possible to separate the impact of events into two simple categories, which are outlined below.

i. Competitor intensive

These are events for which the majority of visitors are the competitors themselves. The impact of these events is the easiest to forecast, since the number of competitors is normally known in advance, as are the location and cost of overnight accommodation and meals. Since these items of expenditure are the major contributors to economic impact, the approach outlined below can be used to give a reasonably accurate forecast of the economic impact of the event.

ii. Spectator intensive

For events where the major source of economic impact derives from the spending of spectators, forecasting economic impact is more problematic. There are uncertainties as to the number of spectators, their pattern of visitation (overnight stays or day visits), and their level of expenditure. Some of these uncertainties can be alleviated with information on advance ticket sales. However, the fact remains that a larger and more spectator-orientated event will have a larger margin of error in any forecast of economic impact.

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MEASURING THE IMPACT

A full breakdown of how to measure the impact of an event is provided in the UK Sport publications mentioned above. There are, however, certain key factors to consider:

- › Research into the effects of an event must be customised to suit the objectives of those who need the information. It must also take into account local economic circumstances.
- › Many of the possible lines of enquiry and in-depth economic parameters cannot be measured in the short term and require detailed, long-term academic studies. This can prove expensive.
- › It is possible to calculate the additional expenditure generated by an event using the relatively simple research tools of self-completion questionnaires, desk research, and qualitative interviews. This additional expenditure can then be used as the basis for estimating the additional local income and employment that will be generated by the event, providing an objective, statistically reliable assessment of the effect on the local economy.

A STEP-BY-STEP APPROACH

A step-by-step approach to measuring economic impact is provided in the UK Sport publications listed previously. The three basic steps are:

Stage 1 – Pre-planning

Researchers must be provided with as much information as possible so that an appropriate strategy can be put in place for optimum data-capture. Before the event is staged the likely respondent groups must be defined, and the patterns of all visitors' behaviour modelled, to predict possible impact.

Stage 2 – Primary Data Collection

Every major event is unique but the key tool for capturing the expenditure profiles of visitors will be a ten-step survey questionnaire. The questionnaire cannot be assumed to be a template for all occasions, but it is a quick, efficient means of sampling the levels of expenditure of all identifiable groups at a major event.

Stage 3 – Data analysis and Interpretation

The completed survey questionnaires should be analysed using a professional statistical analysis package. The Statistical Package for the Social Sciences (SPSS) is generally regarded as the market leader in this respect, and is an effective tool for profiling the spending patterns of different groups of visitors to a major event.

THE OUTCOME

The decision of local authorities to use leisure and tourism events as a means of promoting economic development has, on occasion, been controversial. There is no logic to any prejudice towards policies of this type, as sport, leisure and tourism are amongst the few industries that display long-term growth patterns.

The economic impact associated with staging a major sporting event can be extremely significant, especially if the event forms part of a diverse program of local economic regeneration. However, an event's status as a World or European championship does not automatically guarantee that it will be an economic success, either for the host city, or the governing body staging the event. The scale and type of event, its funding levels and geographical location, are all key factors in determining whether it will be an economic success.

FINALLY

Of course, major sporting events can have negative as well as positive implications for a local economy. These can include traffic congestion and overcrowding on public transport, which can hurt local business during an event; or loss of earnings on facilities while they are being used for competition purposes.

Too often the economic success or failure of a major event is judged solely on its ability to generate an operating surplus. However, it is frequently more important, especially for local economic regeneration strategies, to assess whether or not the investment in the event can be justified by the benefits returned.

