



Hurdles for sports consumption? The determining factors of household sports expenditures



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ARTICLE INFO

Article history:

Received 8 May 2013

Received in revised form 28 November 2013

Accepted 2 December 2013

Available online 27 December 2013

Keywords:

Household expenditures

Two-step Heckman

Determinants

Sports participation

ABSTRACT

The purpose of this article is to explore the determining factors of household expenditures on sports participation. Due to a relatively large amount of zero-expenditures, simple regression methods are not suited. Because of methodological reasons, the two-step Heckman approach is used over the Tobit approach and the Double Hurdle approach. The participation decision (spend money or not) is influenced by sports participation of the parents, family income, education, sports club membership, and sports frequency. Determining factors of the intensity decision (amount of money that is spent on sports participation) are family income, sports participation of parents during their youth, sports club membership, sports frequency, age of youngest child, and household size. Moreover, the results indicate that a two-stage approach is needed because it gives a more in-depth insight in the household spending behavior. For example, higher educated households more often spend money on sports participation. However, this research demonstrates that once higher educated households have decided to spend money on sports participation, the amount of money spent does not differ from lower educated households.

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1. Introduction

Until the 1970s, the social and economic importance of sports participation can be considered as relatively low (Lera-López & Rapún-Gárate, 2005). In the last forty years the number of sports participants has grown extensively, and a lot of companies have reacted to this evolution by providing sports goods and services to this booming market, in both developed and emerging countries (Andreff & Andreff, 2009). Nowadays, the sports sector contributes significantly to the economic welfare in Western countries. Literature shows that consumer expenditure on sports participation accounts for a relative important and growing share of the economy (e.g. Andreff & Andreff, 2009; Bloom, Grant, & Watt, 2005; Davies, 2002; Milano & Chelladurai, 2011; Scheerder & Vos, 2011; Taks & Késenne, 2000). Andreff and Andreff (2009) demonstrate that between 0.5% and 1% of total global imports and exports consists of sporting goods. In our paper, the research context is Flanders.¹ More particularly, this paper will focus on the household sports expenditure of Flemish families. With regard to Flanders, Taks and Késenne (2000) revealed that 6.8% of the total household expenditure consisted of expenditures on sports participation, which narrows down to 2.8% when indirect costs such as social costs and travel expenditure are excluded. In

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¹ Flanders is the Dutch speaking part of Belgium. Policy of sports is attributed to the three communities of Belgium, of which Flanders is the major one.

the ten years following this study, sports participation amongst 12–75-year-old Flemish inhabitants has increased from 56.8 percent in 1999 to 64.3 in 2009 (Scheerder, Vandermeerschen, Borgers, Thibaut, & Vos, 2013). Therefore one could expect that in this period the expenditures on sports participation have also increased. Generally, the above mentioned studies conclude that between 1.5% and 3.0% of consumer spending is on sports participation, and that expenditure on sports participation contributes to a significant part of the global industry.

Based upon their data, Taks and Késenne (2000) demonstrate that in Flanders, household expenditure on sports participation is five times larger than household expenditure on spectator sports. Despite the growing literature that focuses on mass participation in sports (as shown by Downward & Rasciute, 2010), Lera-López and Rapún-Gárate (2005) argue that North-American scholars still mainly focus on spectator sports. The present study aims to contribute to the growing literature in the field of the economics of mass sports participation.

The major part of the studies that examined the influencing factors of sports consumption, focused on expenses of individuals (e.g. Lera-López & Rapún-Gárate, 2005, 2007; Scheerder, Vos, & Taks, 2011; Wicker, Breuer, & Pawlowski, 2010). Some of these studies indicate that household features, like household size or family income, are significant contributors in describing sports expenses (e.g. Lera-López & Rapún-Gárate, 2005; Scheerder et al., 2011). Despite the significant results of household characteristics, household studies seem to be very scarce. Yet, literature states that families are responsible for a sizeable part of economic activity (Becker, 1981). Indeed, families produce much of the consumption, education, health and other human capital of their members. Altruism is recognized to be an important factor in families, in contrast to market transactions where selfishness is common. This also accounts for expenditure on sports participation: in most cases it is the parents who decide which goods are bought and how much of the family income is spent on them. In other words, individuals take decisions as part of a household (Downward & Riordan, 2007). By focusing on the expenditure of households, this study will fill this gap in sports literature.

In general, this study aims to analyze the determining factors of household sports consumption. To analyze this, regression methods which were developed to deal with zero expenditure will be used. In the next section, an overview of theories and empirical literature is provided in order to identify relevant background variables of sports consumption. Next, we will focus on the methodology that has been used in obtaining and analyzing the data. Finally, a summary of the most important results, conclusions and implications is presented.

2. Review of literature

2.1. Theoretical approach

A number of theories have been used to explore the variables which influence (expenditure on) sports participation (Downward & Rasciute, 2010). Each of these theories suggests particular variables in order to explain (expenditure on) sports participation. Downward and Rasciute (2010) distinguish two main categories of theories: neoclassical approaches, and heterodox approaches. The neoclassical, orthodox approaches should be situated in classical economic demand theory, which states that the demand for sports is a function of its price, the price of other goods (complements and substitutes), income, and preferences (Scheerder et al., 2011). On the contrary, the heterodox perspective uses different methodological assumptions than classical economic demand theory (Downward, 2007).

The neoclassical, orthodox approaches assume that individuals are perfectly informed rational agents who want to maximize their satisfaction (also called perceived utility), by consuming goods and services, given certain constraints (mainly disposable income and time). People face an income-leisure trade-off: they earn money by producing (working), money they need in order to consume leisure. In other words, the more someone works, the more money this person earns to spend on leisure goods and services, but the less leisure time this person has left in which the money can be spent (Downward & Riordan, 2007; Scheerder et al., 2011). An example of an orthodox approach is the household production theory of Becker (1965, 1981). This theory states that agents maximize their welfare, subject to the constraints of time, income and information (Downward & Riordan, 2007; Weagley & Huh, 2004). Agents use the resources time and capital to transform market intermediate goods into final consumption commodities such as food, clothing, and sports participation in order to satisfy their needs, respectively hunger, warmth and recreation (Ironmonger, 2001). In other words, families invest time and goods in order to provide the greatest return for the household. This can be achieved in two possible ways: by directly 'consuming' sports participation, or by acquiring human capital (skills and capabilities) that helps the household to 'consume' sports participation more efficiently. Human capital can be achieved by means of education and practice. People with high degrees have been exposed more years to physical education and are supposed to have acquired higher levels of sports skills (Wicker et al., 2010). The same holds true for people who have participated more in sports in the past. The expertise that they have gained while practicing sports, is supposed to have improved the efficiency of consuming sports participation while facing monetary and time restrictions. In conclusion, the household production theory assumes that household production depends on the resources income and time, and human capital. Becker's theory has been popular in explaining (expenditure on) sports participation (e.g. Downward & Riordan, 2007; Pawlowski, Breuer, Wicker, & Poupaux, 2009), and has been extended by Wicker et al. (2010). While traditional theories state that the time used to produce and consume basic commodities represents the time not working (Humphreys & Ruseski, 2006), Wicker et al. (2010) modified the factor (disposable) time into time involvement in sports (i.e. intensity of sports participation).

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