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Research Paper

Economic and destination image impacts of mega-events in emerging tourist destinations

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ABSTRACT

Mega-events can have different types of effects, both tangible and intangible, for host cities or countries. For the case of the 2012 Eurovision Song Contest (ESC) in Baku, Azerbaijan, this study combines an economic impact study and two country image assessments carried out before and after this mega-event in an emerging tourist destination. Economic impacts are calculated based on on-site, face-to-face visitor surveys during the ESC and an input–output model. Image effects are measured with a representative two-wave online panel in Austria, which was selected as a potential tourist source market for Azerbaijan. The study finds that visitor expenditures produce €3.3 million of direct and indirect income in terms of local wages and salaries. Additionally, Azerbaijan's image improved significantly through the mega-event, especially with young, cosmopolitan people. Surprisingly, the country's image significantly improved even among people who did not watch the ESC on TV, due to extensive media coverage.

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1. Introduction: Effects of events on tourist destination

Events may be hosted for various reasons, but from a perspective of tourism development and management, two potential effects predominate: 'First, they can attract participants and spectators, thus boosting the number of visitors to the host destination during the time that the event takes place. Second, the attention that events receive through advertising and news coverage constitutes added exposure for the host destination. [...] Visitors' spending brings money into the local economy; the event's advertising and news coverage can enhance the destination's image, thus helping to build visitation at other times of the year' (Chalip, Green, & Hill, 2003, p. 214). The objective of the present study is to assess: (a) the economic impact, and (b) the destination image effects of a mega-event in an emerging tourist destinations, as well as, (c) the relationship between these two effects. Mega-events play a major role in the development and marketing strategies of most destinations, and are increasingly considered essential for enhancing destination competitiveness (Getz, 2008). Cities and countries strongly compete for the chance of hosting events such as the Olympic Games, World Cups or a World Expo (Hall, 1992).

Events can be distinguished according to their scale and size.

Categories include 'mega-events', 'hallmark events' and 'local/community events'. However, definitions are not exact and boundaries, especially between the major categories of mega and hallmark events, are blurred (Bowdin, Allen, O'Toole, Harris, & McDonnell, 2011). Getz (2008) describes the latter as a type of periodic event that is 'inextricably linked' to a certain destination, such as Mardi Gras in New Orleans. A mega-event, on the other hand, can be described as 'a one-time major event that is generally of an international scale' (Jago & Shaw, 1998, p. 29). More specifically, Roche (2000, p. 1) defines mega-events as 'large-scale cultural (including commercial and sporting) events which have a dramatic character, mass popular appeal and international significance' and goes on to say that '[t]hey are typically organised by variable combinations of national governmental and international non-governmental organisations'. While the Eurovision Song Contest (ESC) is smaller than the Olympic Games, the FIFA World Cup or a World Expo, both in terms of duration and the number of visitors, it is frequently considered a mega-event (e.g. Müller & Steyaert, 2013). Classified as a cultural event, the ESC shares essential characteristics with mega-sports events due to its global outreach and the fact that television viewers all over the world (estimated at 125 million annually) far outnumber the fans on-site (estimated at tens of thousands).

Traditionally, mega-events were almost exclusively staged in the Global North (Hiller, 2000). However, this changed during the last decade, with more and more events of international importance being awarded to developing countries, including post-socialist countries in Eastern Europe (Müller, 2012). Emerging

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economies and destinations may have different reasons for their quest to host such events, hoping for both tangible and intangible benefits. The most compelling ones are the opportunity to 'put the country (or city) on the map' in order to 'show the economic, political, and cultural power of the host country' as well as 'the promise of an economic windfall' (Matheson & Baade, 2004, p. 1085).

These rationales are reflected in the academic research on the effects of mega-events, which mainly focuses on economic aspects and image effects on tourist destinations (cf. Auruskeviciene et al., 2015). Examples of economic impact studies include assessments of the World Student Games (Foley, 1991), the Summer Olympics (Chen, 2012; Faulkner et al., 2000; Kasimati, 2003; Li & Kaplanidou, 2013; Zeng, Go, & Kolmer, 2011), the British Open (Gelan, 2003) or the FIFA World Cup (Grix, 2012; Holtzhausen & Fullerton, 2015; Lee & Taylor, 2005). A large number of these studies focus on major sports events, e.g. the Olympics or soccer tournaments such as the FIFA World Cup or the UEFA Euro championships. Also worthy of note is that working papers and government reports outnumber publications in academic journals (Li & Jago, 2013).

In addition to large-scale sporting events, cultural events are also, albeit less regularly, subjects of economic studies, e.g. analyses of the economic effects of rock concerts by the band 'Grateful Dead' in Las Vegas (Gazel & Schwer, 1997), the economic implications of being 'European Capital of Culture' for Salamanca in 2002 (Herrero, Sanz, Devesa, Bedate, & Del Barrio, 2006), or the contribution of the Umbria Jazz music festival in Italy to the regional economy (Bracalente et al., 2011).

While methodological approaches for the cited case studies differ, Kasimati (2003) argues that economic impact analyses can generally be considered reliable as long as the estimation process is made transparent. One finding of Kasimati's comparison of various impact assessment studies is that ex-ante analyses tend to overestimate economic benefits – probably as a means to justify substantial investment of public funds (cf. Matheson, 2006).

Besides stating a general need for sound unbiased data on the economic significance of events, the academic discussion in the past years addressed topics such as the need for more research on events in developing countries (Matheson & Baade, 2004), or debates on the most appropriate methods for measuring economic impacts (e.g. Dwyer, Forsyth, & Spurr, 2004; Li & Jago, 2013; cf. Section 4 of this paper).

The second dimension of mega-event impacts are image effects, which are less tangible and thus harder to quantify (Brown, Chalip, Jago, & Mules, 2004). Thereby increased awareness and image of a destination are inevitably connected to future economic benefits through increased visitation and tapping new source markets (Alvarez & Campo, 2014; Carlos, Da Silva, & Salgueiro, 2014; Dwyer, Mellor, Mistilis, & Mules, 2000; Zeugner-Roth & Žabkar, 2015), and thus inseparable from economic aspects of events. Hiller (1989) and Ritchie and Smith (1991) were among the first to place importance on the image effects of major events (1988 Winter Olympics in Calgary) on relatively unknown host destinations. Recent articles in the field of events and destination image are analyzed in connection to Rotterdam as the Cultural Capital of Europe in 2001 (Richards & Wilson, 2004), the 2002 FIFA World Cup in South Korea (Kim & Morrision, 2005), the 2008 Olympic Games in Beijing (Chen, 2012; Gibson, Qi, & Zhang, 2008; Li & Kaplanidou, 2013; Zeng, Go, & Kolmer, 2011), the 2006 FIFA World Cup in Germany (Florek & Insch, 2011; Grix, 2012), the 2010 FIFA World Cup in South Africa (Holtzhausen & Fullerton, 2015) and the 2010 Shanghai Expo (Chen, 2012; Deng & Li, 2014; Li, Hsu, & Lawton, 2014).

A great number of studies have either assessed the economic impact of an event for the host region or the destination image effects created through such an event and studies that combine

both these tangible (economic) and intangible (destination image) perspectives are rare. Yet, destination image effects and economic benefits are inevitably interrelated (Chalip, Green, & Hill, 2003; Soteriades & Dimou, 2011): peoples' prevailing country images clearly determine visitation and thus the gross tourist spending and economic success of an event. In turn, events have the ability to strengthen the host destination image, leading to increased visitor numbers and tourist revenues in the future. Finally, existing studies on the relationship between destination image and visitor satisfaction (e.g. Chi & Qu, 2008) suggest that there is a correlation between image and individual tourist spending.

While research on mega-events has primarily focused on industrialized countries, there is a lack of empirical studies on mega-events in emerging economies, which may differ in many ways from the ones in the Global North (Matheson & Baade, 2004). This holds especially true for emerging tourist destinations (such as Azerbaijan) where event effects on both image and economic benefits can be expected to differ substantially from mature destinations with already well-established images and visitor bases. The ESC 2012 in Baku – the first mega-event in Azerbaijan – affords an opportunity to assess both tangible and intangible effects of the first mega-event in an emerging destination. Calculating the ESC's economic impact enables comparisons with mega-events in more mature destinations, while creating a benchmark for future mega-events in emerging tourist destinations. Furthermore, it provides valuable information to policymakers and the local population, which is crucial since the latter has to bear a significant share of the costs associated with such events, e.g. rising consumer prices (Müller, 2012). From a country-image perspective, it can be assumed that the ESC has a more profound effect on the image of Azerbaijan than comparable mega-events in established destinations, as people currently do not hold strong existing destination image perceptions.

Furthermore, the broad majority of empirical studies either ask tourists (at the destination) or non-tourists (prospective tourists in their home country) about their perception of a specific destination in a one-time assessment. By contrast, this study applies a representative panel sample in a two-step assessment – both *before and after the event*. This allows monitoring of the respondents' country image before and after the association with the mega-event and enables assessment of changes in country image on an individual level. The study further compares the destination image of *non-tourists* (outside the tourist destination country) with the destination image of *tourists* (within the tourist destination country). Finally, in order to assess the relationship between the tangible (economic) and intangible (image) effects, the study evaluates the interrelatedness of visitors' destination image and actual spending behavior.

2. Eurovision Song Contest

The ESC is one of the longest-running televised cultural events in Europe and neighboring countries, watched by an estimated number of 125 million viewers annually (EBU, 2012). It is generally hosted by the country that won the contest the previous year. The ESC is a highly emotional mega-event with a long tradition. It is a fun, pop-culture event that is not only a huge celebration but also communicates the idea of a united Europe, especially after the former member states of the Eastern Bloc joined the competition after the fall of the Iron Curtain (Jordan, 2009). For the host countries, the event offers the opportunity to present themselves to a huge audience (Fleischer & Felsenstein, 2002). Müller and Steyaert (2013) name the ESC together with events such as the FIFA World Cup, the Olympic Games or the Expo World Fair as 'the ultimate trophy in the intensified competition for public attention

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