

**CRITICAL ANALYSES OF
EUROPEAN ECONOMIC IMPACT STUDIES
IN SPORT**

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(Praxis XXI: BD 21736/99)

**Paper presented at the 8th Congress of the
European Association for Sport Management (EASM)
September 6-10, 2000
Dipartimento di Economia e Tecnologia
Università degli Studi della Repubblica di San Marino
Republic of San Marino**

ABSTRACT

In this paper the most important European economic impact studies in sport of the past 20 years are shortly presented and analysed. Their methodologies are questioned and discussed. The paper is meant to be a historical exploration to prepare sport economic field research regarding the success of my PhD thesis “The Sport Consumption in Portugal – The Economic Demand of Sport Merchandise and Sport Services” at the German Sports University Cologne, which is at the same time a research project of the Minho University in Portugal (NIPE).

At the end, own strategic statements and recommendations on the methodology of sport consumption studies are made.

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1. Introduction

The European studies in sport economy on the consumption and the production of sport goods and sport services have its roots in the beginning of the 80's in Great Britain. The continuous development of sport into an important economic factor in the national economies, gave the basic stimulation for several governments to order studies of scientific inquiry in the research field of Sport Economy.

Kesénne speaks from a distinction between two types of economic impact studies: the macroeconomic impact studies and the (classical) cost-benefit analysis. The first tries to figure out how important the sport sector in general is as part of the national or regional economy. This one only presents a purely static picture of the actual share of the sports sector in the economy in terms of expenditures, production and income, employment and tax receipts. The second, the socio-economic evaluation of public investment projects, is primarily meant to find out if the realisation of a specific project can be justified from an (socio-)economic point of view (see Kesénne 1997).

But one think has to be clear from the very beginning, the positive impact and added value of sport on society comes not only through its impact on the economy, but mainly from practising sports. Therefore, for example, governmental sport subsidies still should rather get validation by the external effects of sports on health, productivity and social integration (compare with Kesénne 1997).

2. Economic Impact Studies in the 80's

In 1986 the British Sports Council published the well-known research study "The Economic Impact & Importance of Sport in the UK". The Henley Centre for Forecasting carried through this research and its methodology would decisively have to influence the development of European studies in sport economy during the decade that was to follow (see Henley Centre for Forecasting 1986).

As you would expect, it was a British citizen, Huw G. Jones, who had the chance to work for the CDDS – Committee for the Development of Sport of the Council of Europe – in the European version of the related study in Britain (see Jones 1989).

Already at this moment the first methodological inconveniences were detected. The European work is based on secondary analyses of existing data [1]. These data existed in fact for the Henley study to the level of Great Britain. But, to the European level, the data on the economy of sport existing in the different countries were sufficiently different.

Moreover, the research groups in the different had some considerable research autonomy [2]. This fact brought into the aggregated central study results, whose joint evaluation was very difficult and alone in very rare cases they allowed to one direct matching.

For example in Portugal, the National Statistics Department had (and has) no idea about the right figures concerning sport participation. They only have information about the soccer association's practitioners ...

For example in Germany this is different. The DSB –Deutscher Sportbund – is the major responsible structure for non-profit sport organisations, so here we can find more disaggregated numbers.

In this European (socio-)economic impact studies, we can see clearly the cultural capital of the unified Europe: its multiplicity.

3. Economic Impact Studies in the 90's

Under the guidance of Vladimir Andreff, Professor of Economy at the University of Paris, a second study on the economic importance of sport in Europe was carried through. Professor Andreff tried a different methodological approach. All the participant European countries received the same instruments on the data collection and, in those cases where primary studies had to be carried through; they would have to follow one same scientific methodological procedure. It was a big step forward (see Andreff 1994)!

But, Portugal is not France and Germany also is not Great Britain. Each country of the European Union has its cultural and historical particularities [3]. From this point of view, one national reality is only possible to be portrayed by a panel of national experts, using instruments, inquiries that sustain each country's specific features.

4. Economic Impact Studies in Germany

This was the reason why the Federal Institute for Sport Science - Bundesinstitut für Sportwissenschaft - and the federal government of the Northern Rhine Westphalia State requested an economic impact study to Wolfgang Weber, Professor at the University of Paderborn. The final results were published 1995.

Professor Weber committed a breach with all the former scientific approaches. In a microscopic and exhausting empirical inquiry he and his team raised, during more than 3 years, the offer (supply) and the demand (seek) of sport goods and sport services in Germany. At the end they counterbalanced the values gotten of both the sides [A]. This was the first time German households' sport expenditures were raised in a representative and systematic mode (see Weber et al. 1995).

Once more we've got the economic proof that active sport consumption of leisure sports deals with a much more money in national economies, than

professional sports, as many still think to know.

The Weber study allowed two scientists from the Institute for Empirical Economic Inquiry - Institut für Empirische Wirtschaftsforschung - of the University of Osnabrück to develop more macro-economic results. The decision-makers in sport, politics and economy need more than a detailed description of the state-of-the-art in national sport economy, like it is provided by the Weber study. They need to have a kind of "forecasting system" of the future economic effects of current sport investment policies regarding national economy, general wellness and the development of other positive or negative externalities.

Professor Meyer and his research assistant Ahlert, at Osnabrück, developed a disaggregated econometrical model that allowed them to anticipate f. ex. (i) the economic effects of the Soccer World Championship 2006 in Germany or (ii) the economic effects of the substitution of non-related population sport expenditures through related sport expenditures or (iii) economic effects on alternative models of financing German sport facilities and sport subsidies or (iv) the negative economic effects of the substitution of active sport consumption into more and more passive sport consumption (see Meyer/Ahlert 1999).

5. Economic Impact Studies in Portugal

In Portugal, the macro-economic studies remained an absolute rarity.

In the year 1990 Tenreiro et al. published the first study concerning Portuguese sport economy, basically following the methodology of the Jones study. Tenreiro also tried to evaluate the sport expenditures of Portuguese households asking experts to estimate them and collecting available statistical data (see Tenreiro et al. 1990).

In 1998, the Executive Commission EURO 2004 and the Portuguese Government requested to the company consulting firm BDO Binder & Co a cost-benefit analysis of the organization of the European Soccer Championship of Soccer of the year of 2004 in

Portugal (see BDO Binder & Co 1998).

In 1999, the so called ‘XXIst Century Sports Commission’, under the guidance of Professor Adriano Pimpão, Algarve University, inventoried during four months the necessities of sport facilities, having for base (i) the data from the existing sport facilities Charta, (ii) asking the sport federations about their needs and (iii) regarding the European sport facilities indicators. At the end some recommendations about the necessary facilities were made, basically major sport facilities, having regional or national importance.

With these recommendations the Portuguese Government started a program called PRODED - Sport Facilities Development Program. In this program public investments in sport facilities were determined for a period of 10 years. This political strategy gets advantage of the 3rd European Structural Funds, planed for the years 2000 until 2006, with a budget of 650 Mio Euro (Público, 15.7.99).

6 Conclusions

6.1 The first and most obvious conclusion has to do with the urgency of an inquiry to Portuguese individuals and households regarding their monthly or annual sport budget. This procedure will allow us to measure the share of the private individual and household sport demand sector in the Portuguese economy and avoid future double-counting errors in calculating final expenditures of sports industry. The results will help right policy decision-making.

6.2 At the same time, sport expenditure should be disaggregated enough to permit the analysis and the explanation of the composition of the sport budget. The following categories should be available for data exploration and defining at the same time sport expenditure: **sport clothes, sport shoes, sport devices** (articles/apparatuses), **sport machines, sport immovable** (property for private use only), **sport therapies, sport nutrition** (related to sports practice), **special sport nutrition** (vitamins, proteins, etc.), **sport insurance, sport gambling, sport shares, sport transportation** (to practice;

with overnights until 2 days/weekend), **sport vacations** (mainly for sport practice; total amount; more than 3 days), **sport contributions to NPOs** (non-profit organisations), **sport gave/endowments** (mainly to NGOs), **sport contributions to FPOs** (for-profit organisations), **personal training**, **personal sport development** (basic training, advanced training, licence, etc.), **gate money** (to live sport events), **transportation** (to live sport attendance, incl. overnights and food), **sport literature** (books and magazines), **sport information** (newspapers, internet, video, etc.) and **sport channels** (cable TV, pay TV, equipment, etc.).

6.3 Sport consumption may be passive or active. Active sport consumption is directly related to sports practice. Passive sport consumption is related to: (i) live attendance, (ii) media audience or (iii) life-style.

In the third case, we speak about passive sport consumption through the living of a sport-life-style culture. A specific consumers target group without any sports practice habits, group that usually does not attend to live sport spectacles or assists to sports through media, but is very keen on f.ex. branded sportswear. These people cultivate a specific sports image. They identify themselves with a personal sport-life-style and create a subculture with its own specific image. We find this subculture in every age level and connected to every social class.

Regarding the above-mentioned definition of sport consumption, it would be from major importance to try to find out what are the economic figures behind each kind of these consumption types!

6.4 Since Becker 1982 we know that the allocation of „time“ is related to high economic opportunity costs, therefore it might also be bought/substituted with money. Using time to a specific task means that the best possible alternative and its outputs are being abandoned. This is the real cost to taken into account. Time confines human performance as well as the possible economic utility humans can get from the consumption of goods. Do ‘time’ and ‘money’ always substitute each other in sport consumption? What is the necessary minimum of money and time so there is sport

consumption? What is the sport demand function for time (re)allocation in sport?

6.5 All the (socio-)economic studies presented in this paper have one aspect in common: they are the result of one-time data collection or secondary analysis of one-time data collection. In my opinion this approach does not suite economic impact of sport studies or cost-benefit analysis of sport. Sports are exposed to a high seasonal bias. At least two measurements must be carried through: one after winter season and one after summer season. As people are exposed to the normal recall difficulties, they tend to remember activities, in our case sport expenses, that are more or less recent. An inquiry being conducted after wintertime, likely could raise artificially the amount of related annual individual or household sport budget. In my opinion this should be considered in each economic impact of sport study or cost-benefit analysis of sport.

6.6 Sport must be submitted to a strict definition. It is necessary that a clear distinction between the sports sector and other related sectors like entertainment, recreation or tourism is made. As definitions of sport are different from research team to research team, it is reasonable to define sports in a wider way, so SPSS-analysis easily may adapt for comparison between studies and countries. In the Portuguese case there is no representative study that gives a top-10 or top-20 sports list. Therefore, this will be also an additional task of done by the project “The Sport Consumption in Portugal”.

6.7 Future miscalculation and misinterpretation in economic impact analysis has to be prevented by being aware that if the sports sector would no longer exist, people would spend their money anyway. In a modern economy there is no shortage in the supply of goods and services on the market. This does not mean that any additional supply cannot create its own demand; the income that is created by starting any new business can indeed induce some extra demand. It only means that people will reallocate their income if one of the options to spend their money is no longer there (in Kesenne 1997).

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