



Cost–benefit analysis of sport events: The case of World Paddle Tour



Héctor V. Jiménez-Naranjo*, José Luis Coca-Pérez, Milagros Gutiérrez-Fernández, Mari Cruz Sánchez-Escobedo

Universidad de Extremadura, Facultad de Estudios Empresariales y Turismo, Avda. de la Universidad, s/n, 10071 Cáceres, Spain

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ABSTRACT

Nowadays tourism is one of the most important sectors of our country, and no one has any doubt about importance of sport for the economy. Both concepts create “sports tourism”, and “sporting events” are its greatest exponent that is having special importance both at academic and at the economic and social levels. Taking into account the above, this research aims to analyze socioeconomic impact of the paddle tournament “Caceres International Open 2013”. The CBA methodology will be used; its main objective is to calculate a benefit/cost ratio analyzing the contribution made by two groups of respondents (attendees and participants). Among final conclusions of this study we establish different groups of stakeholders, and this methodology can be applied to these groups to value the impact of sporting events. It has also been found out that the contribution made by public institutions has economic effects in other sectors of the city; so sporting events can be considered a complement of the tourism sector.

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1. Introduction

Celebration of any event in a city requires its organizers to use several resources. The analysis of the type of event will determine if all necessary resources or just some of them have been contributed by public or private sector, or by both of them. The intervention of public administration in an event through the provision of resources is a result of several decisions of political and administrative authorities, and it is a demonstration of the fact that promotion of social events is above purely profit objectives.

However, the involvement of government in these events is not limited to the promotion of an activity taking place, but it also has different consequences for the area. These consequences or results are difficult to quantify, since in many cases there are no data for their analysis, or they may even be intangible elements, as, for example, the environment.

Moreover, we cannot forget that promotion of sport by the authorities follows the Constitutional requirement. Thus, the synopsis provided by the Parliamentary Counsel Pedro Peña in 2004 and updated by the Parliamentary Counsel Sara Sieira in 2011 in relation to the third paragraph of the Article 43 of the Spanish Constitution says: “guiding principle established for social and economic policy and falling to the public authorities is promotion of

health education, physical education and sports, as well as the obligation to encourage the proper use of leisure time”. This way the Spanish Constitution, as well as other modern Constitutions, such as the one of Portugal, highlights the importance of sport. According to the Parliamentary Counsels, the Autonomous Communities have reacted to the constitutional mandate of sport promotion, taking into account that the majority of the Autonomous Communities already has regulatory standards for sport.

As a result, sports events have an appropriate justification by the government in our society, combining sports promotion with leisure facilities for citizens. The type of events offered by the government are a result of decisions of the authorities in accordance to the perceived demand in society, taking into account budget constraints that affect them.

In addition, sports tourism through sports events can be considered an alternative way to complement the seasonality of tourism in a city. It is necessary to analyze such events in areas where they are organized with the aim to use these data for the decision-making and for the generations of the highest revenue. Promoting activities related to sports tourism can provide a number of resources to the tourism sector in areas where it is necessary to change the seasonality and to enhance the sustainability of the sector.

It should also be noted that when public funds are used, some studies quantifying economic gains related to the project more broadly should be commissioned (Howard & Crompton, 2005); in a way that, as Sánchez and Barajas (2012), studies of the economic

* Corresponding author.

E-mail address: hectorjimenez@unex.es (H.V. Jiménez-Naranjo).

impact let decide if an investment will produce returns to the area where it is made and to its inhabitants, as the decision to promote such investment may influence on generation of economic activity and job creation.

Considering the above, this research aims to carry out an analysis of socioeconomic impact of the paddle tournament “Caceres International Open 2013”, sports event held in Caceres city from the 20th till the 26th May 2013. To this end, having reviewed different possible techniques, the CBA methodology was applied; its main objective is to obtain a benefit/cost ratio. However, it is not enough to know the amount of the expense or benefit generated by the event, but it is also of great interest to know who has contributed to it and to find out its extent. Thus, it is essential to carry out a thorough analysis of respondents (attendees and participants) in order to deepen the research findings. Also, the study of these surveys will identify the external effects generated by the championship: respondents’ satisfaction, improvement of the image of the municipality, or appreciation of the economic and social effects, among other things.

The paper has four sections, besides this introduction. A brief summary of the research on sports tourism is made in Section 2. The existing techniques are studied in Section 3, and the methodology used in this work is justified. In Section 4 we carry out an empirical study and analyze its results. In the last section final conclusions of the study are described, as well as some limitations and future research.

2. Theoretical framework: sports tourism

Nowadays tourism is one of the most important sectors of our country, and nobody has any doubt about its importance for the economy. In view of the above, and according to [Latiesa and Paniza \(2006: 133\)](#) who claim that “interconnection between tourism and sport is evident in advanced societies”, we consider essential to understand the connection between tourism and sport that’s why we have carried out a literature review that allows us to deepen into the concept of “Sports Tourism”. In this research we have found out that “sport” and “tourism” are two complementary activities. Sports events generate tourism, and tourists do different activities including sports practices while enjoying their leisure time.

The relationship between tourism and sport was demonstrated for the first time in [Anthony’s research \(1966\)](#); from that moment studies on tourism and sports began to be carried out ([Armstrong, 1985](#); [Baker & Gordon, 1976](#); [McDowell, Leslie, & Callicot, 1988](#); [Williams & Zelinsky, 1970](#)). However, any research on so called “sports tourism” had not been carried out until the 1990s with the study of [De Knop \(1990\)](#). During that decade many authors provided definitions of “sports tourism”; we can highlight among them some contributions by [Hall \(1992\)](#), [Gammon and Robinson \(1997\)](#) or [Standeven and De Knop \(1999\)](#).

Besides the above works, there were many authors who did literature reviews regarding this topic; we can mention those by [Delpy \(1998\)](#), [Keller \(2001\)](#), [Gibson \(2003\)](#) and [Weed \(2006, 2009\)](#).

The data we can find in the annual statistical directory published in 2013 and 2014 show that the trips of Spanish residents made basically on the occasion of some sport reason increased more than 60% from 2007 to 2012, being 1534.4 (thousand of trips) and becoming 2573.2 (thousand of trips); it caused an increase of 39.7% of the total spending caused by this kind of tourism that means 384.1 millions Euros spent in 2007 and 536.6 millions Euros spent in 2012. These data demonstrate the importance of this economic sector of Spain, showing that the sport one is one of the segments of the tourist sector that grows very quickly.

We should include a concept of “sports events” into sports tourism, because nowadays it has special importance and

promotion, being considered one of the most important components of sports tourism, and perhaps the most significant one in terms of number of tourists and its economic impact ([Deery, Jago, & Fredline, 2004](#); [Getz, 2003](#)). While the biggest sports events have been deeply analyzed in relation to their impact on the cities where they are held, we cannot forget the importance of smaller sports events which involve wealth creation in the environment where they take place, mainly due to the large number of attendees and participants ([Barajas & Sánchez, 2011](#); [Hurtado, Ordaz, & Rueda, 2007](#); [Wilson, 2006](#)).

3. Applied methodology: cost/benefit analysis

As it has been explained previously, the objective of this research is to analyze the economic impact generated for Caceres city by the paddle tournament “Caceres International Open 2013”. An adequate methodology will be applied to achieve this aim, and it will be explained in this section. Furthermore, the applied valuation method will be described, and it will be explained why it has been chosen, as well as different theories and tools that have helped us in our research. However, before we start with the exposition of the methodology, we would like to show different valuation methods used to measure the impact of sports events.

3.1. Techniques used to measure the economic impact of sports events

Assessing the economic impact of a sports event is a difficult task because of the difficulty for obtaining data for each of the stakeholders involved in the sports event; a choice of a suitable method for carrying out the analysis is also a difficult point. There are some researches that describe different methodologies that have been used to develop economic parameters of sport ([Barajas, Salgado, & Sánchez, 2012](#); [Barajas & Sánchez, 2011](#); [Hurtado et al., 2007](#); [Késenne, Taks, Chalip, Green, & Martyn, 2011](#); [Li, Blake, & Thomas, 2013](#); [Pedrosa & Salvador, 2003](#); [Salgado, Barajas, Lera, & Sánchez, 2013](#)). We can observe that the methods used more frequently in the studies of the economic impact of the sport events are:

1. *Satellite accounts (SA)*: through statistical tables based on the National Accounting System, this methodology is to provide a number of economic indicators on the analyzed sector or an economic activity, either from a national, regional or local point of view. This technique has been applied by authors such as [Weber \(1995\)](#), [Otero \(2000\)](#), [Ruiz et al. \(2010\)](#), among others.
2. *Input-output tables (IOT)*: as satellite accounts, they adopt a macroeconomic approach at national or regional level, allowing in this case to simulate economic impact in several settings by creating complex economic models ([Pedrosa & Salvador, 2003](#)). This methodology is applied in many sectors, but in sports sector we can highlight such authors as [Preuss \(2004\)](#), [Aza, Baños-Pino, Canal, and Rodríguez \(2007\)](#) and [Porter and Fletcher \(2008\)](#).
3. *Contingent valuation method (CVM)*: its purpose is to observe the reaction of an individual to hypothetical changes of prices or quantities of certain goods or services, trying to find out their economic value ([Leal, 2005](#)). This technique has been used by the authors such as [Bruce, Groothuis, and Whitehead \(2001\)](#), [Johnson, Mondello, and Whitehead \(2006\)](#), or [Walton, Longo, and Dawson \(2008\)](#).
4. *Computable general equilibrium model (CGE)*: it represents economy through equations. It takes into account production, consumption, trade, private and public sectors, so the economy is represented as realistic as possible. This methodology is mainly used in public finance or international trade, although it has

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