

SPORTS ROLE IN ECONOMICS

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Abstract. The research analyses the sports and mega-sports events impact on the economics. The authors gathered studies and literature about the major sports markets, mega sports events, the economics of sports and the case study for the EuroBasket 2015 Latvia. Mostly, sport is viewed from the results, but it is very versatile. Sports-related sectors are health, education, entertainment, tourism, economics and others. This time, the authors' aim was to analyse recent researches on the sport and mega-events impact on the economics. To achieve the aim, the following specific tasks were set: 1) to give insight into the situation in the field of sport and mega sports events, placing a particular focus on its impact on region's economics; 2) to analyse the papers of sports impact on economics, biggest sports markets and mega sports events; 3) to assess the EuroBasket 2015 impact on the economy of Latvia. Results showed that Sport and mega sports events can be beneficial to the region's economy, but it is necessary to make in-depth research and estimates to calculate it. The conclusions of the paper are: North America is ahead of the other countries and it makes it as the world's largest sports market and it suggests that the role of sport will continue to grow and that sport not only contributes to better health, people's socializing and belonging to the particular team, but it will also make a significant contribution to the regional or national economics; The EuroBasket 2015 case showed that it is in many ways Beneficial event, especially the impact on the economy of Riga and the country's image building, this suggest that the country needs to encourage large, international tournaments organizing.

Key words: sports economics, sports, sports events.

JEL code:

Introduction

Often sport and physical activity is linked solely to the sport at schools and leisure activities, undermining its contribution to a number of other processes and activities. For example, sport is closely linked to education, tourism, health and entertainment. Each of the above has made up a major role in the national economy.

Physical inactivity is the fourth leading risk factor for mortality globally and is responsible for 6 % of deaths worldwide and for around 10 % in the World Health Organization (WHO) European Region. Every year in the European Region, over 8 million disability-adjusted life years are lost because of insufficient physical activity, and nearly one million deaths are attributed to insufficient physical activity (WHO, 2009).

The commercial sports and entertainment sectors nowadays are much closer than ever before and one complements the other. Sports economics is playing more important role in our lives, which is associated with tickets, media rights, merchandising, and sponsorship. There were forecasts that in 2015 professional sports globally should generate \$145 billion in revenue.

At the moment, we do not have data if forecast came true or not (PWC, 2011).

Economists and scientists have widely studied the sports role in economic growth, as well as the importance of sport for people's physical activity promotion.

However, in the light of the growing role of sport in economic processes, it is necessary to do an in-depth study for theoretical aspects of sports economics.

Many people love sport. Thus, sports economics provides an opportunity to analyse some key economic concepts to the sports industry. Key concepts can be used to analyse and understand the role that economic incentives play in determining the behaviour of controlling bodies, leagues, clubs, players, fans, sponsors, the media and government.

In our study, we provide a literature review of economics impact and benefits of sports.

The study aims to determine whether sports and major sports events can give a positive impact on the region's economy, based on other authors' research analysis.

To achieve the aim, the following *specific tasks* were set: 1) to give insight into the

situation in the field of sport and mega sports events, placing a particular focus on its impact on region's economics; 2) to analyse the papers of sports impact to economic, biggest sports markets and mega sports events; 3) to assess the EuroBasket2015 impact to the Latvia economic.

Research hypothesis: The role of sport in the economics continues to grow.

In the scope of the research, the authors used the following research methods: monographic, logical construction and graphic methods. Statistical analysis as well as analysis and synthesis were employed to process the data.

The present research also used the following policy document: The Sports Policy guidelines 2014-2020 (Latvia).

Research object: sports economics

By applying various research methods, 27 documents focusing on sport and sports economic were analysed. The authors gathered studies and literature about the major sports markets, on mega sports events, the economics of sports and the case study for the EuroBasket 2015 Latvia.

Definitions

For the purpose of this article, the following working definitions were used:

- Sport: Comprises all forms of physical activity which, through casual or organized participation, aim at expressing or improving physical fitness and mental well-being, forming social relationships, or obtaining results in competition at all levels (Council of Europe, 2017).
- Sports market: For the purposes of this report, the sports market consists of: Sponsorships, which include payments to have a product associated with a team, league or event and naming rights. Gate revenues for live sporting events. Media rights fees paid to show sports on broadcast and cable television networks, television stations, terrestrial radio, satellite radio, the internet and on mobile

devices. Merchandising, which includes the selling of licensed products with team or league logos, player likenesses, or other intellectual property. Food concession revenues are not included (PWC, 2011).

Research results and discussion

In the White Paper on Sport is written "Sport is a growing social and economic phenomenon which makes an important contribution to the European Union's strategic objectives of solidarity and prosperity. The Olympic ideal of developing sport to promote peace and understanding among nations and cultures as well as the education of young people was born in Europe and has been fostered by the International Olympic Committee and the European Olympic Committees (White paper on Sport, 2007).

Alex Bryson, Bernd Frick and Rob Simmons findings indicate that economists' interest in sports has grown dramatically in Europe and North America over the past twenty years. Today there are two journals devoted to sports economics the Journal of Sports Economics and the International Journal of Sport Finance (Bryson, A., Frick, B., & Simmons, R., 2015).

Significant findings of the sports economic has underlined Roon Both, indicating that sports economics typically cuts across several fields of economics, involving microeconomic concepts applied to sport and industrial organization, labour economics, and public finance. Australian researcher who specializes in sports economics says that sports economics can be a useful way of illustrating comparative advantage (Booth R., 2009).

In recent decades, sport has both contributed to and been shaped by globalization. The Olympic Games are the largest regularly scheduled international mass gathering. More than billions people are following the event via the media, thousands of athletes, team officials, press, and spectators.

At the most recent Summer Olympic Games in Rio de Janeiro, more than 10,000 athletes,

representing 207 nations, competed in 31 sports in Brazil, with 306 sets of medals awarded over the course of the Games. The Olympic Games are truly global events, headed by countless processes and uncountable people. Can not be assessed Games intangible influence on the national and world culture and social attitudes (Olympic, 2016).

PWC's report in 2011 had said that in many cases, sporting entertainment and commercial success have to look more closely together. Sports and entertainment go hand in hand nowadays, successfully sharing their experiences and complementing each other (PWC,2011).

1. Sports economics, significance and opportunities

Sports economics is a relatively new field of the economics. To find out how sports affect the economics, authors analysed several international papers about sports economics and its impact on the economy.

North American authors Peter A. Groothuis and Kurt W. Rotthoff note that the economic impact of sports has been studied in two main ways: through local economic impact and through the impact of mega-events (Groothuis, P. A., &Rotthoff, K. W., 2016).

Over the past few years, researchers have analysed more regional data as hotel occupancy rates, local tax revenues, and the main activities related to income and other indirectly related entertainment revenues. Thus, searching for sports events benefits to the economics.

Peter A. Groothuis and Kurt W. Rotthoff survey (2006) results of the general population in the United States showed that the majority of respondents believe that sports teams or mega-events do not generate a local economic impact. Authors deduced that the majority of the economics literature also concludes that having a professional sports team or hosting a major event does not generate a local economic impact (Groothuis, P. A., &Rotthoff, K. W., 2016).

A 2007 European Commission White Paper on Sport for Sport indicated that, in 2004, sports generated value added of 407 billion euros accounted for 3.7 per cent of EU GDP (White Paper on Sport, 2007).

According to White Paper, sports may be used also as a tool for regional development. Knowing that the regions are diverse in their interests and abilities, sport can be a tool to develop regions, cities or rural areas.

Synergies can be identified between sport and tourism and sport can stimulate the upgrading of collective infrastructure (e.g. transport networks) and the emergence of new mechanisms for their financing (e.g. public-private partnerships) (White paper on Sport, 2007).

Currently (2014 - 2020), in the European Union there is opened a new sport-related projects programme called "Erasmus + Sport". The Sport Chapter in the Erasmus+ Programme aims to support European partnerships on grassroots sport in order to pursue the following objectives:

- tackle cross-border threats to the integrity of sport, such as doping, match fixing and violence, as well as all kinds of intolerance and discrimination;
- to promote and support good governance in sport and dual careers of athletes;
- to promote voluntary activities in sport, together with social inclusion, equal opportunities and awareness of the importance of health-enhancing physical activity, through increased participation in, and equal access to sport for all (EACEA, 2017).

Regional policy instruments can also play a role in preparing and ensuring the sustainability of certain major sporting events.

There is no one definition of sports benefit on the economy, neither a mathematical formula. Papers and documents show that the regions may have economic benefits from sports. It is necessary to make more in-depth analysis with

extensive data to determine the economic impact of sport.

2. The biggest sports markets

Sports organisations have many sources of income, including club fees and ticket sales, advertising and sponsorship, TV and media rights, re-distribution of income within the sport federations, merchandising, public support etc. Public financial support is often vital for sport but must be provided within the limits imposed by law.

Stefan Szymanski notes that as a business, the biggest team sports are located in the United States (baseball, basketball, American football, ice hockey) and Europe (Football) – although Japanese baseball is also significant commercial undertaking. Sports Commercialisation occurred in America has evolved much earlier than elsewhere in the world, so now it is more developed than in Europe and elsewhere (Szymanski, S., 2001).

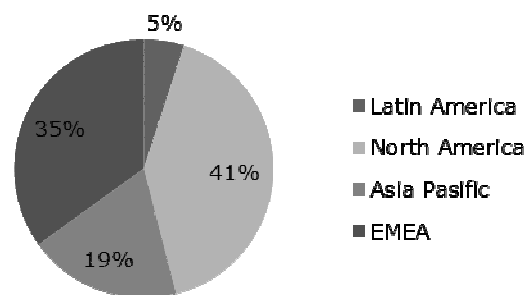
Global sports market revenue (2011) shows that the North American sports market is the biggest in the world with more than 50 billion U.S. dollars in revenue generated there. The major sports leagues – the National Football League (NFL), Major League Baseball (MLB), the National Basketball Association (NBA) and the National Hockey League (NHL) – have a strong share in the market. The NFL for example generates almost 9 billion U.S. dollars in revenue each year, the NBA around 3.7 billion U.S. dollars.

In comparison, the European football market has an estimated size of 19.4 billion euros (23.8 billion U.S. dollars). Just less than 50 % of this revenue is generated by the so-called "Big-Five" leagues. The term refers to the top-tier football leagues in England (Premier League), Germany (Bundesliga), Spain (Primera Division), Italy (Serie A) and France (Ligue 1). The Barclays Premier League is the biggest of the five with revenue of 2.9 billion euros (statista.com, 2017).

In nowadays, sports are big business. From athletes, managers, media, arenas, cities, tourism and events agencies and gambling to other sectors that's makes profit.

Company PWC in December 2011 did a research for global sports markets 2015. Global sports revenues were valued at US\$121.4 billion in 2010, a strong year due to the FIFA World Cup in South Africa.

PWC calculated that over the next five years to 2015, there will be a compound annual growth rate of 3.7 % to achieve global revenues of US\$145.3 billion.



Source: PWC, 2011

Fig. 1. Global revenues split by region, 2010

North America starts the period as the largest region with 41 % of total revenue, and whilst Latin America will see the highest growth rates, since it starts a relatively small market, it only gains comparatively limited market share. EMEA is the second largest market, but will experience the lowest growth rate over the period (PWC, 2011).

There is a clear sports industry's rapid development and as studies show - North America is ahead of the other countries and it makes it as the world's largest sports market. Not only sports market, but also with the high sports results.

3. Mega events

The first time when mega-events became an important area of the tourism and leisure in the literature was in 1980s. Authors looked for the economic benefits of large sports events analysed sports within multidisciplinary approaches. Within

the area of mega-events, sports events have attracted a significant amount of attention (Gratton, C., Shibli, S., & Coleman, R., 2006).

One of the first major studies in this area was the study of the impact of the 1985 Adelaide Grand Prix (Burns, Hatch & Mules, 1986).

Assessing the economic impact of mega-events requires further consideration. Mega-events (for example, the World Cup, Olympics, European Championship, Champions league, Euro league) attract many thousands of visitors to a city. The visitors generally bring "new" money to the area, rather than just relocate spending within an area. To the extent that the visitors stay for longer periods of time and spend higher amount per day, mega-events may benefit a local economy. From a broader (for example, country) perspective, however, there remains considerable expenditure switching, as tourism money generated by a popular event in one country often comes at the expense of expenditures in other countries (Mules 1995).

Cities staging major sports events have a unique opportunity to market themselves to the world.

Mules and Faulkner (1996) point out that hosting major sports events is not always an unequivocal economic benefit to the cities that host them. They emphasize that, in general, staging major sports events often results in the city authorities losing money even though the city itself benefits greatly in terms of additional spending in the city (Gratton, C., Shibli, S., & Coleman, R., 2006).

As an example we can mention the Olympic Games. None of the Olympic Games are organized, where revenues exceed expenses. Also, looking back to last summer Olympic Games in Rio, the local people did not feel economic growth, but the Games played significant role to the national economy. Historically, hosting such mega-events has been a coveted honour and can act as a powerful

signal that an emerging power has arrived on the world stage.

Chris Gratton, Simon Shibli, and Richard Coleman have studied and analyzed the economic impact of major sports events in the United Kingdom (UK). Authors have provided a detailed overview of ten economic impact studies undertaken at major sports events, all World or European Championships, in the UK since 1997. Those 10 events were: 1997 World Badminton Championships, 1997 European Junior Boxing Championships, 1997 European Junior Swimming Championships, 1998 European Short Course Swimming Championships, 1999 European Show Jumping Championships, 1999 World Judo Championships, 1999 World Indoor Climbing Championships, 2001 World Amateur Boxing Championships, 2001 World Half Marathon Championships and 2002 World Snooker Championship. The authors' analysis mostly was based on using a standard questionnaire survey to interview key interest groups at an event and the data collected was then analysed using a specialist statistical software package and spreadsheets to calculate the additional expenditure in the host economy.

Results showed that the most significant economic impact is attributable to the 2002 World Snooker Championship (2.27 million of pounds) closely followed by the 1997 World Badminton Championships (2.22 million of pounds). Both these events took place over a two week period and this extended period for the events did lead to higher economic impact (Gratton, C., Shibli, S., & Coleman, R., 2006).

Mega events can be viewed twofold - sporty significant and large by the benefits they provide. Not always the World Cup will bring more benefits than the European Championship.

4. The case study – Euro basket 2015, Latvia

FIBA EuroBasket 2015 was the 39th annual edition of the EuroBasket championship that is organised by FIBA Europe. It took place in four

different countries: Croatia, France, Germany, and Latvia (FIBAEUROPE, 2017). In September 2015, the European Basketball Championship Group D match took place in Riga. Three Latvian authors right after Championship did research about economic benefits from this mega-event.

Aim of the study was to determine the economic benefits and the impact of the state budget from European Basketball Championship. To determine the EuroBasket 2015 impact on the Latvian economy, the authors Elmars Kehris, Roberts Reihmanis and Toms Stanbergs conducted a championship economic analysis of the different sources of income in the tournament. Most of them were visitors' expenditures during the championship, as well as income from the tickets.

Each of the teams during the period played five group games. Overall Championship was followed by 140 thousand people - 86 thousand of them onsite. (696 593 - Population in Riga in August 2015) (Rigas pasvaldiba, 2017). 55 % of visitors were foreigners (Kehris, E., Reihmanis, R., Stalbergs, T., 2015).

According to the sources of income analysis, it was concluded that the measure as a whole Latvian economy has brought more than 15.3 million, which is a direct complement to national budgets, with more than 2.2 million Euro VAT revenue. Based on the results it is concluded that the following events in addition to sports, country image and the development of tourism, also provide significant economic benefits to the organizing state (Kehris, E., Reihmanis, R., Stalbergs, T., 2015).

Direct income - Latvia Basketball Association revenue arising from the event organization are:

- income from tickets;
- income from sponsors;
- municipal grants;
- state grants;
- income from partners.

Indirect incomes - national incomes as a result of the championship: income from tourists.

Visitors' spending can be divided into the following blocks:

- travel expenses - costs for transportation during the event;
- HoReCa (hotel, restaurant and cafe) - expenditure (expenditure on food and drinks outside the home / accommodation (including alcoholic beverages);
- other expenses - souvenirs, clothes, etc.

Following the results of the study, it was concluded that the EuroBasket 2015 generated EUR 15.391.200 direct impact on the Latvian economy. Studies showed that foreign visitors brought EUR 10.172.600 to the country's economy in addition, of which the majority was related to visitor accommodation costs (EUR 6.343 million). Based on the study, the indirect profitability coefficient was 4.27, which indicates that every euro spent, which was due to the organization of EuroBasket 2015, for Latvian national economy generated 4.27 euro in turnover. The authors indicate that the potential tax revenues generated by EuroBasket 2015 in Latvia amounted to EUR 2.245.500 (Kehris, E., Reihmanis, R., Stalbergs, T., 2015).

The authors of article want to point out that the Latvian example clearly shows how one in national level important event can give not only social but also measurable economic impact. Research reaffirms how various, effective and useful sports can be in different cases.

Conclusions

This research showed that the sports role in regional and national economies is important.

This paper makes several central points.

- 1) Studies and documents show that sport and mega sports events can be beneficial to the region's economy, but it is necessary to make in-depth research and estimates to calculate it.
- 2) Studies show, North America is ahead of the other countries and it makes it as the world's largest sports market and it suggests that the role of sport will continue to grow and that

sport not only contributes to better health, people's socializing and belonging to the particular team, but it will also make a significant contribution to the regional or national economics.

- 3) The EuroBasket 2015 case showed that it is in many ways Beneficial event, especially the impact on the economy of Riga and the

country's image building, this suggest that the country needs to encourage large, international tournaments organizing.

This means that the hypothesis put forward has been proved.

In conclusion, there is a wider implication that can be drawn from this study material.

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