

Lesson 3.5 – Economic Impact



Impact of sports and entertainment on economy

Sports, entertainment and events inevitably make an impact on the host city's economy



Economic Impact

Economic impact can be defined as the net change in an economy resulting from sport or entertainment event related activity

Economic Impact

This change is caused by either the activities involved in the development of new facilities and/or the revenue generated from visitor and public spending, employment opportunities and taxes



Economic Impact

Direct effects:

The purchases needed to meet the increased demand of visitors for goods and services

Indirect effects:

The ripple effect of additional rounds of re-circulating the initial spectators' dollars

Economic Impact

Chicago's economy experienced a boost of over \$80 million from hosting last year's NFL Draft. Fox Business reported over 200,000 people attended and 2,800 jobs were created because of the event. The 2017 NFL Draft was hosted in Philadelphia and city officials predicted the event would bring an \$86 million boost to the economy



Economic Impact

According to a report from UK Music, a London-based group that includes songwriters, managers and record companies, tourists visiting U.K. music festivals and concerts contribute at least \$1.4 billion a year to the local economy.



Economic Impact

Reuters reported that the 400,000 fans projected to head to Indianapolis for the 2016 Indy 500, along with 33,000 hotels rooms booked at rates 20% higher than normal, would provide a \$336 million boost to the local economy.



Economic Impact

While the city of San Francisco incurred costs of \$4-\$5 million associated with hosting the Super Bowl in 2016, the San Francisco Examiner reported the additional jobs that were created as a result and economic activity from visitors would result in an estimated \$350 million economic impact.



Economic Impact



Each year, their respective Jazz Festivals stir significant economic increases in Montreal (approximately \$125 million where it employs 2,500 people during its 10-day run and attracts more than 1-million people, roughly a third of them from outside of the metropolitan area every year) and New Orleans (\$300 million annually).

In some areas, the sports/entertainment industry as a whole can have a positive impact on local communities.

Economic Impact

According to venues today.com, Daytona International Speedway's recent \$400 million renovation (which they coined DAYTONA Rising) helped create 6,300 jobs, \$300 million in labor income and \$85 million in tax revenue.



Economic Impact

A Florida Golf Economy Report suggested the golf's direct effect on Florida's economy is approximately \$7.5 billion and that the golf industry as a whole generates a total economic impact of \$13.8 billion state-wide.



Economic Impact

According to Colorado Ski Country, skiing and snowboarding have a \$3 billion annual economic impact in the state of Colorado, despite the fact that state tourism officials report that overnight ski visits have dropped in the state every year since 2008.



Economic Impact

According to a Reuters report, the equine (basically everything relating to horses from feed, equipment, publications, veterinary care, racing and advertising) industry has a \$4 billion impact in Kentucky, which helps create over 55,000 jobs for state residents



Economic Impact



A study conducted by the Nashville Area Chamber of Commerce shows that the music industry has an annual economic impact of nearly \$9.7 billion on the Nashville region, suggesting that the 27,000 jobs directly supported by the music industry and the additional 29,000 jobs with indirect ties to it account for more than \$3.2 billion in income.

Economic Impact

Hollywood film production can also provide an economic boost to local communities

The crew hired to work on the set of The Avengers created jobs for 2,000 people in Cleveland (a typical movie crew is about 100 to 150 people) and employed more than 3,870 state-wide while production was estimated to have generated \$25 million in spending.



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Economic Impact

According to wjcl.com, Georgia is one of the fastest-growing entertainment production centers in the world and the feature film and television industry generated an economic impact of more than \$6 billion in 2015.

The production of the 2015 film “Ant-Man” made a major economic impact in Georgia during filming (October-December) by employing 3,579 Georgians, spending more than \$106 million in the state and booking 22,413 hotel rooms.



Economic Impact



The Oregonian reported that popular television show, "Grimm", directly spent \$300 million in Oregon over its six-year run and was responsible for creating more than 300 jobs every year

Economic Impact

According to the [Fantasy Sports Ad Network](#), the fantasy sports industry has a total market impact of \$4.48 billion dollars as consumers spend \$800 million directly on fantasy sports products, but also use an additional \$3 billion worth of media products related to the hobby (such as DirecTV's NFL Sunday Ticket and XM Radio's coverage of all MLB baseball games).

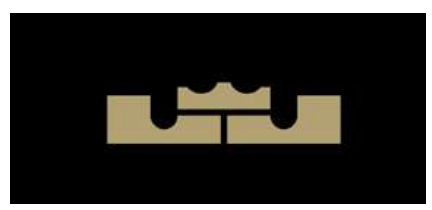


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Economic Impact

In rare instances, superstar athletes can provide an economic engine on their own

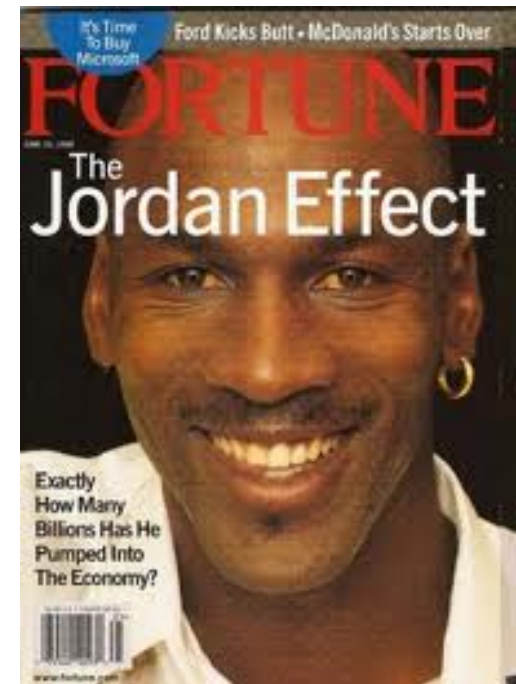


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Economic Impact

At the height of his popularity during his playing days, Fortune magazine suggested in a story titled, "The Jordan Effect," estimated that NBA superstar Michael Jordan was responsible for having an economic impact of at least \$10 billion (an entire book, titled Michael Jordan and the New Global Capitalism, was later published discussing Jordan's impact on global economy).



Economic Impact

“The Tiger Effect”

Tiger Woods sat out the 2014 Masters golf tournament due to a back injury, one of the primary factors that the final round of the tournament had the worst television rating in ten years.



Click [here](#) to read a nbc sports.com story on the “Tiger Effect”

Economic Impact

“The Tiger Effect”

In 2015, despite the fact that Tiger was not ranked as one of the top 100 golfers in the world, his presence at the Masters led to a 26 percent boost in viewership for the final round coverage on CBS.



Economic Impact



“The Tiger Effect”

In 2017, Tiger had become largely irrelevant in terms of performance but his name was still expected to provide events like the Honda Classic with an added layer of excitement

A local news outlet (WPTV) published a story surrounding the Honda Classic with the headline “‘The Tiger Effect’: Woods’ entry into The Honda Classic could bring record crowds, big business”

Both event organizers and local businesses were anticipating a boost in business until Woods had to pull out of the event with an injury

Economic Impact

According to Time Magazine, a professor of finance at the Boler School of Business at John Carroll University in suburban Cleveland suggested that LeBron James' return to the Cavaliers could have a \$500 million impact on the local economy.



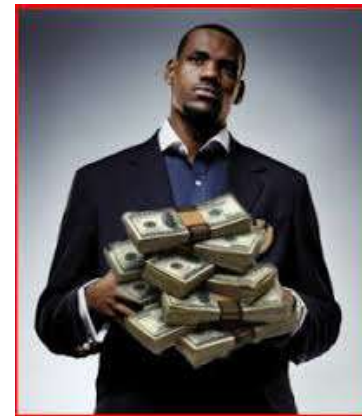
Click [here](#) to see the breakdown on how that figure was determined

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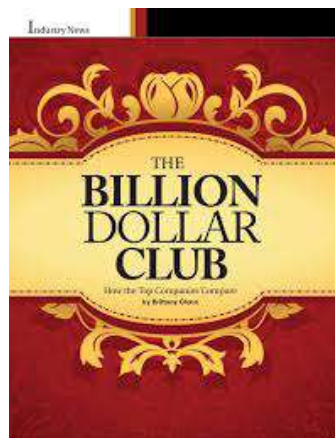
Economic Impact

According to a study from the Cleveland Plain Dealer, (who worked with economists), LeBron played a key role in \$200 million in annual downtown spending -- \$48 million during the regular season, and \$150 million in regional spending for a deep playoff run, in his last stint with the Cavaliers in 2010, saying "He's more than a sports superstar. He's a one-man economic engine that drives the lane, fills the bars and puts Cleveland on national TV."



Economic Impact

Upon news of James' return to Cleveland, the franchise nearly doubled in value and became one of just five NBA teams to be valued at \$1 billion or more (joining the Knicks, Lakers, Clippers and Bulls).



Economic Impact

According to a study by Convention Sports & Leisure (CSL), the Cavaliers' 2015 playoff run alone (not counting the regular season) generated an estimated \$3.6 million per game for the Cleveland economy.



Click [here](#) for a cncb.com story discussing the “LeBron Effect”

Economic Impact

To further illustrate the impact on the economy sport can have, consider the potential implications to local businesses had the 2012-13 NHL lockout not been resolved.

The city of Buffalo Niagara's tourism bureau estimated local hotels that play host to visiting NHL teams would have lost between \$850,000 and \$1 million had the lockout carried on for the entire season. Douglas Hartmayer, spokesman for the Niagara Frontier Transportations Authority, says up to 1,700 riders use Metro Rail to attend each Sabres home game.

Economic Impact Study

To measure economic impact, an economic impact study is often conducted

These studies attempt to determine the financial implications an event has on a particular market or region

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In addition to fiscal impact, studies will often note the increase in community visibility and enhancement of overall community image as additional benefits to hosting large events in a particular region or area.

A study may be conducted **prior** to a city placing a bid to host an event (or building a new facility) as a vehicle for persuading local officials or the community at-large that bringing the event to the area will be a positive thing for the local economy.

Economic Impact

Organizers of Tokyo's bid to host the 2020 Olympics suggest the event would generate economic activity worth \$37.9 billion (including a \$21.1 billion economic benefit for the Tokyo metropolitan area and \$16.3 billion for the rest of the national economy) while creating more than 152,000 jobs for Japanese residents.



Economic Impact

Louisville Mayor, Greg Fischer, recently commissioned an economic study in hopes of attracting a Major League Soccer franchise to the city.



Economic Impact Study

Studies may also be conducted after the event takes place to measure the overall impact the event had on the local economy



Economic Impact



A study conducted after the 2016 Coachella music festival found the event drew just under 600,000 attendees and generated \$704 million for the local economy near Indio, California.

Economic Impact

According to reviewjournal.com, Las Vegas Events, the organization responsible for marketing and promoting events in Las Vegas, said the NBA summer league games last year impacted the local economy by \$12 million.



Economic Impact



According to gnosports.com, a study by the University of New Orleans' Hospitality Research Center suggested the economic impact of the 2014 NBA All-Star Game on the city of New Orleans was \$106.1 million. A total of \$60.4 million came in direct spending, with another \$45.7 million in secondary spending (the results of the study indicate the event exceeded original economic impact estimates of \$89.6 million).

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Economic Impact

A study conducted by Ernst and Young found that the NFL's 2016 Raiders-Texans game in Mexico City was responsible for generating \$45 million in gross revenues for the city

More than 20,000 fans traveled from other cities in Mexico to watch the game

More than 10,000 fans traveled internationally, spending an average of five days in Mexico City



Sports Corporations

Sports corporations typically operate as not-for-profit organizations.

A sports corporation's (also referred to as "sports authority", "sports foundation" or "sports commission") primary objective is to attract events to the communities they represent.

Sports Corporations

The Greater New Orleans Sports Foundation is responsible for bringing Super Bowl XLVII, the NCAA Basketball Final Four (men's and women's), the 2017 NBA All-Star Game and Wrestlemania to the city of New Orleans

According to the organization's website, the GNOSF has turned a \$25 Million investment, from public and private sources, into a \$1 Billion Economic impact



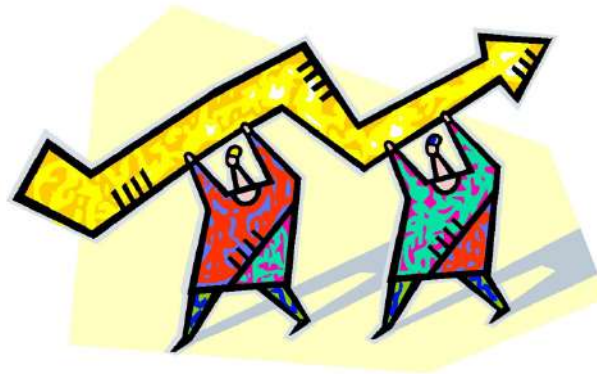
Sports Corporations

According to Scott Ratcliff, executive director of the Mississippi Gulf Coast Sports Commission: “The Sports Commission was formed to provide information and support to the public and the private sectors on the importance of sports and to begin the process of establishing the Mississippi Gulf Coast as a major sports destination.”

In an economic impact study conducted by the commission in conjunction with the University of Southern Mississippi (officially called the 2011 Economic Impact Study of the Mississippi Adult Tennis Championship), touted as Mississippi’s largest tennis event, the event showed an increase of more than \$500,000 in additional consumer spending compared to the same event held in 2010.

Sports Corporations

Sports corporations can sometimes be the driving force behind economic impact studies



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Economic Impact



According to Naples News, the Florida Sports Foundation commissioned a study in to learn exactly what the Boston Red Sox and Minnesota Twins presence meant to the local economy during their stay in the area throughout spring training. Specifically, they wanted to learn who comes from where to see games, how many games they watch while in town, whether they come solely for spring training baseball and how much they were spending. That information would then be used to help determine whether to spend \$75 million to build a new spring training facility.

LESSON 3.5

Sports Corporations

While most economic impact studies typically report significant financial gains for local economies, often times critics can be outspoken about the validity of such studies, even suggesting that hosting a major event can actually be more of a burden than a boon.



Impact of economy on sports and entertainment

Sports and entertainment are not recession proof

According to Brett Yormark, chief executive of the NBA's New Jersey Nets: "We're not just competing for people's entertainment dollars anymore, We're going up against milk and orange juice"



Economic Impact

As a result of a \$1 million decline in revenues thanks in large part to sponsors pulling funding as the economy tanked, the Iditarod Trail Sled Dog Race in Alaska was forced to significantly slash the prize purse provided to race winners as well as cut employee salaries and benefits. Said Stan Hooley, Executive Director for the Iditarod Race: "This event, not unlike a lot of other sporting events — and any other ventures, really — isn't immune to what's happening with this country's economy."



Economic Impact

Attendance for the 2009 Preakness Stakes was just under 78,000, the 2008 Preakness was attended by more than 112,000 fans representing a 30% decrease in just one year.

The event also suffered a 10% decline in corporate sponsorships while the number of corporate tents in the infield dropped from 45 in 2001 to about 30 for 2009.



Economic Impact

As the economy began to show signs of life, attendance at the 2010 Stakes rebounded, showing a 10% increase over the previous year, and the 2014 race drew a record crowd of 123,469

A new attendance record was set in 2017 when the 142nd Preakness Stakes drew 140,327 fans



Economic Impact

In 2010, the Minnesota Timberwolves cited the struggling economy as the primary factor in the decision to lower ticket prices. Said Glen Taylor, owner of the NBA franchise, ""The economy right now is uncertain and we've listened to our fans' concerns and responded by providing reduced ticket pricing, new payment plan options and protection against job loss - all of which are important to Minnesotans right now. I don't want these uncertain times to deter our fans from coming out to Target Center and enjoying NBA basketball."



Economic Impact

According to a Bloomberg.com report, golf in the U.S. was growing for the first time in five years as the economy strengthens, illustrated by the steady increase in the number of rounds played on American golf courses in 2012.



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The Wichita County Mounted Patrol in Texas gave up on the Red River Rodeo when it couldn't raise enough sponsorship funding, ending a tradition that lasted 52 years. The rodeo typically cost organizers from \$60,000 to \$70,000 to host.

Economic Impact

The concert business struggled in 2010, and analysts point to the tough economic times as the reason for slower sales. The top 50 North American tours in 2010 combined for an overall take of \$1.69 billion, down about 15 percent from \$1.99 billion in 2009.

After three years of steady growth beginning in the second half of 2010, sales dropped 15.5 percent from 2013 to 2014, thanks in large part to a 43 percent increase in the average ticket price from three years ago.

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However, according to the [Wall Street Journal](#), the North American concert industry set a new ticket sales record in the first half of 2016, selling 18.8 million tickets (an increase of nearly 23% from 2014).



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LESSON 3.5 REVIEW (ANSWERS)

1) Understand the concept of economic impact

Economic impact can be defined as the net change in an economy resulting from sport or entertainment event related activity.

This change is caused by either the activities involved in the development of new facilities and/or the revenue generated from visitor and public spending, employment opportunities and taxes.