

The Economic Impact of the CAA Men's Basketball Championship At Alternative Sites

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Introduction

The Colonial Athletic Association Men's Basketball Championship has been held in Richmond, Virginia since 1990. The economic impacts flowing into the Richmond, Virginia metropolitan area economy from hosting the CAA Men's Basketball Championship are a function of: (1) the attendance at and the duration of the event; (2) the percentage of non-local attendees as this determines the magnitude of net new spending in the local economy; (3) the prominence of the event (affects the level of national media and corporate interest); (4) the attractiveness of the host city that may extend the length of stay and spending levels by out-of-town fans; and (5) the scale and complexity of the host city's economy as this determines the ability of the local economy to retain and recycle the dollars attracted to it from external sources by the event.

In 2005, InZone Research (VCU Sports Marketing Group) undertook an economic impact analysis of the CAA Men's Basketball Championship. The InZone Research report estimated that the spending associated with the fans, media, teams, the CAA, and school-sponsored events totaled \$4.2 million and that the total economic impact of this spending, inclusive of its indirect effects, contributed \$4.9 million to the Richmond metropolitan area economy reflecting an aggregate multiplier of 1.164.

The specific question to be addressed in this research was whether the economic impacts generated by the CAA Men's Basketball Championship to the benefit of its host city would be greater in an alternative location to its current site in Richmond, Virginia. This analysis was undertaken by the GMU PUBP 602 class to familiarize the students with the elements and process of economic impact assessment. This analysis was limited to just one of the determinants of economic impact: the host city's ability to benefit economically from the spending associated with the tournament. While the other economic impact determinants—the magnitudes of attendance and associated spending, fan length-of-stay and

related non-tournament spending, and the prominence of the event and its national market penetration—are important in determining the event’s total direct spending and could be affected by the site of the tournament, their measurement would require primary research that was beyond the scope of this assignment.

The question of capturing and retaining the benefits of the direct spending associated with the CAA Men’s Basketball Championship in alternative sites can be analyzed without relying on primary research or proxy data derived from other sporting events. The results of this analysis will provide a valid comparison of alternative sites’ economic impacts with those generated in Richmond by the spending associated with the CAA Men’s Basketball Championship.

This analysis does not address costs differentials associated with holding the CAA Men’s Basketball Championship in locations other than Richmond. As the economic benefits associated with this sporting event may vary from one location to another reflecting differences in the sizes and complexities of their respective economies, these same differences may also carry a higher cost burden to the teams, universities and fans.

Impact Analysis for the 2009 CAA Men’s Basketball Championship

The economic impact analysis reported herein focuses exclusively on the magnitude of the indirect economic impacts that could be generated at different sites; that is, for a given level of direct spending related to the CAA Men’s Basketball Championship, how much additional economic value (dollars) could be generated to the benefit of the host’s metropolitan area economy? If the direct spending associated with the site of the CAA Men’s Basketball Championship was greater (or smaller) at different locations, the magnitudes of total economic benefits would change proportionally based on the relative magnitudes of the economic multipliers for each candidate tournament host. It is important to remember that the magnitude of economic impacts associated with the CAA Men’s Basketball Championship is not simply a function of how many fans attend the games over the length of the tournament but rather how many fans attend the games who are not residents of the host city and what else they spend money on while staying in the host city before and after the games.

Methodology

The ability of the host’s economy to retain the direct spending associated with the CAA Men’s Basketball Championship can be measured by applying economic multipliers generated by the U.S. Department of Commerce’s Bureau of Economic Analysis. These differ for each metropolitan area reflecting the economies’ differences in scale and sectoral structure. The alternative sites selected for this analysis were Washington, DC and Philadelphia, PA.

The spending data developed by InZone in its analysis of the CAA 2005 Men's Basketball Championship were accepted as the inputs to the analysis of alternative sites. These 2005 spending data were inflated to 2009 values using the chained deflators published by the U.S. Office of Management and Budget (1.1072) and also adjusted for the 34.1 percent increase in attendance at the tournament between 2005 (31,834) and 2009 (42,698).

In this analysis, the percentage of local and non-local fans, the mix of fan spending, the treatment of local fan spending, spending by non-local media and other non-fan related spending associated with the tournament including spending by visiting teams, the CAA, and university-sponsored events reflect the findings in the InZone report on the CAA 2005 Men's Basketball Championship. These data are being used because they reflect a published source that included survey research and official expenditure reports. However, the method of data collection (no description of sampling procedures was included in the InZone report) and assumptions made regarding the nature of before-and-after game spending, spending in the Richmond Coliseum, and the spending categories and related multipliers raise questions regarding the accuracy of the spending totals and it is unclear whether the values presented understate or overstate actual spending.

Estimating the CAA 2009 Men's Basketball Championship's Direct Spending Value

Total direct spending within the Richmond metropolitan area associated with the CAA 2005 Men's Basketball Championship totaled \$4,198,225 of which fan spending totaled \$3,766,064. This direct fan spending value, based on total tournament attendance of 31,834 was increased by 34.1 percent to reflect the tournament's attendance total of 42,698 in 2009 to \$5,050,292 (in 2005\$).

The other forms of direct spending related to the 2005 tournament (media, teams, CAA, and school events) totaled \$432,161. No adjustment for increased tournament attendance was made to these categories of non-fan spending.

This 2005 value for fan spending (reflecting 2009 tournament attendance) was converted to 2009 dollars by multiplying it by 1.1072 (the chained deflator between 2005 and 2009) to yield \$5,591,683 and the total direct spending for the non-fan spending sources was similarly converted to 2009 dollars increasing its value to \$478,489. Combining these adjusted values for fan and non-fan spending in 2009 brings the total tournament-related spending to \$6,070,172.

Alternative Site Impact Analyses

The economic impact differences for alternative sites for the Championship reflect the differences among these metropolitan areas' underlying economic structures and their ability to benefit from external dollars being attracted into

them. These differences in economic capacity reflect differences in geographic size, population, employment, and core industrial or business bases. These differences are also likely to affect the other determinants of the Championship's economic impacts—fan attendance, length of stay in the host city, amount and mix of fan spending, prices, and amount of non-fan related spending by media, corporate supporters, the teams, and schools.

The indirect impact (and therefore the total economic impact) of injecting \$6.1 million in new spending into the Richmond, Washington, DC or Philadelphia metropolitan area economies reflects the different magnitudes and complexities of these three economies. These differences determine their abilities to retain the new dollars as payments to local employees or vendors and to re-spend these funds one or more times within their respective metropolitan economies before these direct spending monies fully leak out of the local economy. The tournament-related spending patterns (categories and distribution of spending) used by InZone for the economic analysis of the CAA 2005 Men's Basketball Championship were used to calculate the corresponding total economic impacts of the Championship had it been held in Washington, DC or Philadelphia rather than Richmond. Based on the mix of spending, multipliers reflecting the Washington, DC and the Philadelphia metropolitan areas were selected and weighted for each category of spending (retail, hotel, restaurant, recreation/entertainment, marketing, and local transportation) and aggregate multipliers calculated.

For Richmond, as previously reported, the overall (aggregate) multiplier for the 2005 Championship was 1.164. Based on the above-described procedure, the overall multiplier for spending generated by the CAA Championship (from Richmond) would have been 2.18378 had it been held in Philadelphia. And for Washington, DC, the equivalent overall multiplier would have been 1.8578. Richmond's capture or retention rate is the smallest with only 16 cents of additional economic benefit occurring for each "new" dollar of spending attracted by the CAA Championship. This compares to Washington, DC's indirect economic impact of \$0.86 generated by each additional "new" dollar and \$1.18 in indirect economic benefit for each "new" dollar injected into Philadelphia's economy. These multipliers are used in calculating the related income and job impacts as shown in Table 1.

These variations in aggregate multipliers among the three sites result in significantly different magnitudes of economic impact. If the \$6.1 million in direct spending associated with the CAA Men's Basketball Championship had occurred in Washington, DC rather than in Richmond, it would have generated \$5.2 million in indirect benefits within the metropolitan area economy and a total economic impact of \$11.3 million. This represents a 60 percent greater overall economic impact by holding the Championship in Washington, DC rather than Richmond given the same level of initial spending. Had the Championship's \$6.1 million in direct spending been spent in Philadelphia, it would have generated \$7.2 million

in indirect benefits to the metropolitan area economy and a total overall economic impact of \$13.2 million, an 88 percent increase compared to the economic impact achieved with the tournament’s Richmond location.

Table 1

Comparative Economic Impacts of the CAA Men’s Basketball Championship
Richmond, Washington, DC, and Philadelphia (in 2009 dollars)

| Metro Area | Direct Spending | Indirect Spending | Total(1) |
|------------------|-----------------|-------------------|------------|
| Richmond, VA | \$6,070,172 | \$995,508 | 7,065,680 |
| Washington, DC | 6,070,172 | 5,206,993 | 11,277,165 |
| Philadelphia, PA | 6,070,172 | 7,185,748 | 13,255,920 |

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(1) contribution to the metropolitan area’s economy - its gross regional product.

Conclusions

The economic impacts for hosting the CAA Men’s Basketball Championship have been shown to vary significantly depending on the city selected. While the size and complexity of the host city’s economy may impact the magnitudes of attendance by non-local residents, the duration of their visit, the patterns and total value of their spending and the spending levels by tournament-related activities (media, corporate sponsors, participating teams and their universities), it will also have an important and measurable impact on determining the magnitude of the secondary economic impacts of a given-level of tournament spending.

An estimated total of \$6.1 million in direct spending would have been generated to the benefit of the Richmond, Virginia economy from CAA tournament spending. Given Richmond’s total multiplier of 1.164, this direct spending would have contributed a total of \$7.1 million to the Richmond metropolitan area economy. Had this same magnitude of direct tournament spending occurred in Washington, DC, the total economic impact would have been \$11.3 million and, had the CAA tournament been held in Philadelphia, the total economic impact would have been \$13.2 million. This analysis supports the conclusion that the CAA Men’s Basketball Championship can substantially increase the economic

benefits that accrue to its host city by selecting a site in a metropolitan area having a large and complex economy.