

5th World Communication Conference “Play the Game”
Creating Coalitions for Good Governance in Sport
Reykjavik, Iceland, October 29 – November 2, 2007

Oct 29, Plenary Session **Mega-Events: Frontrunners for Sports Globalisation?**

Economic benefits: Fact or fiction?

***Pros vs. Cons &
Evidence on the FIFA World Cup 2006***

Markus Kurscheidt

Senior Lecturer | PhD Economics
Dept. of Sport Management
School of Sport Science
Ruhr-University Bochum (GER)



Overview

- Introduction
 - *note on the literature & need of research*
- Impact Studies & Event Management
 - *review of ex post studies*
 - *issues calling for “new” approaches*
- Implications & Applications
 - *place marketing & sports (event) signaling*
 - *the case of the FIFA (Football/Soccer) World Cup 2006*
- Conclusion

Introduction

note on the literature & need of research

- **Major sporting events as (regional & urban) economic policy**
 - closely event induced: regional income growth & employment creation
 - long-term goals: tourism & population growth, direct investments
 - target groups: tourists, productive residents & investors
- **Debate in the economic impact literature on major sports events**
 - opinion leaders in sports economics, esp. Baade & Matheson (2000ff): weak or no ex post evidence for, among others, Olympics 1984 & 1996, FIFA World Cup 1994, Super Bowl
 - problems: substitution & diversion, size, too transient industries
 - ex ante studies & public subsidies are challenged
 - but: Hotchkiss *et al.* (2003), European view (Chris Gratton *et al.*)
 - practitioners, sport & event mgt. literature generally less critical
- **Leading Colleague: “Forget About the Econ. Impact of Sport Events!”**
- **Stop impact analyses & hosting events or try even harder?**
 - intuition: there *are* observable & non-negligible impacts
 - reality: public interests & funds are out there!

Is the “standard” economic approach appropriate?

→ Missing link between evaluation & management!

(methodology & evidence on the FIFA World Cup 2006)

Impact Studies & Event Management

review & issues calling for “new” approaches

- **Doubts regarding the generalization of ex post results**
 - restricted number of event cases studied so far
 - results may differ: region & event – spatial & institutional setting
 - case knowledge of (sport & event) management literature ignored
 - technical progress: IT, professionalization, marketing practices
- **Doubts regarding the economic rationale**
 - implicitly relying on “bias profitability” (*not* market failure)
 - but: informational market failure (investors & business locations)
 - *signaling theory*: location image, place marketing, branding
- **Mgt. literature: “event leverage” approach (Chalip *et al.*)!**
 - strategies & tactics in event mgt. for economic benefit of event hosts
 - paradigm shift: the event is *not* the (public) intervention as such!
 - link between evaluation measurement & event management ?

Efficiency-based, integrated approach: production & allocative efficiency of the (whole) “event system”!
 (“Strategic Event Management System” – SEMS)

Implications & Applications

place marketing & sports (event) signaling

LOCATION QUALITY

high	I	II
	<p><i>additional</i> “sports signaling” <i>ineffective</i>; check level of sports signaling, hold or adjust (downwards)</p>	<p>most effective case</p> <p>additional and/or newly positioning ”sports signaling” <i>highly</i> effective</p>
low	III	IV
	<p>“sports signaling” <i>ineffective</i> / misleading; (high) need of investment in <i>hard</i> location factors</p>	<p>“sports signaling” <i>lowly</i> to <i>ineffective</i>; (high) need of investment in <i>hard</i> location factors</p>
	good / “matching”	weak / “dismatching”

REGIONAL IMAGE

Implications & Applications

the case of the FIFA World Cup 2006

- *Ex ante* Cost-Benefit Analysis (= social investment calculation)
 - 1.3 – 1.5 billion € **investments** in World Cup venues
 - 447 – 805 million € spending of roughly 1 million **foreign guests**
 - **up to 3.4 billion € welfare effect** for Germany (2002 - 2015)
 - at least over 1.5 billion € at a probability of 50–66% (2002 - 2010/15)
 - a negative net result can be (nearly) excluded (2-6% prob.)
- *Ex ante* Input-Output Analysis (= account of economic impulse)
(a study of the University of Osnabrück)
 - **8 billion €** increase of the Gross Domestic Product (2003 – 2010)
 - on av. **3,850 new jobs per year** (over 30,000 in total) (2003 – 2010)
 - at least 900 million € fiscal tax return (2003 – 2010)

But: no “solution” for economic and/or business cycle problems (W. Cup \leq 0.1% growth in 2006)!

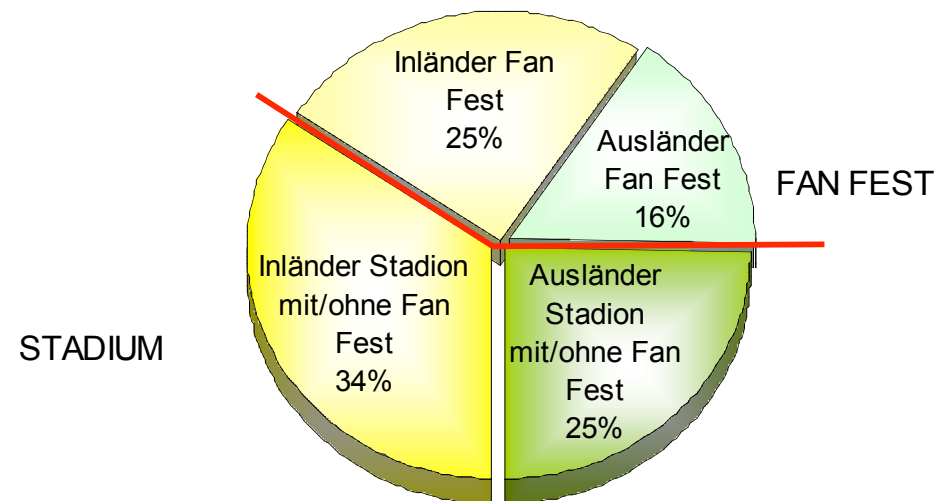
Implications & Applications

ex post survey study on the FIFA World Cup 2006

Interviewer: 15 trained persons, each of them at least at 8 matches
+ 4 Students writing their master thesis

N= 9,456

- 59.4% living in Germany (yellow)
- 40.6% outside Germany (green)
- 40.9% Fan Fests (FF)/
Public Viewing (light)
- 59.1% Stadium (& FF) (dark)



Time: Match one to Semi-Final

Sampling: randomized multistage cluster sampling

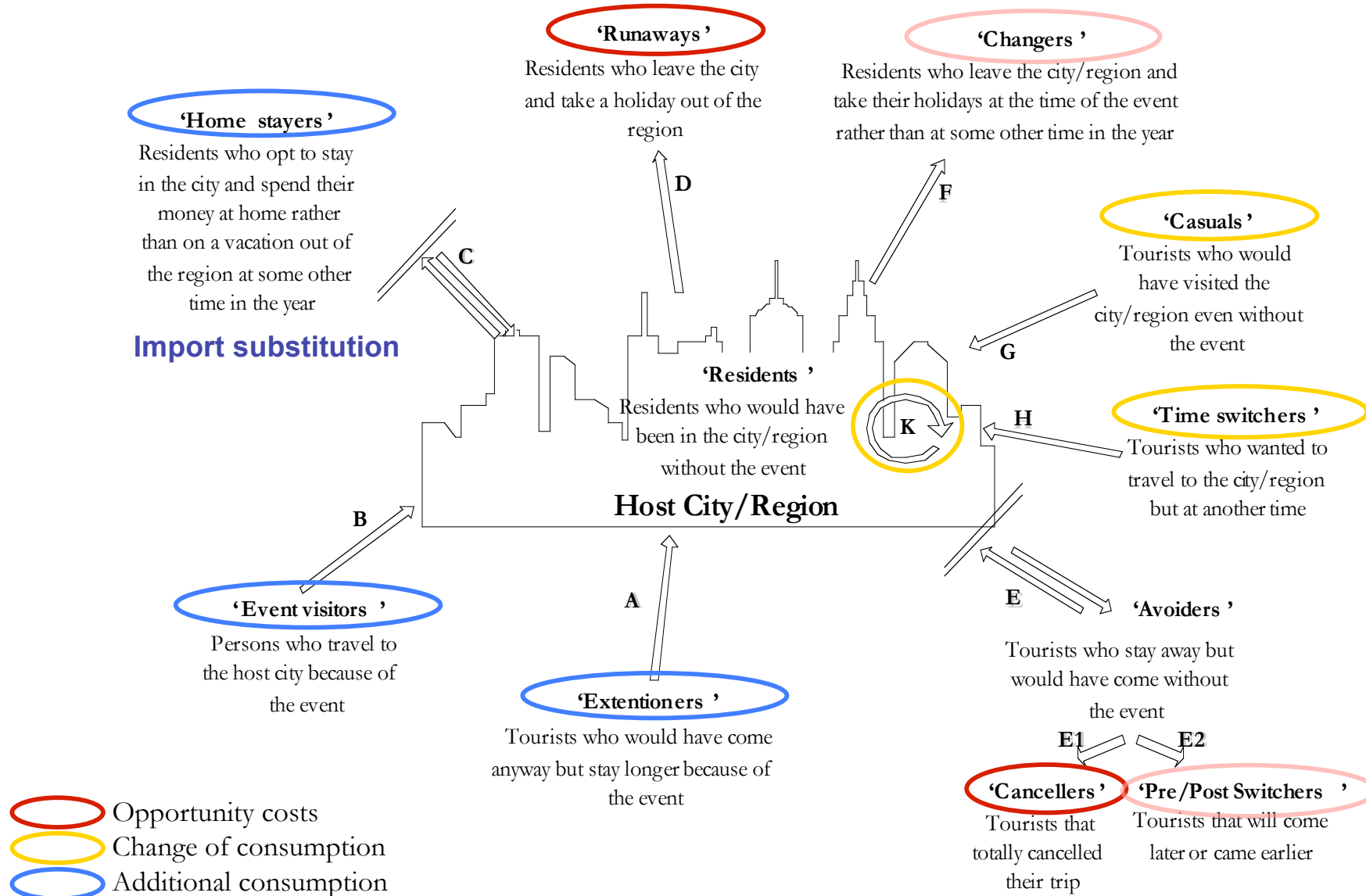
Questionnaire: 18 questions (approx. 150 variables) avail. in 5 languages

Pre-Test: Confederations Cup Frankfurt 2005 (n=2,422)

City	Match	Public Viewing	Stadium
Berlin	Match 48: Ukraine – Tunisia	97	389
Dortmund	Match 17: Germany – Poland	11	180
	Match 55: Brazil – Ghana	25	188
	Match 61: Germany – Italy	20	201
Frankfurt/ Main	Match 3: England – Paraguay	59	385
	Match 14: South Korea – Togo	320	275
	Match 24: Portugal - Iran	8	44
	Match 37: Nederland – Argentina	123	170
	Match 60: Brazil – France	25	102
Gelsenkirchen	Match 59: England – Portugal	160	282
Hamburg	25 of 64 possible Matches*	613	-
Hanover	-	-	-
Kaiserslautern	Match 12: Australia – Japan	102	375
	Match 53: Italy – Australia	133	422
Cologne	Match 26: Czech Rep. – Ghana	219	285
	Match 35: Sweden – England	13	79
Leipzig	Match 50: Argentina – Mexico	53	-
Munich	Match 1: Germany – Costa Rica	74	242
	Match 62: Portugal – France	950	-
Nuremberg	Match 19: England – Trinidad Tobago	396	298
Stuttgart	Match 13: France – Switzerland	231	344
Internet	Several Matches ex-post	-	161
Different places	Different Special Surveys	461	689
Total		4,093	5,111
		N=9,456	

Measurement Problems at Events

behavior/types of (foreign) tourists and residents



Distribution of Visitor Types

ex post survey study on the FIFA World Cup 2006

Type of visitor		Stadium		Public Viewing		Sig.
		Freq.	in %	Freq.	in %	
Living in Germany	German Residents	1669	38.3	1518	45.4	Chi ² = 112,7 Sig = 0.00**
	Home stayers	291	6.7	187	5.6	
	Time switcher	407	9.3	229	6.8	
Living outside Germany	Event visitors	862	19.8	485	14.5	
	Casuals	360	8.3	419	12.5	
	Extentioners	298	6.8	213	6.4	
	Time switcher	468	10.7	295	8.8	
Total		4,355	100.0	3,346	100.0	

= 33.3% of stadium visitors

= 26.5% of PV visitors

Average Consumption per Day

ex post survey study on the FIFA World Cup 2006

	Public Viewing		Stadium	
	Day tourist	Over night	Day tourist	Over night
Residence in Germany	81.8	143.7	186.8	250.2
German "Home stayer"	87.8	134.8	229.3*	230.8
Europe "normal" or "low income per capita"	89.2	151.8	166.5	280.1
Europe "high income per capita"	149.6	239.1	215.7	374.8
Non-European	-	241.5	-	396.1
Weighted mean**	89.0	168.9	157.4	290.5

Day Tourists: MUC = 43.00 | HH 40.40 | Cologne 37.20 | Berlin 33.80

Average non-event tourist to Frankfurt 2006	31.1	174.0	31.1	174.0
Difference	57.9	-5.1	126.3	116.5

Primary Impact of World Cup Visitors

ex post survey study on the FIFA World Cup 2006

Non-German Stadium Visitors
1.47 billion Euros

Non-German Public Viewing Visitors
1.09 billion Euros

Home Stayers
0.3 billion Euros

= 3.2 billion in 2006 = 0.13% GDP

Calculation through INFORGE Germany (by Ahlert, GWS Osnabrück)

*Neither does this consider effects in 2007 & 2008
nor tourism diversions (runaways & avoiders)!*

Crowding-out effects ?

preliminary evidence on the FIFA World Cup 2006

Visitor nights 2006 (change to 2005 in per cent)

Berlin:	-2.6%	1,252,231
Dortmund:	+45.3%	79,142
Frankfurt:	+25.9%	501,585
Hamburg:	+12.9%	606,064
Cologne:	+21.6%	403,643
Munich:	-6.8%	728,646
Nuremberg:	+18.4%	210,843
Stuttgart:	+12.8%	225,131

Source: Statistische Landesämter 2006

Conclusion

- There ARE economic benefits – though not huge ones
- Efficient event management is imperative!
- Planning beyond a SINGLE event!
- Attracting non-ticket holders important !
(fan celebrations / public viewings etc.)
- But:
 - measurement remains problematic
 - rising competition & investments on major sport events
- further research:
 - refining measurement models & event signaling
 - surveys, surveys, surveys... on a diversity of events

5th World Communication Conference “Play the Game”
Creating Coalitions for Good Governance in Sport
Reykjavik, Iceland, October 29 – November 2, 2007

Oct 29, Plenary Session **Mega-Events: Frontrunners for Sports Globalisation?**

Economic benefits: Fact or fiction?

***Pros vs. Cons &
Evidence on the FIFA World Cup 2006***

Markus Kurscheidt

Senior Lecturer | PhD Economics
Dept. of Sport Management
School of Sport Science
Ruhr-University Bochum (GER)

