

The economic impact of the Klein Karoo National Arts Festival in Oudtshoorn

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**Dissertation submitted in the fulfilment of the requirements
for the degree**

MAGISTER COMERCII

**Within the School for Entrepreneurship, Marketing and
Tourism Management
At the North-West University**

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**Potchefstroom
November 2004**

Dedicated to my parents with love

Acknowledgements

I would like to thank the following people:

- Professor Melville Saayman for his guidance.
- Professor Andrea Saayman for help with regard to modelling data.
- The organisers of the KKNK for the opportunity to do the survey.
- The students from the University of Port Elizabeth for distributing the questionnaires.
- The National Research Foundation (NRF) for the funding.
- Dr. Suria Ellis for her help in analysing the statistics.
- Christine Breedt for her help in the library.
- My family for their support.
- Mari-Alet de Jager and Pierre-Andr  Viviers for lending an ear and sometimes an eye.
- My Heavenly Father for giving me strength.

Thank You

Abstract

The purpose of this study was to determine the economic impact of tourists visiting the Klein Karoo National Arts Festival in Oudtshoorn. In the context of event tourism, economic impact can be defined as the net change in an economy resulting from the event. The change is caused by the activity involving the acquisition, operation, development and use of facilities and services. These in turn generate visitor spending, public spending and tax revenue (Lee, 2001:1).

Determining the economic impact is not only about determining gross income, but also the impact the festival has on job creation, government income, infrastructure and the balance of payments (Van Blarcom, 2001).

To determine the economic impact in Oudtshoorn 400 visitor questionnaires and 50 business questionnaires were interview administered. The survey followed a non-probability sampling method and took place from the 28th of March to the 6th of April 2003. The aim of the questionnaires was to determine the spending patterns of visitors, the benefits to businesses and the leakages.

Using the benchmark indicator method it was determined that 108 062 people attended the festival, of whom 93 306 were visitors and 14 761 were locals. Total spending for the visitors was determined at R91,9 million and for locals R5,5 million. With leakages taken into account only R49,5 million of the visitors', R2,08 million of the locals' and R2,13 million of the organising committee's expenditure remain in the Oudtshoorn economy. The multiplier was estimated at 1,43. This then gives a total economic impact of R76,72 million.

The study pointed out that the Klein Karoo National Arts Festival has a definite influence on the promotion of Oudtshoorn as a tourist destination, more emphasis should thus be on the promotion of Oudtshoorn's attractions at the

festival, such as museums and other sites, and by minimizing leakages the local community can benefit more from the festival.

Opsomming

Die doel van hierdie studie was om die ekonomiese impak van besoekers aan die Klein Karoo Nasionale Kunstefees (KKNK) in Oudtshoorn te bepaal. In die konteks van toerisme kan ekonomiese impak gedefinieer word as die netto verandering in die ekonomie as gevolg van 'n toerisme gebeurtenis. Die verandering word veroorsaak deur die aktiwiteite wat die aanskaffing, verwerking, ontwikkeling en gebruik van fasiliteite en dienste insluit. Dit veroorsaak weer op sy beurt besoekers besteding, publieke besteding, werksgeleenthede en belasting inkomste (Lee, 2001:1).

Maar die bepaling van die ekonomiese impak gaan nie net oor die bepaling van inkomste nie, maar ook die impak wat die fees het op werkskepping, regerings inkomste, infrastruktuur, en die betalingsbalans (Van Blarcom, 2001).

Om die ekonomiese impak in Oudtshoorn te bepaal is 400 besoekersvraelyste en 50 besigheidsvraelyste onderhoud geadministreer. Die opname het 'n nie-waarskynlikheids steekproef metode gevolg en het plaasgevind vanaf die 28^{ste} Maart tot die 6^{de} April 2003. Die doel van die vraelys was om die bestedingspatrone van besoekers, invloed op besighede en lekkasies te bepaal.

Deur gebruik te maak van die "benchmark indicator" metode is bepaal dat daar ongeveer 108 062 mense by die fees was, waarvan 93 306 besoekers was en 14 761 plaaslike inwoners. Totale spandering van besoekers was R91,9 miljoen en vir inwoners R5,5 miljoen. Met lekkasies in ag geneem het net R49,5 miljoen van besoekers se geld, R2,08 miljoen van inwoners se geld en R2,13 miljoen van die geld spandeer deur die organiserings kommitee in die Oudtshoorn ekonomie agter gebly. Die vermenigvuldiger was gereken op 1,43, dit gee dan 'n totale ekonomiese impak van R76,72 miljoen.

Die studie wys duidelik dat die KKNK 'n definitiewe invloed op die promosie van Oudtshoorn as 'n toeriste bestemming het. Meer aandag moet dus gegee word aan die bevordering van Oudtshoorn se besienswaardighede tydens die fees. En maniere moet gevind word om die plaaslike gemeenskap meer te laat baat by die fees, lekkasies moet met ander woorde geminimaliseer word.

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Chapter 1

Introduction and problem statement

1.1 Title

The economic impact of the Klein Karoo National Arts Festival in Oudtshoorn.

1.2 Keywords

Economic impact, impacts of tourism, events and economic impacts of events, cultural events, festivals, art festivals, event tourism, event management.

1.3 Introduction and problem statement

Tourism is the world's largest industry with an estimated value of \$3 500 billion per year (Tisdell, 2001:5). It is also the world's fastest growing industry. According to recent statistics, tourism provides 10% of the world's income and employs almost one-tenth of the world's workforce. It is estimated that by the year 2010, these numbers will double. All considered, tourism's actual and potential economic impact is astounding (Anon, 2000:1).

In South Africa tourism is, at the moment, the fourth biggest earner of foreign exchange and the industry is worth R10 billion per year. Tourism also provides job opportunities for approximately 600 000 people within South Africa; this excludes the informal sector (Saayman *et al.*, 1997:163).

In the tourism industry major events have been one of the fastest-growing segments. Event promoters emphasise their potential to attract tourists and their associated expenditure (Gelan, 2003). According to Getz (2000a) event tourism is the systematic planning, development, and marketing of special events as tourist attractions, image-makers, catalyst for infrastructure and

economic growth, and animators of built attractions. Events may range from mega-events, such as the Olympics and World Fairs, to community festivals (Mehmetoglu, 2002).

Special events have proliferated and diversified in the course of the past two decades. As the number of these events grows and the communities recognise their economic contribution, organisers begin to view these events from a tourism perspective. Special events have, therefore, become established as an integral and major part of tourism development and marketing strategies of many destinations (Mehmetoglu, 2002:93).

Event tourism can generate significant amounts of money into a specific area, for example, festivals in Victoria, Australia contributed between \$30 000 and \$1.5 million to the area (Anon, 2001a), while the Grahamstown festival had an estimated income of R35 million (Anon, 2002). The Klein Karoo National Arts Festival was the biggest South African festival with a gross income of R60 million in the year 2000 (Anon, 2000).

Similar studies that have been done are:

1. The economic impact of the British Open (Gelan, 2003). This paper quantifies the local economic impact of the 1999 British Open. The main difference between this study and the one done at Oudtshoorn is the fact that in this study the data collected came from the visitors alone, the local businesses made no contribution, whereas in Oudtshoorn data was collected from visitors as well as businesses.

2. The economic impact of the jazz music festival in Norway (Thrane, 2002). This research focussed on the relationship between visitors' interest for jazz music as a motivation for attending a jazz music festival and their subsequent personal expenditures during the festival. This study concentrated more on the relationship between the motivation for visiting an event and expenditure than the one in Oudtshoorn.

3. The impact of the 2000 America's Cup Auckland, New Zealand (Baker *et al.*, 2002). This study sought to examine the wider impact and implications of hosting a special event. Where this study looks at the total impacts of events, economic and non-economic, the study in Oudtshoorn focussed exclusively on the economic effects of the festival.

4. Economic impact of a birding festival (Kimm *et al.*, 1998). The purpose of this study was to determine the direct, indirect and induced economic impact of a birding festival on local economy. This study differs from the one in Oudtshoorn only in the size of the event, where Oudtshoorn had more than 100 000 visitors, the birding festival only had approximately 4 500 visitors.

5. Tourist's expenditures at heritage festivals such as the Scottish festival in North California (Chhabra *et al.*, 2002). The objective of this paper was to identify the determinants of expenditure at heritage festivals. The study focussed more on relating expenditures to age, income and other characteristics than the Oudtshoorn study did.

However, determining the economic impact of an event is not only about determining the gross income, but also the impact the festival has on job creation, government income, infrastructure and the balance of payments (Van Blarcom, 2001). However, the jobs created by tourism, the taxes generated, and the other benefits are not without cost. Among them are the added demands on public facilities and services, and the operations costs of a tourism industry (Van Harssel, 1994:155).

This is not the only shortcoming of looking only at the gross income of an event. Special events held at local facilities attract visitors from outside the area who spend money in the local economy thereby generating increased local incomes. The increased income spent in the local area generates greater revenues for local businesses, which in turn generates additional employer and employee incomes and more spending. Adding all the spending generated by visitors captures the local economic impact. Since the

succession of respending cannot be directly observed, and is, therefore, not known, it must be estimated using the multiplier concept (Van Blarcom, 2001).

Expenditure by tourists is a source of turnover by businesses in the host region, but large proportions of these gross receipts will quickly *leak* from the region, some as payments for goods and services purchased outside the region, some in tax to the government and some as remittance to absentee landlords and proprietors. Only what remains can be counted as income to local inhabitants (Henderson *et al.*, 1985:39). How much of the money spent in Oudtshoorn can be counted as income to the local community?

The Klein Karoo National Arts Festival takes place annually in Oudtshoorn for eight days in March/April. It is an Afrikaans festival, which offers visual and performing arts, including cabaret, music theatre, classical music and jazz.

Based on the above the following questions can now raised:

- How much money does the festival generate? In other words what is the total expenditure of visitors?
- What is the indirect and induced economic impact of the festival? In other words what is the multiplier effect?
- How much of the initial expenditure leaks from the area?
- How can these leakages be minimised in order for the local community to benefit more from the festival?

1.4 Goal and Objectives of the study

1.4.1 Goal

To determine the economic impact of tourists visiting the Klein Karoo National Arts Festival.

1.4.2 Objectives

The achievement of the goal relies on the following objectives.

Objective 1

To determine the reasons for, and methods of, conducting an economic impact study.

Objective 2

To define event tourism, identify the types of events and investigate why people visit events.

Objective 3

To determine how much people spent at the festival, on what did they spend their money, what are the leakages and how many jobs are created during the festival?

Objective 4

To make recommendations regarding future festivals as well as future studies.

1.5 Methodology

The methodology includes an extensive study of literature as well as a survey done at the festival. The objective of the literature study is to look at the effects of an event such as the Klein Karoo National Arts Festival on job creation, government income, inflation, and economic development, and to determine the positive and negative impacts of such events and to look at methods to determine the event's secondary and induced economic impacts. It will also define the field of event tourism, the different types of events, how to host a successful event and why events and festivals fail.

The following search keywords were used:

Economic impact on festivals

Art festivals

Economic impact of tourism

Economic impact of events

Event Tourism

Event management.

During the survey tourists and business owners were given questionnaires to complete. The Institute for Tourism and Leisure Studies at the University of Potchefstroom developed the questionnaire in collaboration with the organisers of the festival. At the festival, 400 visitor questionnaires were interviewer administered and the "recall method" was used, where respondents have to recall their spending. A destination-based survey was undertaken, where interviews were held on-site during the event. Different sites were chosen to limit response bias towards a certain group of visitors. The survey followed a non-probability sampling method, thus the respondents were selected randomly and the survey was distributed over the duration of the festival. According to the tables provided by Zikmund (1999), if an estimated 100 000 people attended the festival a sample size of 400 will be adequate to provide reliable results. A pilot study was done at the Aardklop Art Festival in Potchefstroom in 2002 to ensure that the questionnaire was successful. Students distributed the questionnaires. Training was provided to the students, which ensured that they understood the questionnaires and the process to be followed. The survey took place from the 28th of March to the 6th of April 2003. A business survey was also conducted, where 50 questionnaires were interviewer administered. The aim of the questionnaire was to determine which businesses benefited from the festival as well as the magnitude of leakages from the economy. Statistical services at the North-West University assisted in the processing of the data, the SAS computer programme was used to process the data. The number of tourists attending the festival will be determined using the benchmark indicator method. The total expenditure and leakages will be determined, and finally a basic Keynesian multiplier will be applied using a simple equation suggested by Vogel (2001).

1.6 Definition of terms

The following concepts are used regularly throughout the dissertation.

1.6.1 Special event

A special event is a one-time or infrequently occurring event outside the normal programme or activities of the sponsoring or organising body. To the customer a special event is an opportunity for a leisure, social, or cultural experience (Jago *et al.*, 1998:25).

1.6.2 Festival

A special event that is a public themed celebration. They celebrate something, which has value for the community... have been created specifically to give people something to share, to inform them, and to foster community pride. They can be performances or social dramas full of conflict and power statements ... are art forms ... are stories told, by members of a culture, about themselves (Allen *et al.*, 2000:162).

1.6.3 Economic impact

Economic Impact can be defined as the net change in an economy resulting from an event. The change is caused by activity involving the acquisition, operation, development, and the use of facilities and services. These in turn generate visitors' spending, public spending, employment opportunities, and tax revenue. Specifically, the economic impacts of expenditure are composed of direct, indirect and induced effects (Lee, 2001:1).

1.6.4 Direct effect

Direct effect is the purchases needed to meet the increased demand of visitors for goods and services (Lee, 2001:1).

1.6.5 Directs spending

Direct spending is the initial expenditure that creates direct revenue to hoteliers, service stations, and other tourist industries (Coltman, 1989:223).

1.6.6 Indirect effect

Indirect effects are the ripple effect of additional rounds of re-circulating the initial spectators' dollars (Lee, 2001:1).

1.6.7 Indirect spending

Indirect spending is the payment of salaries and wages to local employees. Tourist establishments replenishing their stocks are also indirect effects of the initial, direct, tourist expenditure (Coltman, 1989:223).

1.6.8 Induced effect

Induced effects are the increase in employment and household income that result from the economic activity fuelled by the direct and indirect effects (Lee, 2001:1).

1.6.9 Induced spending

As wages and salaries within the economy rise, consumption also increases and this provides an additional impetus for economic activity (Coltman, 1989:223).

1.6.10 The multiplier

The degree, to which money spent by visitors remains in the destination region to be recycled through the local community, is known as the *multiplier effect* (Tisdell, 2000; Van Harssel, 1994:164).

Tourism provides income for employees of hotels, restaurants, transport firms, places of entertainment, and, to a lesser degree, most of the nearby commercial businesses. These businesses, in turn, buy products from local suppliers. For example, food bought in a restaurant had to be purchased in a local wholesaler whose need, in turn, was satisfied by the agricultural and transport sector. Part of the money spent by tourists in hotels, restaurants and attractions goes to wages for employees, who, in turn pay rent and buy food. The total of all income is far greater than the sum initially spent by tourists. This multiplication can be expressed quantitatively and will indicate how much total income will increase as a result of tourist expenditures. The multiplier varies from region to region, and by segment of the industry within a region (van Harssel, 1994:164).

1.6.11 Leakage

Some money brought into an area by tourists will leave that area, in a process known as *leakage*. For example, if a tourist area has to import goods from another area, then money will leave the local area to pay for those goods, which reduces the multiplier effect on a local area (Coltman, 1989:225).

1.6.14 Tourism demand

Demand can be defined as the driving force of need in the economy, which stimulates entrepreneurial activity in producing goods and services required to satisfy that need, in exchange for the appropriate award (Bull, 1991:26).

1.6.15 Tourism supply

Supply can be defined as the value of final output that firms are prepared to sell plus the value of imports. The money that is paid out of firms goes into wages and profits, taxes and some is saved (Cullen, 1997:105).

1.6.16 Klein Karoo National Arts Festival (KKNK)

The Klein Karoo National Arts Festival takes place annually in Oudtshoorn for eight days in March/April; it is a South African celebration of the arts through the medium of Afrikaans. The festival, which first started in 1994, accommodates both visual and performing arts, for example cabaret, music, theatre, classical music, jazz and light music. Open-air concerts have become a unique characteristic of the KKNK. Since 1994 the festival has not only grown to be a household name, but also the biggest arts festival in South Africa. Today Oudtshoorn draws approximately 1000 artists in more than 200 productions and exhibitions over the eight days.

1.7 Chapter division

The study consists of five chapters. Chapter one includes the problem statement, aims, method of research, and definition of terms. Chapter two reports on the concepts of event tourism. Chapter three analysis's economic impact studies. The research methodology, analysis and interpretation of the

data are addressed in Chapter four. Conclusions and recommendations are made in Chapter five.

Chapter 2

Economic considerations of events

“ Every human society celebrates with ceremony and ritual its joys, sorrows and triumphs” Victor Turner

2.1 Introduction

According to Jago *et al.* (1998) a special event is a one-time or infrequently occurring event outside the normal programme or activities of the sponsoring or organising body. To the customer, a special event is an opportunity for a leisure, social, or cultural experience outside the normal range of choices or beyond everyday experience (p.25). But it is unlikely that a single, all-embracing definition of special events can be developed as such a phenomena includes a vast range of types. A framework will have to be presented that demonstrates the relationships between various categories of events (Jago *et al.*, 1998:29).

Events constitute one of the most exciting and fastest growing forms of leisure, business and tourism related phenomena. Inevitably, spectacular growth in the number and diversity of planned events has given rise to new business opportunities, careers, tourism implications and professionalism. Now the question can be asked what economic role does events play in these enterprises (Getz, 1997:1).

For any successful event, whatever the type, 5 critical phases can be identified. These are research, design, planning, coordination and evaluation. Although the event process may begin during any phase it is important that all phases be visited and understood. This is necessary in order to know where to make changes in order to increase economic benefit (Goldblat, 1997:62).

However, to determine the economic role and impact of events it is essential that attendance counts and estimates be known. Without this organisers cannot estimate total spending, nor can tourism planners calculate the impacts (Getz, 1997:287).

Another hurdle in calculating and determining impacts of events is the fact that there are no standard criteria for evaluating events. Criteria must be developed and greater accountability is needed (Carlson *et al.*, 2001:247).

After criteria has been determined to measure the successes and failures of an event, it is important to ask this final question, why do events fail, and when would an event be classified as failed? As much can be learned from failures as from success stories. Knowing the reason why festivals fail should help event managers avoid some of the pitfalls and aid in strategic planning (Getz, 2002:210).

This chapter will attempt to discuss and clarify the following concepts by examining existing literature. Types of events, critical stages of events, the economic role of events, attendance counts and estimates, event evaluation and reasons why festivals fail. The purpose of understanding these concepts is to determine exactly what events comprise of, which is necessary if effective changes are to be made to influence economic impact.

2.2 Types of events

Before looking at the types of events the commonalities should first be identified. The commonalities are: All planned events have one or more special purpose, and are of limited duration. Each is unique in its blend of management, programme, setting, and participants or customers (Getz, 2000b).

The types of events are identified in Figure 2.1

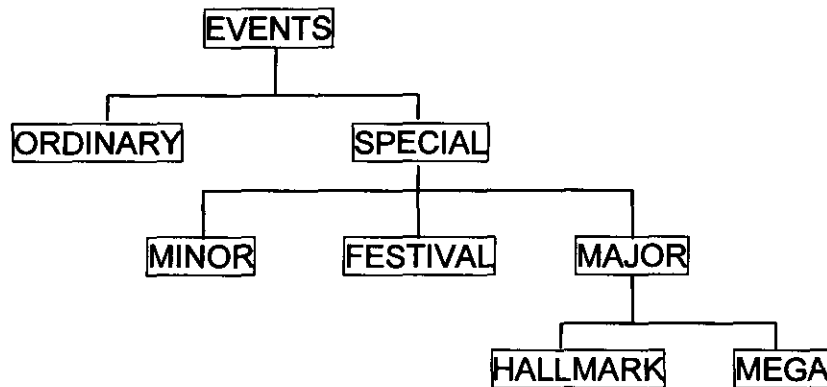


Figure 2.1: Diagrammatic event framework

The following hierarchical list of definitions follows the schema proposed in Figure 2.1 (Jago *et al.*, 1998:28):

Special event. A one-time or infrequently occurring event of limited duration that provides the consumer with leisure and social opportunity beyond everyday experience. For example the music jazz festival in Norway.

Major event. A large-scale special event that is high in status or prestige and attracts a large crowd and wide media attention. Such events often have a tradition and incorporate festivals and other types of events. They are expensive to stage, attract funds to the region, lead to demand for associated services, and leave behind legacies. For example the British Open.

Hallmark event. An infrequently occurring major event that is tied to a specific place whereby the destination and the event become synonymous. Although such events are generally on a national or international scale they can be events that dominate a particular region. For example, Wimbledon tennis championships.

Mega-event. A one-time major event that is generally of an international scale. For example, the world summit on sustainability, the Olympic games and the world cup cricket and soccer tournaments

Festival. A special event that is a public themed celebration, they celebrate something which has value to the community ... have been created specifically to give people something to share, to inform them, to foster community pride. They can be performances or social dramas full of conflict and power statements ... are art forms ... are stories told by members of a culture about themselves. For example, the Mardi Gras in New Orleans (Allen *et al.*, 2000:162).

For any successful event, whatever the type, 5 critical stages can be identified. It is important to understand these stages if alterations are later to be made to change any aspect of the event.

2.3 Five critical stages of events

All successful events have five critical stages in common to ensure their consistent effectiveness. According to Goldblatt (1997:31) the five phases or steps of successful event management are research, design, planning, coordination and evaluation.

Research

Excellent research reduces risk. The better the research conducted prior to the event the more likely it is to produce an event that matches the planned outcomes of the organisers and stakeholders. An event is a product that is placed before the public with reasonable expectation that they will attend. Therefore, it is imperative that careful and accurate consumer research is conducted to reduce the risk of non-attendance.

Design

Having thoroughly researched your event and determined that it is viable, time may now be allotted to the right side of the brain – the creative capacity – to create a general blueprint for ideas. In this phase it has to be determined if the various elements created – from advertising to décor, from catering to entertainment, and everything in between – meet the tourist's expectations.

This could also be called the “planning to plan phase” because it involves so many complex steps related to the next phase, however after approval is granted it is on to the next important phase: the actual planning period.

Planning

The planning period is typically the longest period of time in the event management process. Ideally the better job done in the research and design area the simpler and briefer the planning period will become. The planning phase involves the time; space and tempo laws to determine how to best use the immediate resources. These three basic laws will affect every decision made; how well it is made use of will govern the final outcome of the event.

Coordination: Execution of the plan

As the light turns green the tempo accelerates and the problem now is coordinating the minute-by-minute activities of the event itself. While it is true that event managers should maintain a positive attitude and see problems as challenges in search of the right solution, it is also important to apply critical analysis to every challenge.

Evaluate

The first phase – research – is connected to the last – evaluation. In this phase the question has to be asked, “What has to be evaluated and how will it best be accomplished?” Events may be evaluated by each component part of the event management process or through a general comprehensive review of all the phases. It is up to the event manager and the stakeholders to decide what information is required to improve the planning and then implement effective strategies to accomplish this phase.

This Event Management process is the conceptual framework of every effective event. The process is dynamic and will require selectivity by the event manager to determine how to proceed to best accomplish his or her objectives. It is essential that every phase be considered, visited and understood.

Understanding the stages of events will also help the event organiser to understand the economic role of events, this is an important issue that will be discussed in 2.4.

2.4 The economic role of events

Global travel continued to increase throughout the 1990s. Long-distance travel is also increasing, and at a rate faster than the global average. The opportunities for event tourism appear to be strong almost everywhere, although it is known from recent history that recessions, terrorism, disease and armed conflict will impact on specific destinations (Tisdell, 2000; Tisdell, 2001).

What trends and forces are there influencing the events sector and what are their major implications?

The following economic trends have been identified:

- ❖ The 1990's were regarded as a decade of slow growth and retrenchment.
- ❖ The consumers' time and income were squeezed; and consumers lacked confidence.
- ❖ Only a few enjoyed prosperity, many others had to be content with unemployment and underemployment.
- ❖ Most families rely on income from both the mother and the father.
- ❖ There has been continued growth in long-distance pleasure travel.
- ❖ The increase in global trade has meant more business travel.
- ❖ Consumers tend to take shorter but more frequent trips.
- ❖ Businesses and events have had less government support and cutbacks are the norm, not the exception.
- ❖ Corporations have become leaner, with fewer employees, and more bottom-line orientated.
- ❖ More women can be found in the workforce, as well as more part time and temporary jobs.

- ❖ The lines between volunteer and paid work is no longer definite, often volunteer workers do get paid for the work they do.
- ❖ Events and destinations have become highly competitive.
- South Africa has had to deal with political, social and economic transformation.

The implications of these trends for the events sector are:

- ❖ Business owners have to stress value for money, quality, convenience and affordability.
- ❖ Prices have to be carefully determined specifically for target markets, and events need some free elements to act as draw cards.
- ❖ Competition in events has increased dramatically, and with the competition also the financial risk.
- ❖ Events need to acquire a business-like management style to succeed and stay competitive.
- ❖ To succeed professional event management is a necessity.
- A new market is developing in senior citizens, who now have the money and time for travelling and events.
- ❖ Events have to cater for foreign tourists and short break domestic trips.
- ❖ An increase in poverty has created the need for more fundraising events.
- ❖ Because of less government support the reliance on sponsorship has increased, but sponsors also demand more for their money.
- ❖ If the government lends its support they act more like corporate sponsors and demand accountability.
- ❖ More events are held to make a profit and the private sector's involvement is increasing.
- ❖ Events and venues focus on minimizing leakages to maximise the economic impact on the region.
- ❖ Increased emphasis on event tourism is inevitable (e.g., creating and bidding on events; more and larger venues; more themed years and attempts to create Hallmark events; more packaging).
- ❖ Demand will continue to grow for events, business meetings and conferences (Getz, 1997:39).

Figure 2.2 illustrates the economic role of events:

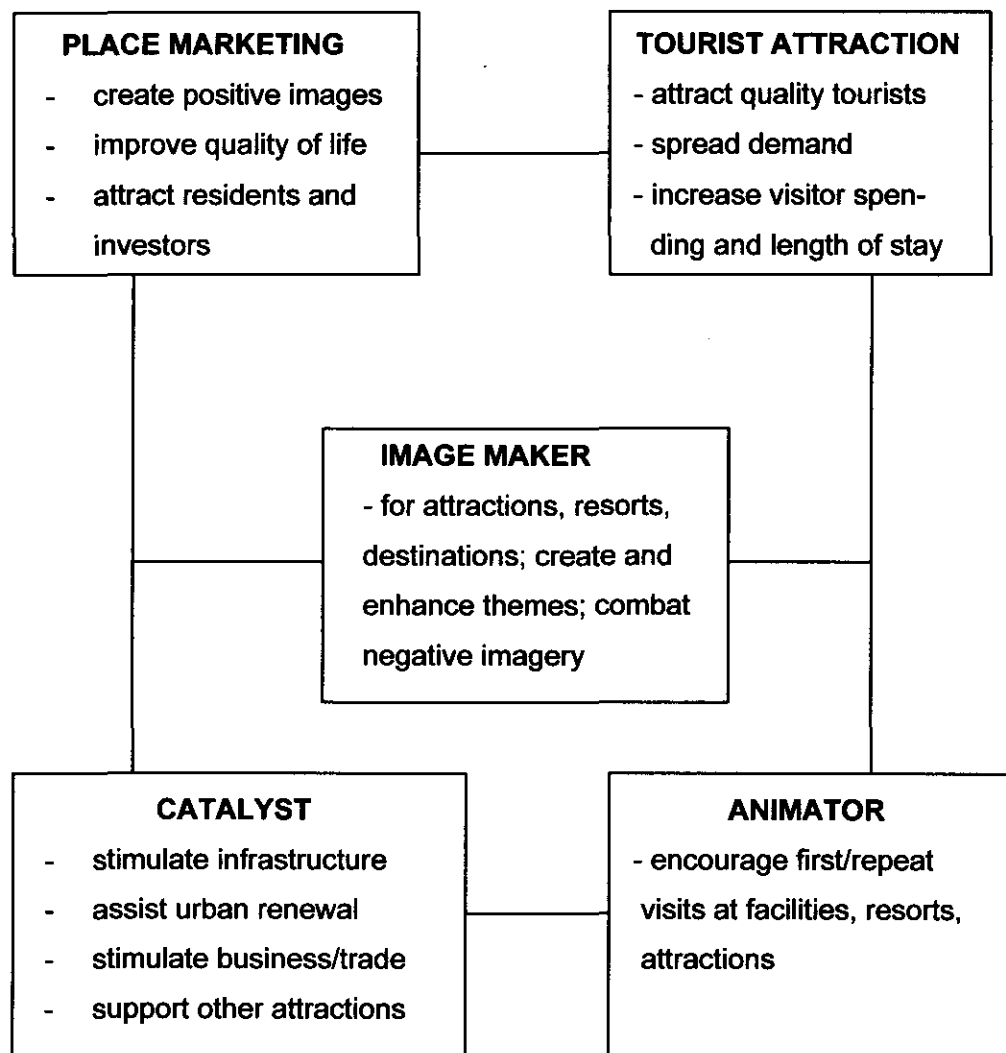


Figure 2.2 Economic roles of events

Source Getz, 1997:40

The tourism industry is in many places pre-occupied with overcoming traditional “seasonality problems” – that is, demand is concentrated on one or more “peak seasons” rather than being spread uniformly over the year. Events have unique advantages in overcoming seasonality. They can capitalize on whatever natural appeal the off-season presents, such as winter as opposed to summer sports, seasonal food and produce and scenery or wildlife viewed in different places and under changing conditions.

How can local income be maximised from events? The following objectives should be met (Chhabra *et al.*, 2002):

- Make the event long enough and attractive enough to encourage overnight stays in the host community or destination area.
- Ensure sufficient accessibility and accommodation so that both tour and individual travellers are able to make convenient overnight stopovers specifically for the event.
- Encourage residents to invite guests to stay with them during the event, and to take guests to the events.
- Provide sufficient merchandising to attract visitors spending at the event.
- Coordinate events and other attractions to build a “critical mass” sufficient to attract and hold visitors in the area.
- Research is necessary to identify and measure the linkages and leakages, and where exactly gains can be realised.
- The event should employ mostly local people for staff and performers.
- Require the licensing of merchants/vendors/exhibitors so that locals can be given priority, or a share of the profits kept locally.
- Make purchases from local suppliers.
- Put profits back into community projects.
- Make sure that all the visitor’s needs are provided for at the event locally.

To determine the economic role of events it is also important to know how much of the economic activity is due to the presence of the tourists and how much is caused by the local community. It is thus important to determine the number of visitors that attended the festival (Dwyer *et al.*, 2001).

2.5 Attendance counts and estimates

Without reliable numbers of attendees, organisers cannot estimate total spending, nor *can* tourism planners calculate the impacts; the proportion of

repeat visitors cannot be determined, nor can market segments be estimated; trends cannot be established and forecasting is hindered. If total visitation is not known, organisers will be unable to estimate total tourist spending, which can only be calculated by multiplying the average spending of all visitors by the total number of visitors (Getz, 1997:287). According to Denton *et al.* (1993) the following methods can be used to estimate the number of people that attend an event:

Benchmark and Indicators

A benchmark is the initial attendance count or estimate against which future counts/estimates are compared to establish trends. Other “indicators” of attendance can be linked to this one-time attendance figure, and the indicators monitored to make future estimates. One common indicator is that of total sales, based on the assumption that if X number of visitors generated Y amount of sales, then any growth in future sales indicates that attendance has increased proportionately.

The best indicators will be those thought to be directly dependent on the size of the crowd, such as: total receipts, number of items consumed, attendance at one easily measured activity or site. Over time it is probable that the linkages between total attendance and these indicators will change, so if they are used it must be with caution and with monitoring of the factors that might cause divergence, for example, competition for new items or the weather.

Parade counts

The simplest approach is to determine the depth of the crowd at a point (e.g., five deep) and apply this figure to the parade length (e.g., five persons per meter x 2 kilometres). Big errors are likely, however, if any of the following occur:

- People bunch together in clusters because some points on the route are highly favoured or viewing is impossible;
- Attendance peaks just as the parade passes;
- Viewers move along with the parade.

Static crowds

Where a crowd occupies a space, and there is no significant coming or going, a simple grid sampling can be used to make a reliable estimate of attendance. Divide the space into equal cells by fixing reference points along the perimeters. It does not matter much that the site is irregular, as long as there are sites covering all places where visitors will stand/sit. Sample at least 30. If cells are small there is no need to worry about clustering, because the differences between cell occupancies will be small. If clustering is a problem you must separately count the cells where bunching occurs or where occupancy is abnormally low. The estimate is then derived, in the same way as for parades, by multiplying the average cell occupancy by the total number of cells included, then adding the counts from separate cells.

Vehicle counts

In some cases it might be possible to count all vehicles arriving at the site(s). Buses, boats, trains, or planes would be counted separately, so that the total arrivals by these modes are known. For cars an average number of passengers must be estimated by counting the number in every n th (say every 20th) car. The average is then multiplied by the total number of cars. To make this work will require one or more observers to count all arrivals, and all entrances must be covered.

Counting moving pedestrians

Like vehicles, pedestrians can also be counted as they enter or leave the event area, even if there are no gates. In this system observers must cover all entrances and either count all arrivals/departures or take sample counts regularly. For example, over an 8-hour event a 1-minute sample every 15 minutes would yield 32 counts. Much like the parade segment and crowd cell counts, the average count for 32 sample minutes is multiplied by the total number of minutes in 8 hours (480) to the estimate of arrivals. And like those other methods, blocks of time known to have very high or very low arrivals should be isolated and counted separately.

Entry point count

If visitors are required to pay an entrance fee and the entrance and exit of tourists is controlled at a single point, the number of people entering the event can simply be counted. The exact number of visitors can thus be calculated, but it requires a single point of entry.

Tag and recapture

This method was borrowed from the wildlife estimation techniques and involves the “tagging” of randomly selected visitors as they enter (at least 10% of them), followed by subsequent random selection of visitors on site to determine what proportion of them were tagged. A number of conditions have to be met and statistical estimation techniques are required.

Market area surveys

If the primary market area is known, a post-event random household survey, most easily undertaken by telephone, can be used to estimate total attendance. Selected respondents must be asked who in the household attended what events, when, and how many times. The problems are twofold: long distance tourists will have to be ignored, or estimated by some other means; telephone-based sample frames contain errors because of unlisted numbers, households that have no phones, and potentially high non-response rates.

Aerial photographs

Attendance can also be determined using aerial photographs. Photographs are taken from the air and the number of tourists on the photograph are counted using grids. For this method, however, the event area needs to be clear, no covered venues like tents and areas with large trees can, therefore, be used.

Triangulation

Where there is uncertainty about the attendance, using two or preferably three independent methods is recommended – this is called “triangulation.” Either the results of separate estimates can be averaged, or they can yield high and

low bounds. An example is at an open event where peak crowd size is estimated by way of a grid cell count and total attendance is estimated by way of vehicular counts and a market area survey.

It is clear that estimating attendance at open events is difficult. No 100% reliable count is possible unless there is complete control of entrances and exits, and statistical reliable estimates are only possible when random samples can be taken. When accurate counts and estimates are not possible, consider employing the following measures:

- peak attendance (the highest number present at one time)
- paid attendance (ignore the unpaid)
- attendance at key venues or activities.

Perhaps the real measure of success is sales or revenue, rather than how many people attended. But if any kind of tourism analysis is desired, it will be essential to conduct visitor surveys and attendance counts. However, before visitor surveys can be conducted it is critical that both the pre and post-event evaluation criteria be set up (Getz, 1997:290).

2.6 Event evaluation

The following discussion examines the pre- and post-event criteria for event evaluation, and suggests factors that should be considered when framing a model for standardised evaluation of events (Carlson *et al.*, 2001:247).

Pre-event evaluation criteria

- ✓ Potential risk exposure for the tourist destination area. Possible measures of potential risk exposure would include an analysis of the spread of liability among partners, sponsors and other agencies involved in the event.
- ✓ Probability for success. Factors to be considered include: Market feasibility; projected level of interest from sponsors, government and the general public; growth potential; target markets; degree of competition; timing and geographic location.

- ✓ Compatibility with existing venues. Analysis of the compatibility between the event and the existing event venues should be undertaken.
- ✓ Potential community benefits. A concerted effort is needed to quantify the extent to which the event produces community cohesion, improved health through participation, greater awareness of charities and funds raised. There should also be an estimate associated with social problems rising from the event.
- ✓ Potential environmental impacts. It may be necessary to adopt a full environmental impact assessment process similar to other development projects.
- ✓ Event manager's capability. This criterion is related to risk exposure and probability of success and should involve some assessment of the event management organization's track record.
- ✓ Forecasting number of tourists. The forecast number of event-related visitors is a key determinant of the economic and financial impact of an event.
- ✓ Fit with the destination image/brand. The degree to which the events fit the destination area's image/brand should be assessed.

Post-evaluation criteria

- ✓ Economic impact. Economic impact models have been the focus of numerous post-event studies and the techniques are well-documented.
- ✓ Number of international visitors. Additional international visitors are often the key indicator of the success of mega-events and hallmark events.
- ✓ Direct visitor expenditure. Visitor expenditure could be used to calculate yield per visitor at events as well as in the host community or destination.

- ✓ Value of media coverage. There is an increased effort to estimate the value of media coverage and greater awareness leading to increased tourism, before, during and after the event.
- ✓ Financial results (profit/loss). This provides an indication of the viability of the event and the extent to which it may achieve financial self-sufficiency in the future, thereby reducing reliance on public funding.
- ✓ Cost-benefit analysis (CBA). CBA has two dimensions, tangible and intangible costs and benefits. While the techniques for estimating tangible costs are well-established, there is a need to develop better measure for intangible costs and benefits.
- ✓ Environmental Impacts. The on-site and off-site impacts of the event should be monitored and controlled to gauge the impacts to the natural and built environment.
- ✓ Community (socio-cultural) Impacts. New techniques need to be devised to evaluate socio-cultural impacts such as promotion of multiculturalism, awareness and acceptance of minority groups, and changing community perceptions.
- ✓ Yield per visitor. Yield is the net benefit accruing to the host destination directly resulting from the event. An estimate of yield could be based on the CBA results.
- ✓ Future use of purpose built facilities (Legacy). The future use of facilities will ameliorate the initial costs of venue construction and maintenance over time (Carlson *et al.*, 2001).

A standardised model for evaluating tourism events has never been fully developed, despite the need for such a model. Evaluation of the economic significance of events has emerged as an issue of some importance that needs to be addressed. With the scale and scope of event tourism continuing to grow nationally and internationally, there is potential for the development of

an agreed framework for evaluation of tourism effects that could be applied to all major events (Mill *et al.*, 1985).

2.7 Why festivals fail

Just what exactly is failure? In a commercial setting, bankruptcy is clear evidence of failure, but shutting down a business is not. Owners might simply wish to re-invest elsewhere. Most festivals, however, are in the public and non-profit sectors; different standards of success and failure apply (Getz, 2002:210).

Outright disappearance seems to be a clear case of festival failure, but rebirth in some other form or at some other venue might also constitute failure. The perceptions of all stakeholders, including managers, supporters, participants and the public should be tapped in determining what is failure, as it will reflect their different goals and expectations (Dwyer *et al.*, 2001).

No doubt the variety of problems and causes of failure are substantial, with financial troubles heading the list (Harris *et al.*, 2001). Two general schools of thought exist on the question of organisational change and failure. One is the resource dependency theory, which suggests that managers or organisations can influence their own survival through strategies designed to adapt to changing environmental forces. The other school of thought centres on the destination life cycle theory (Dwyer *et al.*, 2001).

Resource dependency theory

Interdependencies between organisations can be critical in their ability to acquire and effectively use resources, as in the case of numerous festivals that must attract grants, subsidies, and sponsorship from other organisations in order to commence and survive. Resources are often scarce, and competition exists, so the successful festival must become effective in securing and sustaining resources (Jago *et al.*, 2003).

External forces are important potential causes of failure, especially the weather and competition, including competition from similar events in the area and competition from events at the same time. Because weather is such a universal issue for event planners, it has to be asked if dependence on good weather is not a management failure. However, for some events there are few choices other than an outdoor venue. The serious competition problem raises the issue of target marketing and choice of dates, which are controllable by management (Royal *et al.*, 1998).

Leakages can be another reason for failure. If the leakages in an area are too high, the expenditure of the area or town will be more than the income received due to most of the income leaking out of the area, this can result in event failure.

Success will to a large extent stem from the festival's ability to identify sources and to adapt to changing environmental conditions. What most festivals want, of course, is a stable, predictable supply of critical resources. Are they prepared for the opposite set of conditions (Schwer *et al.*, 2000)?

Destination life cycle theory

Here it is the market that is important. While the popularity of event themes and programmes might be expected to rise and decline, depending on factors such as fad, fashion, publicity, and competition, so too might the fortunes of event organization (Soonwan, 2003). Unlike permanent attractions, events can be moved spatially, and temporally in response to environmental or internal problems, can be shut down for a year or more, and even reincarnated under a new name and management, without necessarily suffering permanent harm. The case of the Canadian Tulip Festival, is instructive, as this event was deliberately renamed Festival of Spring, went bankrupt, then remerged as the Canadian Tulip Festival under new management (Hulkrantz, 1998).

In a commercial context, the life cycle is measured in terms of both sales and profits, with sales first growing quicker than profits, followed by profits

declining as price competition intensifies. Because many events are of the non-profit nature, other measures of value or success will be required. Usually attendance is taken as the best measure of demand, but it could be meaningful to specify paid versus free attendance, total expenditure of visitors, the proportion of tourists versus residents attracted, length of tourists' stay, or the ratio of repeat to first time visitors. If intangible methods are to be used, it will be more difficult to monitor evolution of an event through the life cycle (Crompton, 1999).

Can there be too many events? Jones (1993) said there were an estimated 900 festivals each year in the UK, and noted, "there is a danger that we may be reaching saturation point" (p.24). She observed that a report by the Policy Studies Institute in 1992 discovered that over one half of festivals were running at a loss and concluded that organisers would find increasing difficulty in competing for audiences.

This theory could give rise to a fatalistic view of the event life cycle, but it also stimulates thinking about the value and survival of festivals in general. In cities, for example, the failure of one arts festival might be necessary for others to emerge and for innovation to occur. An overview of the festival sector is, in this context, more important than trying to preserve all festivals (Getz, 2002:218).

There is substantial evidence that many festivals fail or undergo crises that threaten their existence, and that this phenomenon is widespread. Understanding the potential causes of failure, however, can provide producers and managers with ideas to improve the chances of success (Getz, 2002:217).

2.8 Conclusion

The world of event management and event tourism covers a kaleidoscope of planned cultural, sport, political, and business occasions: from mega-events

like the Olympics and world fairs to community festivals; from programs of events at parks and attractions to visits by dignitaries and intergovernmental assemblies; from small meetings and parties to huge conventions and competitions (Getz, 1997:1).

The number of special events offered in many regions has grown at a very substantial rate in recent years. This assertion can be supported by noting the increase in size of annual special event calendars that are produced by many tourism authorities (Jago *et al.*, 1998:21).

“Event tourism” was a new term in the 1980s, but it has become firmly established as a major component of special interest tourism and a significant ingredient in destination and place marketing strategies. It is, in marketing terms, akin to adventure, sport, eco-tourism and other special interest markets. Every community and destination can employ events effectively in a tourism role, because events help meet any social, economic, cultural and environmental roles (Baker, 1994).

Festivals have a rich history in both ancient and modern worlds. Research on festival attendees, however, is more contemporary (Schneider *et al.*, 1997:139). With the beginning of a new century we will certainly witness substantial growth and increasing maturity in the event management field, more substantial and integrative research and debate will accompany these developments (Cullen, 2000).

Chapter 3

Economic impact study

“Every dollar spent is a dollar income to someone else” John Maynard Keynes

3.1 Introduction

Economic impact in events can be defined as the net change in an economy resulting from an event. The change is caused by activity involving the acquisition, operation, development, and the use of facilities and services. These in turn generate visitors' spending, public spending, employment opportunities, and tax revenue. Specifically, the economic impacts of expenditure are composed of direct, indirect and induced effects. Direct effect is the purchases needed to meet the increased demand of visitors for goods and services. Indirect effects are the ripple effect of additional rounds of re-circulating the initial spectators' dollars. Induced effects are the increase in employment and household income that result from the economic activity fuelled by the direct and indirect effects (Lee, 2001:1).

When looking at the effects of tourism it is important to identify the advantages and disadvantages. Not all advantages and disadvantages can be measured or quantified in money terms but they must be taken into account (Archer *et al.*, 2000).

After looking at the rationale for undertaking an economic impact study one must place great importance on the research methodologies used to collect this data (Yaun, 2001).

But when examining the data collected, simply looking at the total of all tourist expenditures would be a mistake. This is because money spent on goods and services will be spent over and over again in the local community. This concept is known as the multiplier effect (van Harsseel, 1994:164).

The multiplier effect, however, is not the only way to determine the secondary economic impact of an event. The input – output analysis tries to show how the effects work through an economy based on specific supply and demand interactions between different industries or sectors (Bull 1991:143). And another method is the cost benefit analysis, it is a hypothetical experiment intended to answer the question of whether or not society would be better off after the implementation of the proposed project (Smith, 1995:284).

To understand the total economic impact of an event it is also important to understand the principles of supply and demand. Another important measure of the economic impact of an event is the creation of job opportunities and the effect it has on government income and subsidies (Van Blarcom, 2002:1).

The relative and absolute importance of tourism in peoples' expenditure budgets has risen dramatically, with consequences not only for the welfare of the tourists themselves but also for the residents of the area they visit. The large number of tourists and the scale of their expenditure have considerable effect on the income, employment, government revenue, balance of payments, environment and culture of destination areas. A fall in demand can bring about decrease in living standards and rises in unemployment, while increased demand can result in higher employment, income and output. Thus, tourism demand affects all sectors of the economy – individuals and households, private businesses and the public sector (Sinclair *et al.*, 1997:15).

This chapter will attempt to clarify and discuss the following concepts: The advantages and disadvantages of event tourism, the rationale for undertaking an economic impact study, the multiplier effect, the input output analysis, the cost benefit analysis, the research methodologies involved, the principles of supply and demand, job opportunities and the role of the government in event tourism.

The end goal is to understand all aspects of economic impact studies as well as have a clear understanding of why is important to do an economic impact study, and who benefits from it.

3.2 Supply and Demand

The economic cycle depends on the supply and demand of goods and services. Therefore, it is necessary to clarify the concepts of tourism supply and tourism demand.

3.2.1 Tourism supply

Supply can be defined as the value of final output that firms are prepared to sell plus the value of imports. The money that is paid out of firms goes into wages and profits, taxes and some is saved. This includes the shows, food, beverages, and curios at the festival (Cullen, 1997:105).

The act of supply requires the willingness and ability of a tourism organisation to acquire resources, including goods and services produced by other organisations, and to process those resources into an output of products (e.g. cultural souvenirs) for sale to visitors. Most analysts would nowadays include the roles of marketing the destination as part of supply (Bull, 1991:78).

Generally as the price of a product or a service increases, the supply rises. This gives rise to the supply curve, which is illustrated in Figure 3.1.

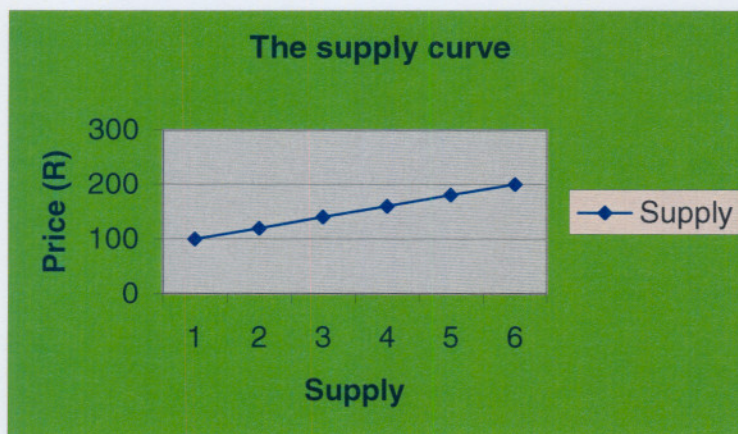


Figure 3.1: The supply curve

Source: Tribe, 1999:55

The supply slopes upwards to the right and plots the relationship between price and supply. The reason for this is that, as price rise, the profit motive

stimulates existing tourism organisations to increase supply and induce new tourism suppliers to enter the market (Tribe, 1999:55). Thus it is clear that as price rises from R100 – R120, supply rises from 1 unit per week to 2 units per week (Figure 3.1).

These new tourism suppliers must also consider what barriers to entry may exist, and whether they can be surmounted. Barriers to enter travel and tourism are not overwhelming (Bull, 1991:78).

3.2.2 Tourism demand

Demand can be defined as the driving force of need in the economy, which stimulates entrepreneurial activity in producing goods and services required to satisfy that need, in exchange for the appropriate award. In other words it is the need of the tourist to eat, drink, see shows and buy curios (Bull, 1991:26).

Generally as the price of a product or services decrease, the demand rises. This gives rise to the demand curve, which is illustrated in Figure 3.2.

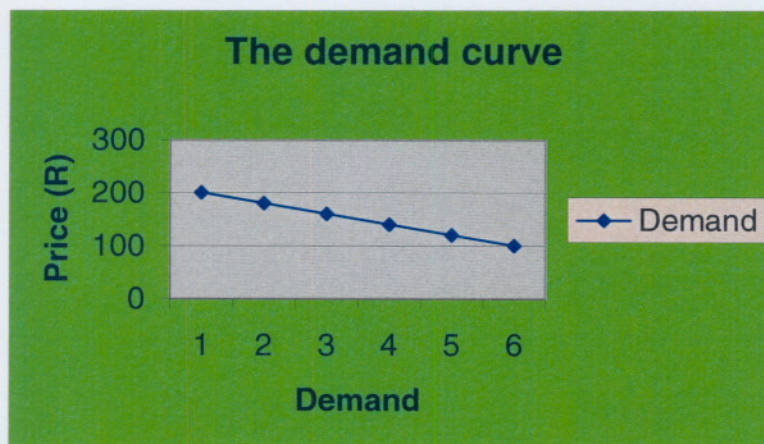


Figure 3.2: An illustration of the demand curve

Source: *Tribe, 1999:56*

The demand curve slopes downward to the right and plots the relationship between a change in price and demand. The reason for this is that, as price decreases, the power to buy stimulates the tourist to increase their demand for certain products and services (Tribe, 1999:56). Thus it is clear that as price

decreases from R200 to R100, demand rises from 1 unit per week to 2 units per week (Figure 2.3).

Although it seems as if tourism supply and demand can function in isolation, it is not possible as supply and demand are interdependent. The level of economic activity depends on the demand for and the supply of final goods and services. The latter is represented by the supply and demand curves in Figure 3.3 (Cullen, 1997:104; van Heerden, 2003).

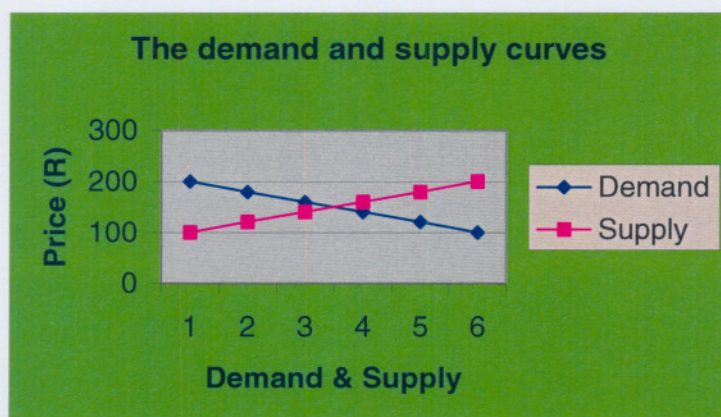


Figure 3.3: An illustration of the supply and demand curves

Source: Tribe, 1999:57

3.3 The economic advantages and disadvantages of event tourism

Events have many advantages and disadvantages, they will be discussed in 3.3.1 and 3.3.2.

3.3.1 Advantages

An economic benefit or advantage is best understood as a gross increase in the wealth or income, measured in monetary terms, of people located in an area over and above the levels that would prevail in the absence of the activity under study, *ceteris paribus* (Ritchie *et al.*, 1994).

Tourism offers entrepreneurial opportunities; it creates a variety of opportunities for the potential entrepreneur. Different entry levels to the tourism industry make it easier for SMME (Small, medium and micro enterprises) development (Saayman, 1997:19).

One advantage of tourism is that it provides income to an area, and because tourism is highly labour intensive compared with many industries such as manufacturing, it is also a major employer. In the United States tourism jobs provide more than 5 percent of total payroll employment representing well over five million jobs (Coltman, 1989:221).

As long as the suprastructure (airports, and hotels, for example) is available, tourism also helps stimulate the development of needed infrastructure. (Medlik, 2003).

Because tourism cannot easily be contained, it can lead to other trades being stimulated, like industry, agriculture and mining. And not only does it generate foreign currency when international tourists visit a foreign country, it also has an important multiplying effect when money is respent in the host community (Saayman, 1997:20).

Tourism also creates government revenue in the form of taxes, which can be direct (such as sales tax on hotel rooms or restaurant meals, airport taxes, departure fees, customs duty, and visa charges) or indirect (such as higher earnings and thus increased income taxes paid by those employees) (Tisdell, 2000).

3.3.2 Disadvantages

The costs of travel are normally thought of as the explicit prices the traveller pays for a trip, the "private costs." However it is important to recognise that the traveller does not pay all of the costs associated with a trip explicitly. Some are paid explicitly and implicitly by others (Ritchie *et al.*, 1994).

Tourism is often seasonal, which means that local businesses have to survive on less revenue than if they had year round tourism. Similarly employees have jobs for only part of each year. Tourism can also increase local property values, which can be good for the seller, but can be disastrous for potential purchasing of a home or a business (Coltman, 1989:222; Walo *et al.*, 1997).

In many developed towns, regions and countries where tourism was suddenly “discovered” as an economic stimulus, the industry grew so quickly and dominated the economy to such an extent that an unhealthy dependence on it has arisen. It is known that any economy that leans too heavily on one product or industry runs the risk of easily being hurt. An unexpected serious recession or the outbreak of political unrest, or even the start of an alternative source of income, can overnight have catastrophic results for such a community (Saayman, 1997).

In some societies tourism can also increase the cost of daily necessities, such as sewage and trash disposal, water, public safety, operational cost, signs and maintenance of local roads (Van Harssel, 1994:156).

Over-enthusiastic stimulation of tourism leaves behind the rest of the economic sectors necessary for a balanced economy. Sectors of society that often suffer under tourism development are social sectors like education, teaching and health (Saayman, 1997).

When local agriculture is no longer able to meet demands of both tourists and residents, food items must be imported at higher costs, but this also raises the prices of local goods. As people leave their trades to work in tourism, the goods they used to produce must now be imported at higher costs. This leads to inflation of prices of goods and services for residents (Medlik, 1999; Coltman, 1989:222)

The tourism multiplier is to the advantage of the economy, but what must be kept in mind is the fact that tourism tends to draw people from other sectors. When a slump is experienced in the tourism industry, these people do not

have the equipment, capital or knowledge to once again adapt to their old professions, and because the tourism industry lets other sectors dwindle, it also leaves some workers, trained for a specific profession, unemployed (Saayman, 1997:22).

In some cases, particularly in less developed countries, the government allocates funds for tourism development that would be better spent on social services such as education or health care. When this happens, the country becomes too dependent on tourism for its economic survival (Coltman, 1989:222).

The development of specialised services like those existing in the hotel industry or transport services often do not create work for the local people. A skilled labour force is usually imported from somewhere else. The local population thus benefits very slightly because only a limited number, including the low income, unskilled category are employed (Saayman, 1997:22).

In addition to economic advantages and disadvantages tourism also poses political, cultural, social, moral and environmental changes upon the host country. Although such costs are rarely quantifiable in money terms, they must be taken into account (Archer *et al.*, 2000). Therefore, the disadvantages or costs of tourism should consider both the fiscal and quality of life costs as indicated in Table 3.1 (Frechtling *et al.*, 2000).

Table 3.1: Direct incidental cost of tourism to a community

Life-quality cost	Fiscal cost
Traffic congestion	Highway construction, police services, public transportation, port and terminal facilities
Crime	Police services, justice system
Fire emergencies	Fire protection
Water pollution	Water supply and sewage treatment
Air pollution	Police services, public transportation

Litter	Solid waste disposal, police services
Noise pollution	Police services, zoning
Destruction of wildlife	Police services, park and recreation facilities, fish and game regulation
Destruction of scenic beauty	Park and recreation facilities, police services
Destruction of social/cultural heritage	Maintenance of museums and historic sites, police services
Disease	Hospital and other health maintenance facilities, sanitation facilities, food services regulation
Vehicular accidents	Police services, justice system

3.4 Reason for conducting an economic impact study

The conceptual rationale for undertaking economic impact studies can be explained as follows. Residents of a community pay funds to their city council in the form of taxes. The city council uses a proportion of these funds to subsidize production of an event or development of a facility. The event or facility attracts non-resident visitors who spent money in the local community. This new money from outside the community creates income and jobs in the community for residents. A key purpose of economic impact studies is to measure the economic return to residents (Crompton *et al.*, 2001; Schneider *et al.*, 1997).

There is, however, doubt that events that utilise public subsidies always bring positive economic benefits into communities. Lee (2001), proposes the following reasons for an economic impact study: First, economic impact studies continue to be an important public relations tool for city government. Secondly, there is doubt that events may actually help develop a community. Therefore, accurate estimates should be proposed and the results should be reported to community members. Thirdly, the results of economic impact studies may be the cornerstone to develop many related businesses in

communities. Finally, positive or negative economic results may be an important method to determine communities' draft budget for the coming year.

Van Blarcom (2001) also states that economic impact analysis can provide critical information on the efficacy of economic development policies. Such analysis, therefore, represents an important policy tool, which can be used to assess the effectiveness of recreational facilities and events in increasing local economic activity.

In a world of scarce and often diminishing fiscal resources, there is a need for tourism practitioners to be able to successfully compete for funds at all levels of government. Most individuals involved in providing recreation feel the constant pressure to justify the impact and value of tourism services relative to other segments of the town/municipality/provincial budget. One of the criteria used to evaluate the use of public funds is their "economic impact" (Burns *et al.*, 1986; Crompton, 1999; Archer, 1994).

Consequently, there is a need for those involved in tourism to know the significance of their services in terms of these economic impacts on their community. With such information practitioners can illustrate that tourism services have the ability to make significant economic contributions to the local economy. Knowledge of the economic impact process and the ability to conduct credible analysis can increase the ability of tourism practitioners to successfully secure funds to meet their service demands. Use of such knowledge to demonstrate the economic benefits generated by tourism events gives practitioners another tool to educate government officials and the public at large, so that budgets more accurately reflect the importance of tourism in local communities (Van Blarcom, 2001:4; Getz, 1993).

3.5 Methods for undertaking an economic impact study

There are varied methods, which can be employed to study tourism's impact (Fletcher, 1989). However, although there is a good deal of literature output in

the field, a consistent and comprehensive methodological framework has not yet been developed (Gelan, 2003).

Although tourism's benefits are varied it is the economic offerings that overwhelmingly define its importance. Such reliance on economic impact figures places great importance on the research methodologies used to collect this data. In addition great care must be used to interpret such results, making sure that research limitations are fully considered to avoid abuse and misuse of the data (Yaun, 2001).

Lee (2001) suggests the following guidelines to undertaking an economic impact study:

- Firstly, limit and define the purpose of the study, this can save study time and make the outcomes more useful and specific to people who want to apply them.
- Secondly, prepare alternatives to be considered. The number of alternatives that should be considered depends upon the number of realistic options available on other constraints, such as time, information, funding, and political realities.
- Thirdly, prepare enough information to conduct a meaningful economic impact study. In order to produce exact and non-arguable results, appropriate and diverse information for the study like a demographic on potential visitors, the degree of economic development for the hosting community, tax impact, and other social guidelines. This information will be effective for questionnaires and other necessary research tools.
- Fourth, conduct a study based not on assumptions, but on evidence and information.
- Fifth, consider all possible impacts for the community not just economic impact. Frequently the negative impact on community life such as vandalism, increased traffic congestion, environmental degradation are not considered and reported. Sometimes, however,

these social impacts can be more important to a community than the economic impact.

- Sixth, do not exaggerate the results of the study.
- Seventh, on the side of estimating economic benefits, under-estimation is better than over-estimation. This is related to moral and ethical issues. Even if no one can produce an exact estimation of events, the researchers should keep the study based on the result data.

The economic impact of visitors' spending is typically estimated by some variation of the following simple equation:

$$\text{Economic Impact of Tourist Spending} = \text{Number of tourists} \times \text{Average Spending per visitor} \times \text{Multiplier (Stynes, 1999)}.$$

The equation suggests three distinct steps and corresponding measurements or models:

1. Estimate the change in the number and types of tourists in the region.
2. Estimate average levels of spending (often within specific market segments) of tourists in the local area.
3. Apply the change in spending to a regional economic model or set of multipliers to determine the secondary effects (Stynes, 1999).

There are four major techniques that can be applied in attempting to measure tourism's economic impact:

- ❖ Observation
- ❖ Experiments, where the researcher controls the conditions under which two or more groups of people make economic decisions
- ❖ Analysis, based on prior assumptions about how individuals and firms act and relate to one another
- ❖ Statistical analyses, through sample surveys and secondary data (Ritchie *et al.*, 1994).

The following criteria can be used to evaluate the chosen method of measurement. These 5 criteria should be applied to the structure of the estimation procedure, the input data and the results.

- ❑ **Relevance:** The approach should measure tourism's economic impact and not that of some other activity.
- ❑ **Coverage:** Expenditure should cover all types of transportation, accommodation, food consumption, entertainment and recreation, and incidental purchases, such as souvenirs, but expenditures measured should truly occur in the area under study.
- ❑ **Efficiency:** Since funds available for economic impact estimation are generally limited, the approach should make maximum use of existing data commensurate with satisfying the other criteria.
- ❑ **Accuracy:** The approach should be judged on the bases of its accuracy. A good deal of judgment is often required to assess the accuracy of an approach and its output.
- ❑ **Transferability:** The approach should be applicable to different geographic areas and different time periods, rather than requiring data unique to one particular case (Ritchie *et al.*, 1994).

The following common errors have to be avoided when conducting an economic impact analysis:

1. **Confusing economic impacts with benefits to users.** Economic impact analysis measures benefits to the region, not the benefits to the visitors themselves.
2. **Not clearly defining the action for which impact is desired.** The programme or action being evaluated must be clear in order to properly attribute economic changes to the given programme.
3. **Not defining an appropriate impact region and separating “new Rands” from outside the area from local spending.**

- 4. Using inappropriate multipliers.** Multipliers should not be taken from secondary sources or previous studies and applied to new situations without a good understanding of what they represent and how they should be used.
- 5. Not margining goods that are purchased or otherwise accounting for spending that captured by the local region.** Not all visitors' spending is captured by the local economy. One must be careful to exclude spending made at home, on route outside the region, or on side trips or other stops outside the designated region.
- 6. Not isolating tourist spending from local spending.** Many festivals and events may attract mostly local residents. Individual facilities, parks, and programmes will include a certain percentage of local visitors that ideally should be separated out in assessing regional economic impacts (Anon, 2001b:4).

3.6 The multiplier

The balance of payments for tourism and travel reflect a figure, which is simply a total of all tourist expenditures. Money spent by tourists on goods and services will be spent over and over again in the local community, thereby producing employment and income. One of the important effects of tourism is the degree to which money spent by visitors remains in the destination region to be recycled through the local community. This concept is known as the *multiplier effect*.

Tourism provides income for employees of hotels, restaurants, transport firms, places of entertainment, and, to a lesser degree, most of the nearby commercial businesses. These businesses, in turn, buy products from local suppliers. For example, food bought in a restaurant had to be purchased from a local wholesaler whose need, in turn, was satisfied by the agricultural and transport sector. Part of the money spent by tourists in hotels, restaurants and

attractions goes to wages for employees, who, in turn pay rent and buy food. The total of all income is far greater than the sum initially spent by tourists. This multiplication can be expressed quantitatively and will indicate how much total income will increase as a result of tourist expenditures. The multiplier varies from region to region, and by segment of the industry within a region (van Harssel, 1994:164).

In general, the higher the multiplier, the more money stays and is circulated within the local economy. The economic benefit is large when the multiplier is high, indicating that much of the original tourist expenditure goes to salaries and wages of local residents and to pay for locally produced goods and services. This is particularly true in countries in which the tourism industry can be supported by locally produced products. (Van Harssel, 1994:156)

Income multipliers are useful for assessing the brief economic impacts of tourism expenditure. On a short-term basis, multipliers can provide a wealth of information about tourist impacts. They can help to:

- Identify weak linkages in the economy;
- Provide information on the degree to which such objectives as maximizing income and employment, and minimizing foreign exchange losses, are being met;
- Identify areas in the economy, which require stimulation, and others which bring large benefits and merit expansion. (Mathieson *et al.*, 1982:71).

In general, the smaller the economic base, the less self-sufficient the region will be, and much of the tourist expenditure will be respent outside the local region leading to a low economic multiplier. The multiplier effect is also influenced by the internal structure of the economy and the manner in which the injection of tourist expenditures is distributed across the various sectors. The income multiplier considers three types of influence of tourist expenditures:

1. *Direct spending.* The initial expenditure creates direct revenue to hoteliers, service stations, and other tourist industries;
2. *Indirect spending.* The payment of salaries and wages to local employees, and tourist establishments replenishing their stocks, are indirect effects of the initial, direct tourist expenditure;
3. *Induced spending.* As wages and salaries within the economy rise, consumption also increases and this provides an additional impetus for economic activity.

The size of the multiplier depends in part on how closely the various sectors of the economy are linked, or how diverse their activities are within the tourist area. When these sectors purchase for their own needs from other sectors within the local area, there will be less need for goods to be imported, and the multiplier will be larger than if the reverse were the case. In general, tourism's multiplier effect is higher (and, therefore, more beneficial to the local economy) than a manufacturing plant's multiplier effect would be (Coltman, 1989:223).

Economic theory suggests six factors that affect the size of tourism's impact on the area:

1. The initial volume of tourism expenditure.
2. Supply constraints in the area economy (If there is insufficient capacity to meet the tourism demand, the expenditure will generate local inflation and a rise in imports).
3. The size of the area economy.
4. Value added in the first round (The more the initial expenditure that is translated into income for area residents, the higher the multiplier should be).
5. Tourism industry linkages with the area economy (The more industry requirements to meet tourist demand that can be met by the area businesses, the higher the multiplier impact).
6. Leakages (The less that leaves the area economy in each round of transactions, the higher the multiplier) (Ritchie *et al.*, 1994).

The multiplier effect is not completely advantageous, however. Some money brought into an area by tourists will leave that area, in a process known as *leakage*. For example, if a tourist area has to import goods from another area, then money will leave the local area to pay for those goods, which reduces the multiplier effect on a local area. Nonetheless, local warehouses, trucking companies, and possible importers will all be creating local-area jobs to move these goods, which will help offset the leakage.

Other forms of leakage are:

- Commissions to travel agents or tour operators whose businesses are outside the local area.
- Advertising and promotion expenditures paid to businesses outside the local area.
- Rent paid to absentee landlords.
- Interest and profit paid to “outsiders”.
- Tourist’ use of credit cards and travellers’ checks that do not benefit local banks.

The more solid the economy’s base is in an area, the less it will need to import goods, and the larger its multiplier will be, as there will be less leakage (Coltman, 1989:225).

There are a number of equations that have been devised to determine the size tourism multipliers. The following is a discussion of the most important equations:

1) According to Saayman (1997) the multiplier can be determined as follows:

$$\text{multiplier} = \frac{1}{1 - MPC} \text{ and}$$

$$MPC = \frac{1}{MPS}$$

With MPC being the marginal propensity to consume and MPS the marginal propensity to save.

2) Income multipliers may be calculated as the ratio of the total income generated (primary, indirect and induced) to the direct income created by the primary expenditure:

$$\text{Multiplier} = \frac{\text{primary} + \text{secondary}}{\text{primary}}$$

This is known as an 'orthodox' income multiplier.

3) Income multiplier may also be calculated as the ratio of the total income generated to the total initial expenditure:

$$\text{Multiplier} = \frac{\text{primary} + \text{secondary}}{IE}$$

where;

IE = initial expenditure

This is known as an 'unorthodox' tourist multiplier (Mathieson *et al.*, 1982:66; Lundberg *et al.*, 1995).

4) Lundberg (1995) provides the following equation for calculating the tourist income multiplier (TIM):

$$TIM = \frac{1 - TPI}{MPS + MPI}$$

Where

1= Tourist dollar

TPI = Tourist's propensity to import (or buy imported goods or services)

MPS = Marginal propensity to save (by residents)

MPI = Marginal propensity to import (by resident) (Coltman, 1989).

3.7 Input-output analysis

Whereas a multiplier analysis attempts to estimate the aggregate secondary effects on an economy resulting from a direct injection such as increased inbound tourism expenditure, input-output analysis tries to show how those effects work through an economy, based on the specific supply and demand interactions between different industries or sectors (Bull, 1991:143)

The technique of input-output analysis has a number of advantages when compared with the alternative methodologies referred to above. First, it is a general equilibrium approach and, therefore, provides the policy makers with a comprehensive view of the economy. Second, it focuses attention upon the sectoral interdependencies which exist in the economy. Third, the flexibility of the input-output structure enables the researcher to construct a model to suit the purpose in hand. Fourth, the very nature of the input-output analysis makes the technique “policy neutral”. Each sector is treated in a uniform manner and the only value judgements that are encountered at the framework stage concerns the aggregation specifications. Fifth, input-output analysis enables the researcher to study the impact of tourism at its three levels: direct, indirect and induced effects. Finally, a useful bonus associated with the construction of input-output models is found in the improvement in the level and quality of data available for the economy in general and for the national accounts in particular (Fletcher, 1989:516).

Input-output methods as a tool of economic analysis were developed to a relatively sophisticated level during the 1950s and 1960s, and are based on the notion of transactions between all producers and consumers in an economy. This includes those producing sectors, which are consumers of other sectors’ output.

To build up a set or matrix of transactions it is necessary to:

- ❖ Define the industries or sectors

- Identify the total output of each sector and the breakdown of where it goes, that is, whether it goes to other sectors or to consumption
- ❖ Identify the total inputs of each sector acquired from other sectors, and in particular what marginal inputs are required to make a marginal increase in output (Bull, 1991:143).

To illustrate, let us assume a simple economy of six sectors: minerals, agriculture, manufacturing, construction, tourism and other services. Table 3.2 shows a sample transactions matrix for this economy (Bull, 1991:143).

Table 3.2: A sample transaction matrix

Producing Sector	Consuming sector						Final Demand	Total Output
	1	2	3	4	5	6		
1. Minerals	5	5	15	10	3	5	7	50
2. Agriculture	2	4	15	2	2	2	12	40
3. Manufacturing	10	5	20	10	5	5	25	80
4. Construction	5	2	10	3	10	8	12	50
5. Tourism	2	2	5	2	2	5	22	40
6. Other	4	3	8	5	5	5	20	80
Value added	22	19	7	18	13	19		
Total input	50	40	80	50	40	50		310

In this example, the travel and tourism sector accounts for 40/310 (13%) of GDP; of its 40-unit output value, 22 units are for final consumption. The sector sells 2 units to the mineral industry – probably business travel – and so on along the road concerned. As a producing sector, travel and tourism requires 3 units from minerals, 2 from agriculture and so on down column 5, with the value added of 13 representing the difference between input purchases and value of output (that is, factor returns).

Assume final demand for travel and tourism is lifted by four units as the result of increased inbound visitors. This requires a 10% increase in the value of the

travel and tourism sector, which means increased input and value added. If linearity in production were assumed, all figures in column 5 would increase by 10%; for example tourism would now require 11 units of construction. This in turn raises the output required from construction to 51, as well as output from other sectors, which in turn require further inputs. The final boost to the economy as a whole depends on the inter-industry transaction requirements. Of course, in practice a more sophisticated model must allow for non-linearity in requirements as marginal inputs change, and for rows covering leakages, such as inputs of imports (Bull, 1991:144).

3.8 Cost benefit analysis

Those concerned with developing a visitor industry – whether government or private person – want to know the likely extent of potential benefits and their costs. For every tourist dollar, how many dollars can be expected in return to the private sector or to the public sector? Benefits divided by costs equals costs benefit ratio (Lundberg, 1990:236).

Cost-Benefit Analysis (CBA) is a hypothetical experiment. This resource management tool is intended to answer the question of whether or not society would be better off after the implementation of a proposed project. Although CBA superficially appears to be nothing more than intuitive common sense – a project is viable only when the potential benefits outweigh the potential cost – its application involves issues and conventions that are not necessarily intuitive (Mahon, 2001).

Benefits and costs are assessed and compared regardless of 'to whomsoever they may accrue'. In other words, cost-benefit analysis (in principle) adopts a social or public perspective, rather than a firm or agency perspective.

The application of the cost-benefit analysis in tourism involves seeking answers to three broad questions:

1. What are things like now?

2. What benefits will the project give that the community does not currently have?
3. How much will have to be paid to obtain those benefits?

The time frame for the answer to the first question is the present, but the answers to the second and third questions involve looking into the future, sometimes up to 20 or 30 years into the future. Cost-benefit analysis focuses only on new benefits and new costs; any existing benefits and sunken costs are not incorporated into the evaluation.

Cost-benefit analysis is founded on several assumptions. We assume that we can identify and measure in commensurate quantitative terms (i.e. money). Costs or benefits that cannot be expressed in terms of money, whether through market valuation or non-market valuation techniques such as contingent valuation, are ignored (Smith, 1995:284).

One of these benefits that cannot necessarily be quantified is the creation of job opportunities, this is, however, a very big part of economic impact, it therefore, warrants a closer look.

3.9 The creation of job opportunities

According to South African Tourism there were an estimated 250 000 people in 1986 employed in the tourism industry. This number grew to 600 000 in 2003, and is still increasing (Saayman, 2004).

According to the organisers of the KKNK the festival will employ over 400 local people. Mr. Lambrecht, the mayor of Oudtshoorn, indicated that the unemployment figure would rise to 60% after the festival is completed (Whiteboy, 2003).

Tourism is a primary job creator but it is difficult to make an accurate analysis concerning the extent of job opportunities that directly result from tourism because:

1. The people are mainly involved in the provision of services and goods for tourists, may be doing the same for non-tourists, for example, hotels may provide local as well as foreign individuals with services.
2. Certain businesses like the transport network are not specifically available for tourism, but also include other consumers.
3. Statistics regarding job creation are unreliable, because it does not cover the industry in its entirety. There are, for example, small businesses that are not taken into account, and the total employment figures for tourism are underestimated.
4. A portion of job opportunities are seasonal; in other words the number of employees change according to the time of year, and the statistics are thus unreliable (Saayman, 1997:37).

There are a number of questions on relationships between tourism and employment for which researchers must find answers.

1. How many people are employed as a result of the travel industry?
2. What types of jobs are available in the tourism industry?
3. What skills do people require and what returns and benefits can be expected from their employment?
4. What is the geographical distribution of employment?
5. What capital investment is required to create this employment?
6. What is the overall economic contribution to national, regional and local economies of this employment?
7. What will be the future significance of the travel industry as a generator of employment?

There is a general agreement that tourism creates employment and that this is usually a beneficial effect (Foster, 1989).

Three types of employment are generated by tourism:

1. Direct employment results from visitor expenditures in tourist plants such as hotels;
2. Indirect employment is still in the tourist supply sector but does not result directly from tourist expenditures;
3. Induced employment is the additional employment resulting from the effects of the tourism multiplier as local residents respond to the additional money, which they have earned (Mathieson *et al.*, 1982:77).

Many authorities have considered tourism development to be the ideal for soaking up unemployment in regions, which have little other employment opportunities, even if those regions have a high income (Bull, 1991).

The job value of travel and tourism depends on how one measures employment, and the nature of the local markets. The number of people employed in the sector at some point during the year is likely to be high for four main reasons:

- Relative low labour intensity.
- Many low wage occupations.
- Much part-time and casual employment.
- Seasonal peaking (Bull, 1991).

Tourism is a service industry, requiring large numbers of employees in relation to the amount of the investment. That is, tourism relies on relatively large inputs of labour compared to capital, and thus generates relatively large numbers of jobs (Van Harsseel, 1994).

The employment benefits generated by the tourism industry are many. It creates jobs overall and employs persons of all skill levels. Most jobs are in the support industries, services, and wholesale/retail trade; a good number are in the areas of amusement and recreation (Van Harsseel, 1994).

3.10 The role of government in events

It is important that local government officials understand the costs and benefits of event tourism. They also need to understand how events operate in order to assist properly in the planning and management of its development. Because tourism encompasses many different aspects, local laws may have to be altered or enacted to promote development, while at the same time preserving those things that the community holds dear. A successful event depends upon a high level of cooperation between the private and public sectors. Local governments are responsible for the basic infrastructure without which events cannot operate. It must be concerned with transportation of visitors, public parks, educational programmes, litter control, police and fire protection, medical concerns, and a multitude of other support services, all of which will be affected to some degree by increased numbers of visitors. More than with any other economic development decision, a commitment to event tourism development requires a most careful analysis of community goals, priorities, resources, and capabilities by local leaders (Van Harsseel, 1994; Anon, 2003).

The most important form of tax from most communities' point of view is the sales tax. When tourist expenditure is high, so are sales tax revenues. Although estimating the impact of these additional tax revenues is difficult, rough estimates indicate a figure of nearly 15% of total revenues. In the United States tourism activities generate more than \$20 billion a year for federal, state, and local treasuries. Communities often levy special taxes, aimed specifically at tourists. "Occupancy" taxes and entrance fees are based on the premise that tourism imposes certain public cost, such as increased police protection, lifeguards, additional public facilities, and upkeep of monuments and museums. This is particularly true in rural, outdoor recreational areas where tourism and its cost are more clearly identifiable (Sinclair *et al.*, 1997).

In many areas local amenities such as museums, monuments, libraries, historical sites, and entertainment districts, have deteriorated because of

inadequate local funding. Other communities are unable to develop parks, recreational areas, and local attractions because of insufficient funding. These communities sometimes find that event tourism is a solution that provides the marginal profit and revenue balance needed to maintain or develop these services. These facilities are then available for local use as well (Van Harsseel, 1994:153).

Research, which examines the overall contribution of tourism to tax base or to the incomes to governments, is limited. Information of this nature would be invaluable, particularly for developing countries attempting to derive urgently needed income for the development of tourism (Mathieson *et al.*, 1982:76; Cooper *et al.*, 1993).

Tourism events can hold the following advantages for the government:

- There can be a reduction of government spending (G) as unemployment payouts are reduced.
- There may be an increase in taxation revenue (T) from newly earned incomes, although this depends on threshold tax rates and the opportunity use of tourist's expenditure.
- Marginal propensities to save may fall slightly, as tourists' spending transfers income to less well-off recipients who would tend, *cet. par.*, to have a higher propensity to consume (Bull, 1991).

But there are also negative effects of the increased per capita income for governments. According to Wagner's Law public expenditure will increase if the per capita income of industrialising countries increases (Wagner, 1883). The implication of Wagner's law is, therefore, that government expenditure will increase faster than the output of the economy. Wagner identified three factors, which are responsible for the growth in government expenditure.

- Firstly, a country undergoing industrialisation will experience an expansion in administrative and protective functions.
- Secondly, Wagner indicated that "cultural and welfare" expenditure (especially education and the redistribution of income)

would increase, because of his implicit assumption that these goods and services have an income elasticity greater than one, which implies that as per capita income increases, the demand for these expenditures increases by a higher percentage.

- Lastly, Wagner anticipated the development of a large number of monopolies because of the large scale of capital investment required during the early stages of industrialisation. Provisions for market failure, which may require government intervention to promote economic efficiency, were thus made (Black *et al.*, 1999:88).

Many community special events and facilities are subsidised in some form by the public sector. One of the rationales provided for such funding is the economic benefit such events can provide in terms of capturing visitor expenditures and increasing local incomes.

Fiscal restraint, at all levels of government, and the consequent scarcity of tax dollars for economic development, has meant increased scrutiny of public funding for special events and facilities. Such scrutenisation has proliferated the use of economic impact analysis to justify public money for these activities and venues. If economic impact analysis is to play a role in guiding public policy as it relates to recreation, it is paramount that the recreation practitioners understand the procedures and underlying assumptions of such analysis (Van Blarcom, 2001:4).

3.11 Conclusion

There is a need for those involved in tourism to know the significance of their services in terms of these economic impacts on their community. With such information, practitioners can illustrate that tourism services have the ability to make significant economic contributions to the local economy. Knowledge of the economic impact process and the ability to conduct credible analysis can increase the ability of tourism practitioners to successfully secure funds to

meet their service demands. Use of such knowledge to demonstrate the economic benefits generated by tourism events gives practitioners another tool to educate government officials and the public at large, so that budgets more accurately reflect the importance of recreation to local communities (Van Blarcom, 2001:4).

Research, which examines the overall contribution of tourism to the tax base or to the income of local communities, is limited. Information of this nature would be invaluable, particularly for developing countries attempting to derive urgently needed income from the development of tourism (Mathieson *et al.*, 1982:76).

CHAPTER 4

Empirical study

"A tourist is a fellow who drives thousands of miles so that he can be photographed standing in front of his car" Emile Ganest

4.1 Introduction

The Klein Karoo National Arts Festival (KKNK) is a South African celebration of the arts through the medium of Afrikaans. It started with an idea, which originated between a businessman from Oudtshoorn, Nic Barrow, and a former public relations manager from Naspers, Andrew Marais in January 1994. Since the first festival in 1994 it is clear that the people of South Africa have a definite need for an independent inclusive arts festival. The KKNK accommodates both visual and performing arts, for example cabaret, music, theatre, classical music, jazz and light music. Open-air concerts have become a unique characteristic of the KKNK. Oudtshoorn draws approximately 1000 artists yearly in more than 200 productions and exhibitions over a period of 8 days, but the KKNK is about more than just arts. Since the first year of the festival it has been about the total experience. Guests are not only entertained and enthralled by the best art productions, but also by unique food, wine and tourist attractions in the district. The KKNK has become a trademark synonym with quality experiences for visitors, artists, sponsors and the media. Since 1994 the festival has grown to a household name, and with this the question has developed, what is the economic impact of the festival? Aspects of client satisfaction also started to play a bigger role. Like any product the KKNK also goes through the product life cycle. The KKNK, which started in 1994, has had a strong growth phase. To ensure that the festival does not lose its appeal product modification is necessary; this research can supply important information towards this goal.

Questionnaires were handed out to both visitors and businesses during the festival. 400 questionnaires distributed to visitors and 50 to businesses over a period of 5 days. The questionnaire contained questions regarding the demographic details of the respondents and their behaviour during the festival. The aim of these questionnaires was to determine the total expenditure of visitors at the festival. Key questions asked in the survey included length of stay at the festival and the expenditure of visitors on different spending components, since Wilson (1984:88) indicated that these are key determinants of the magnitude of economic impact of tourist spending, together with the number of visitors. To estimate the number of visitors the number of tickets bought per person also had to be determined. The aim of the business questionnaire was to determine which businesses benefited from the festival as well as the magnitude of leakages from the economy.

The survey took place from 28 March to 6 April 2003. The results are divided into 3 categories: Visitors survey, Business survey and Economic impact.

This chapter will report on the findings of the survey, which includes the total spending, leakages, and multiplier effect of the Klein Karoo National Arts Festival (KKNK).

4.2 Results of the visitors' survey

The visitor survey took place from 28 March to 6 April 2003. 400 questionnaires were distributed during this period on different locations at the festival to ensure that the target group was representative of all the visitors.

4.2.1 Gender

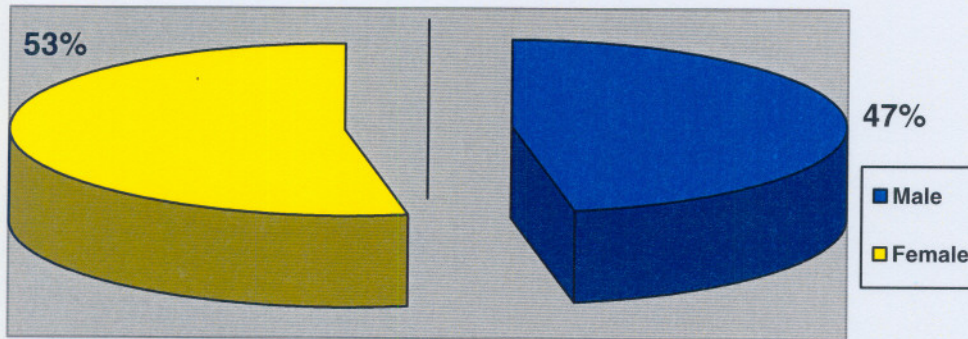


FIGURE 4.1: GENDER

According to the Figure 4.1 47% of the respondents are male and 53% are female, which shows that the respondents are representative of both sexes. The demands of both sexes should thus be equally satisfied, for example entertainment that caters for the likes and dislikes of both sexes should be produced.

4.2.2 Age

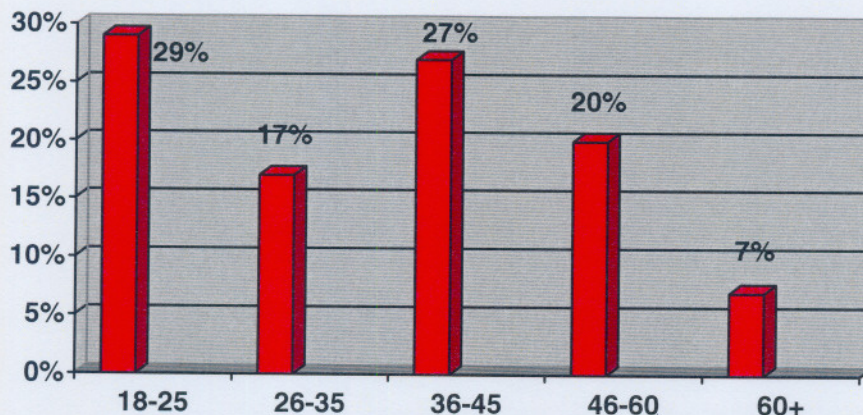


FIGURE 4.2: AGE

In Figure 4.2 it is clear that most of the respondents (29%) are between 18 and 25 years old, followed by 27% in the category 35 to 45, 20% are between 46 and 60 and just 7% of respondents are older than 60. It is thus important that the demands of the people between the ages of 36 and 60 be met as they make up 47% of the respondents. Entertainment that caters for these people's tastes should be emphasised. At the same time the 18 – 25 age group's demands should also be satisfied since they represent a further 29% of respondents. More people in the 60 + age group could be attracted to the festival, this is an age group that generally has both spare time and money and is a market that could potentially be expanded.

4.2.3 Race

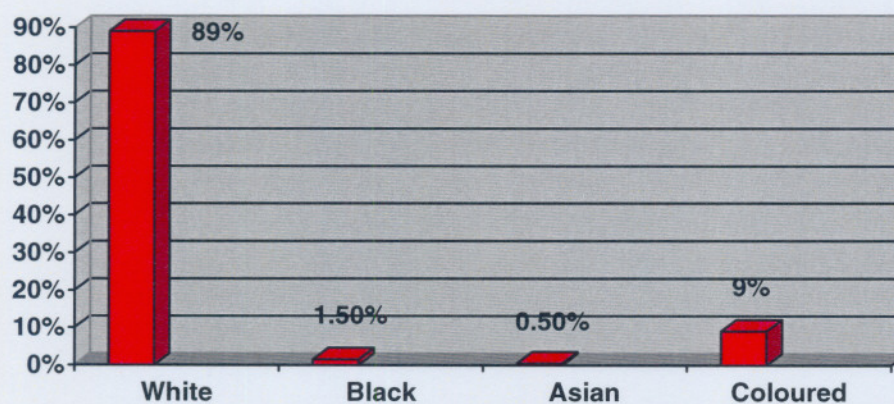


FIGURE 4.3: RACE

Figure 4.3 shows that 89% of the respondents are white and followed by coloured respondents (9%). The reason for this can be that it is predominantly a festival for Afrikaans-speaking people. More coloured people could be attracted to the festival.

4.2.4 Attendance of free shows

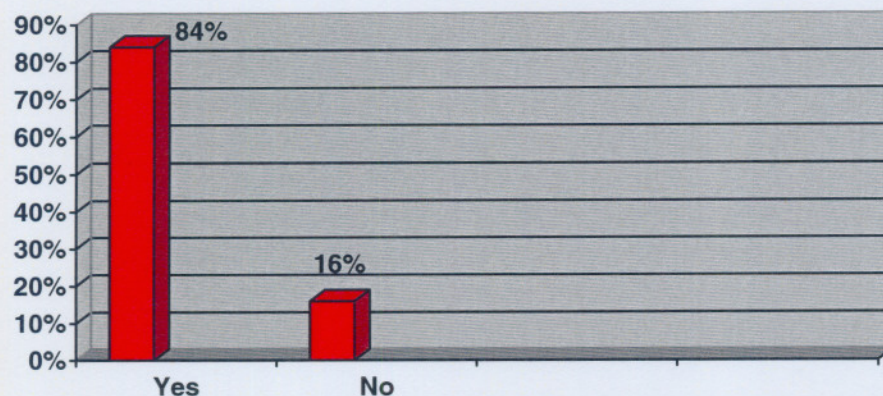


FIGURE 4.4: ATTENDANCE OF FREE SHOWS

This figure clearly shows that 84% of the respondents attended free shows, while 16% indicated that they did not attend the free shows. Therefore, free shows remain an important draw-card for the festival. Free shows should thus receive more attention, so that not only more people can be attracted to the festival, but also the right kind of people.

4.2.5 Number of paid shows attended

Table 4.1: Number of paid shows attended

Number	Percentage attended
1	13%
2	17%
3	19%
4	12%
5	8%
6	5%
7	2%
8	2%
9	2%
10	4%
11	1%

12	4%
13	1%
15	1%
16	1%
17	1%
20	1%
21	1%
22	1%
24	1%
25	1%
35	1%
40	1%

From Table 4.1 it is clear that 19% of the respondents attend 3 paid shows followed by 2 shows (17%) and 4 shows (12%), 11% of respondents attended 13 or more shows. Respondents attended an average of 4 shows during the festival, which is an average of a show per day. This information will be critical when determining the number of visitor's at the festival (Denton *et al.*, 1993).

4.2.6 A Price elasticity of demand

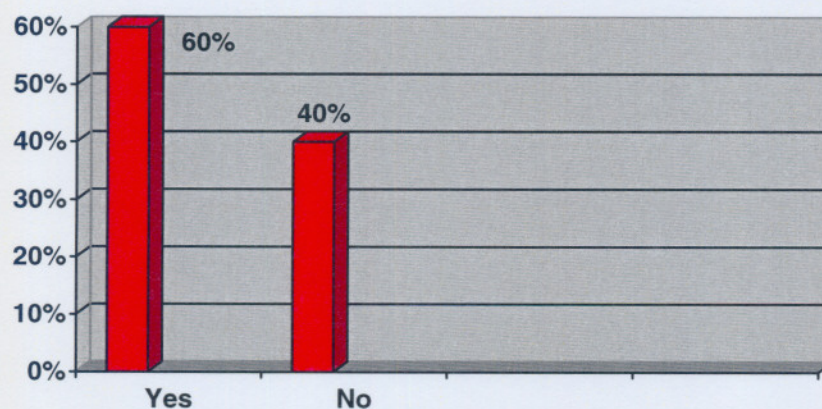


FIGURE 4.5: A 10% PRICE INCREASE

This figure shows clearly that 60% of the respondents would attend shows with a 10% price increase. This means that a 10% price increase will not have a significant effect on respondents. It must be said that the price differs from

show to show and the increase is measured over a spectrum of shows. The price elasticity of demand is the proportional change in the amount demanded divided by the proportional change in the price that caused the change in the amount demanded. In other words, this means that if the price is elastic a small change in price will result in a bigger change in demand, and when the price is inelastic a big change in price is going to result in a smaller change in demand. The price here is relatively inelastic; a 10% change in price would not result in a big change in demand (van der Merwe *et al.*, 2001).

4.2.6 B Price elasticity of demand

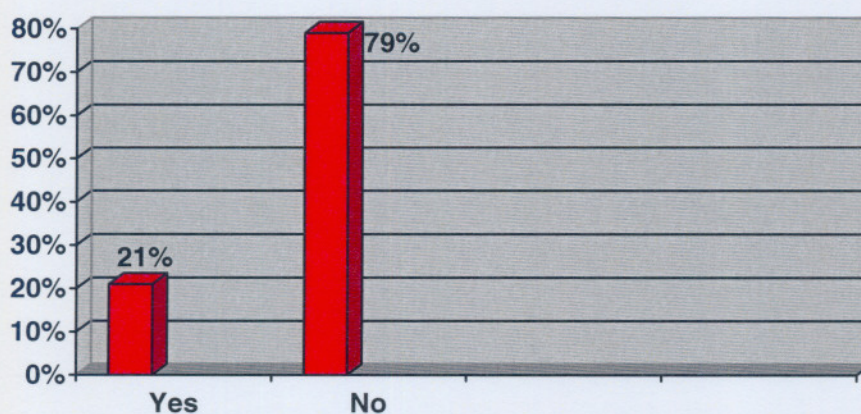


FIGURE 4.6 A 20% PRICE INCREASE

79% of the respondents indicated (Figure 2.6) that they will attend shows with a 20% price increase. It will thus have a negative impact on the attendance of shows and, therefore, a negative impact on ticket sales. This means the price is relatively elastic; the change in price (20%) would thus result in a big change in demand.

4.2.6 C Price elasticity of demand

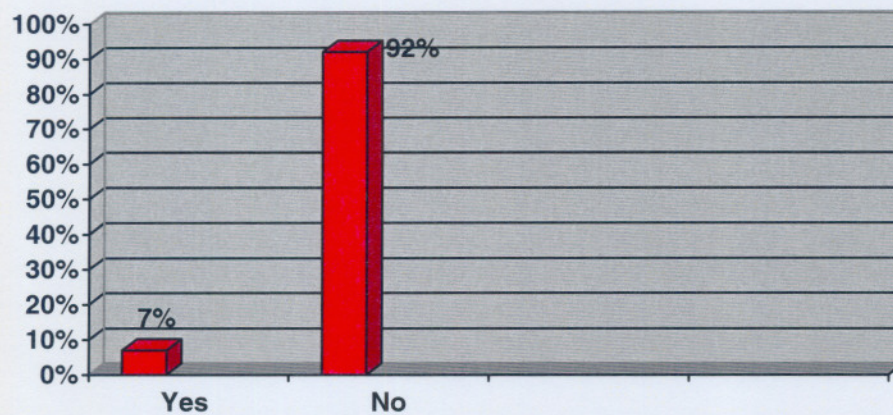


FIGURE 4.7: A 50% PRICE INCREASE

92% of the respondents indicated that they would not attend shows with a 50% price increase (Figure 4.7). As in Figure 4.6 a 50% price increase will have a negative effect on ticket sales. This price is even more elastic; a 50% change in price would thus result in a big change in demand.

4.2.7 Financial responsibility

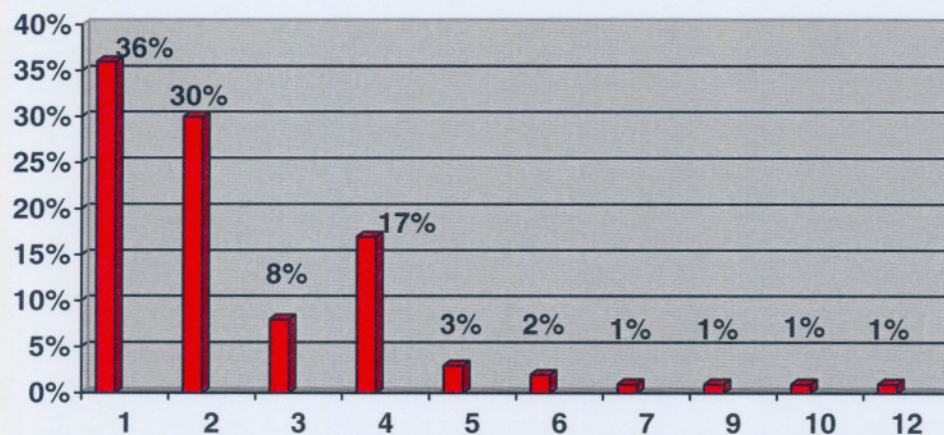


FIGURE 4.8: FINANCIAL RESPONSIBILITY

36% of the respondents in Figure 4.8 indicated that they have a financial responsibility for only one person during the festival. Followed by 30% who indicated that they pay for two people and 17% for four people. 66% of the respondents thus had a financial responsibility for more than 2 people. This

information will be critical when determining the number of people that attended the festival.

4.2.8 Reason for visit

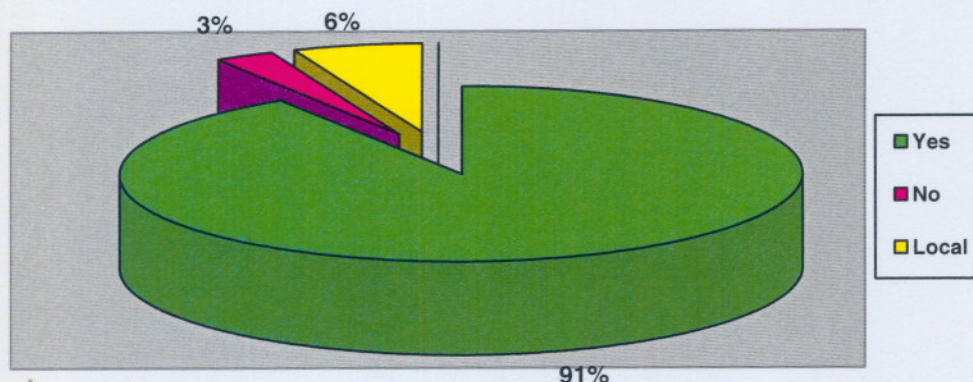


FIGURE 4.9: REASON FOR VISIT

Figure 4.9 shows that 91% of the respondents indicated that the festival is the only reason for their visit to Oudtshoorn. 6% of the respondents are local residents and 3% indicated that they had another reason for their visit. The main motivation for attending the festival is thus the festival itself. This is a clear indication that the economic impact on Oudtshoorn is a direct result of the festival.

4.2.9 Spending

Table 4.2: Spending

Category	Average spending
Show tickets	R498
Accommodation	R858
Food and Restaurants	R531
Transport during the festival	R233
Alcoholic beverages	R297
Non-alcoholic beverages	R139
Shopping at retail stores	R250

Tobacco products	R135
Souvenirs and gifts	R376
Parking	R38

In Table 4.2 it is clear that respondents spend most of their money on accommodation, an average of R858, while the smallest part of their budgets is spent on parking (R38). Other big spending areas include food R531, and shows R498. The total average spending of respondents at the festival was R3 355 per person. Food, show tickets and accommodation make up the bulk of people's expenditure (R1 889), an attempt should be made to increase expenditure on souvenirs and gifts, especially locally produced items. This is an area that has been largely untapped and has a lot of potential.

4.2.10 Art festivals visited during the last 3 years

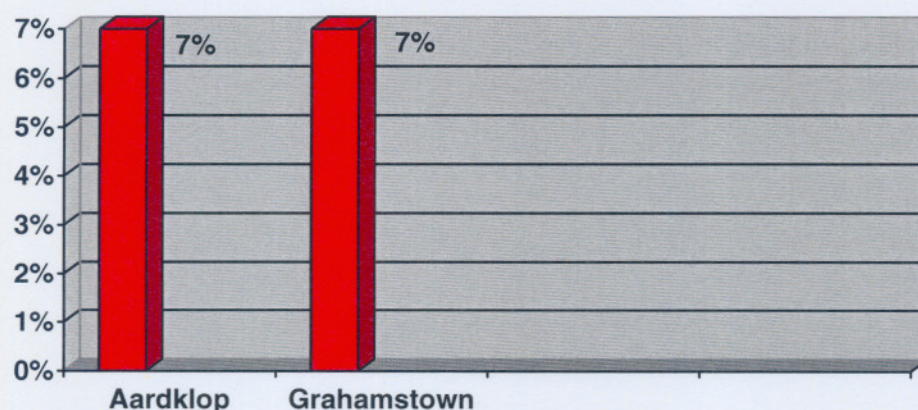


FIGURE 4.10: ART FESTIVALS VISITED DURING THE LAST 3 YEARS

As can be seen in Figure 4.10 equal numbers of respondents attended the Aardklop and Grahamstown festivals. The implication of this result is that visitors to the Klein Karoo National Arts Festival remain loyal to the festival, and only a small percentage of respondents visit more than one festival a year.

4.2.11 Frequency of visits

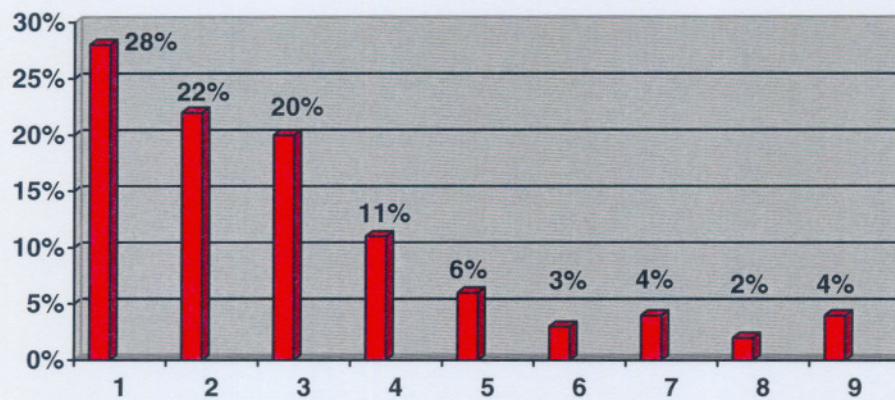


FIGURE 4.11: FREQUENCY OF VISITS

The figure above shows that 28% of the respondents attended the festival for the first time, 22% for the second time, followed by 20% for the third time. Respondents attended the festival an average of 3 times, and only 4% attended the festival every year since it started 9 years ago. This shows that new people are constantly attracted to the festival, an attempt should be made to increase the number of festivals that people attend, by changing the supply of entertainment to satisfy the changing demand.

4.2.12 Return visits

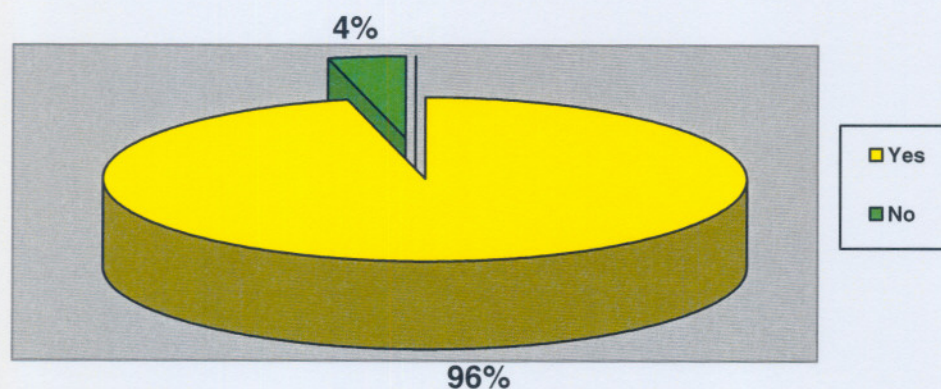


FIGURE 4.12: RETURN VISITS

Figure 4.12 indicates that 96% of the respondents said they would attend the festival again and just 4% indicated that they would not. This implies that the visitors are not only satisfied with the festival but also loyal to the festival.

4.2.13 Activity – time spending

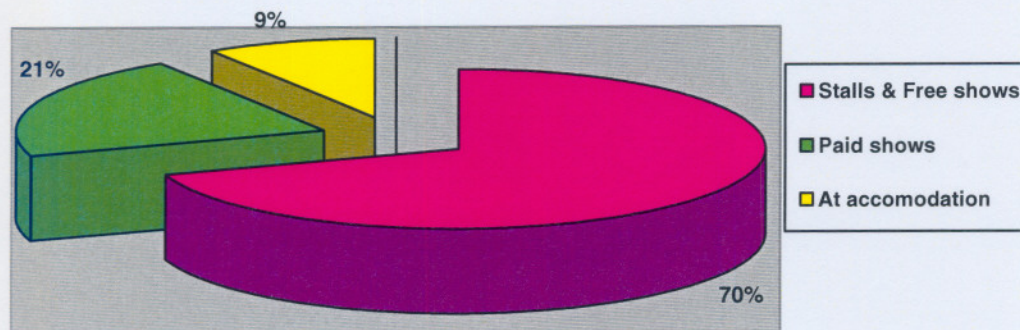


FIGURE 4.13: ACTIVITY

According to Figure 4.13 70% of the respondents spent most of their time at the stalls and free shows. 9% spent most of their time at family and friends' houses and 21% at paid shows. This means that attention should be given to the stalls area to make it as safe and user friendly as possible.

4.2.14 Language

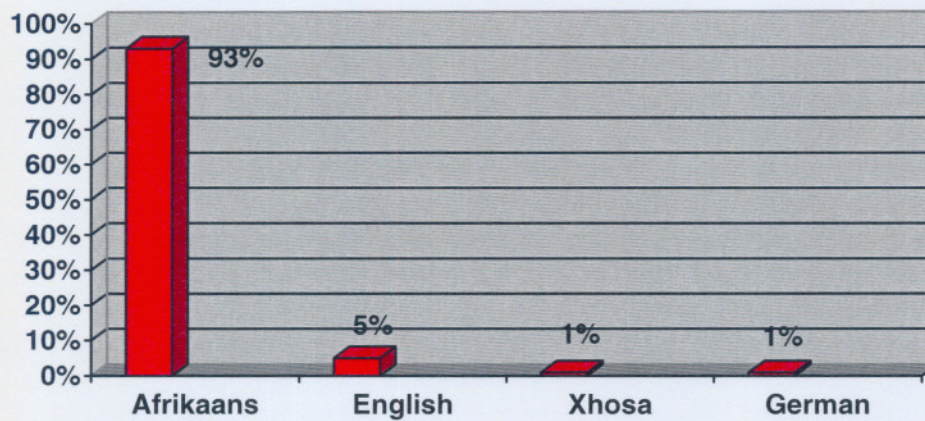


FIGURE 4.14: LANGUAGE

In Figure 4.14 93% of the respondents indicated Afrikaans as their first language, 5% speak English and 1% German and Xhosa respectively. This result confirms that this is mainly an Afrikaans cultural festival.

4.2.15 Income

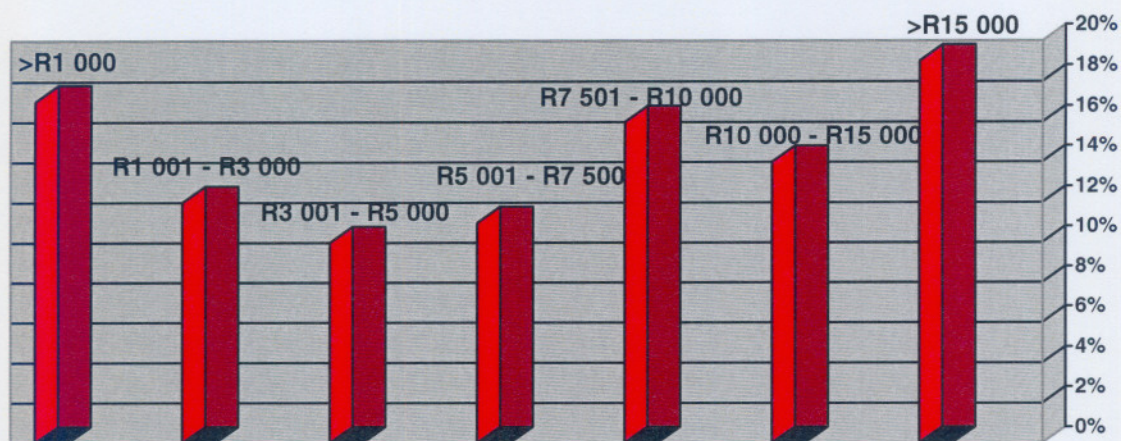


FIGURE 4.15: INCOME

According to Figure 4.15 most of the respondents (19%) indicated that they earn an income of more than R15 000 per month. Second is the R7 501 – R10 000 income group at 16%. And 17% indicated that they earn less than R1000 per month. This last group's high percentage could be because many of the respondents are students with little or no income of their own (see Table 4.3). The respondents' average income is between R10 001 and R15 000 per month. 49% of respondents indicated that they have an annual monthly income of more than R7 501. If the festival could attract more of these high spending high-income tourists, economic impact could increase without the number of tourists having to increase. However, if more of the lower income groups are attracted to the festival more people would have to be attracted to the festival to keep the economic impact the same, since people with higher income generally spend more (Getz, 2000b).

4.2.16 Occupation

Table 4.3: Occupation

Occupation	Percentage
Professional	14%
Management	9%
Administrative	7%

Technical personnel	4%
Sales person	4%
Farmer	4%
Mining	1%
Civil service worker	12%
Self-employed	11%
Student	18%
Unemployed	3%
Other	11%

According to the table above it is clear that the single largest group (18%) are students, followed by people in professional jobs (14%). Only 1% are in mining and only 3% are unemployed. 11% are in the category other; these occupations are mainly pensioners and housewives. There should be more emphasis on attracting people from the “professional” category as this is generally the category that earns and, therefore, spends the most money during the festival. While students are a lower spending category they remain important because they are the professionals of the future.

2.2.17 Travel group

Table 4.4: Travel group

Size of travel group	Percentage of respondents
1	2 %
2	24%
3	12%
4	25%
5	8%
6	9%
7	6%
8	2%
9	2%
10	2%

11	1%
12	2%
13	1%
14	1%
15	1%
20	1%
>20	1%

Table 4.4 shows that most of the respondents (25%) travelled in groups of 4, while 24% travelled in groups of 2, 12% in groups of 3 and 9% in groups of 6. Just 1% indicated that they travelled in groups of 20 or more; the latter is due to large tour groups that attended the festival. More than 60% of the respondents travelled in groups of up to 4 people. When attracting people to the festival there should thus be focussed on attracting groups of four or more people. For instance organising tour groups to visit the festival. Accommodation should also be available for groups of four or more.

4.2.18 Accommodation

Table 4.5: Type of accommodation

Type of accommodation	Percentage respondents
Family & Friends	22%
Guest house or B&B	14%
Hotel	2%
Camp	36%
House (rent)	14%
Other	12%

Table 4.5 shows that most of the respondents (36%) used the camping facilities, 22% stayed with friends and family, 14% stayed in guest houses or B&Bs and just 2% made use of hotels. More attention should thus be given to improving facilities at camping grounds, since it is the main type of accommodation most used.

4.2.19 A Number of days at the festival

Table 4.6: Number of days at the festival

Number of days	Percentage respondents
1	6%
2	8%
3	14%
4	21%
5	13%
6	11%
7	13%
8	8%
9	6%

Table 4.6 shows that 21% of the respondents stayed 4 days, 14% 3 days, 13% 5 days and 6% just one day or the full 9 days respectively at the festival. Respondents spent an average of 6 days at the festival. Most visitors (21%) only stay for 4 days, the festival organisers should try and keep the people in the area for as long as possible, this will decrease administration costs and increase income (Kimm *et al.*, 1998).

4.2.19 B Number of nights

Table 4.7: Number of nights at the festival

Number of nights	Percentage of respondents
1	5%
2	15%
3	22%
4	18%
5	11%
6	10%
7	11%
8	4%

9	4%
---	----

This table shows that 22% of the respondents stayed 3 nights, 18% 4 nights, and 11% 5 nights, just 4% stayed for 9 nights. The largest number of the respondents (22%) stayed 3 nights and thus 4 days. This result, therefore, concurs with that of table 4.6. Visitors pay per night for accommodation, thus the more nights they stay the more income will be generated.

4.2.20 Residence

Table 4.8: Residence

Town	Percentage
Bloemfontein	2%
George	9%
Johannesburg	5%
Cape Town	10%
Oudtshoorn	5%
Port Elizabeth	14%
Pretoria	7%
Stellenbosch	4%
Other	44%

Table 4.8 shows that most of the respondents (14%) come from Port Elizabeth, 13% from Cape Town and 7% from Pretoria. The "other" category refers to a variety of small towns in South Africa. If Stellenbosch's respondents are added to that of Cape Town, it is clear that most of the respondents (17%) come from the Cape Town area. This result shows that the Eastern and Western Cape are the biggest target area, followed by Pretoria/Johannesburg.

4.3 Results of the business survey

4.3.1 Type of enterprise

Table 4.9: Type of enterprise

Type of enterprise	Percentage
Pharmacy	4%
Florist	6%
Book shop	4%
Bicycle shop	2%
Guest house	8%
Gift shop	4%
Hardware store	6%
Café/Take away	8%
Clothes shop	4%
Bar/Liquor store	8%
Restaurant/ Coffee shop	10%
Butchery	4%
Super market	8%
Garage	4%
Other	20%

Table 4.2.1 shows the type of enterprises that formed part of the business survey. According to the table above it can clearly be seen that a big variety of enterprises were involved in the survey. The category “other” includes enterprises such as:

- Cottage industry
- Hair salons
- Furniture shops
- Video shops and Music shops.

4.3.2 A Damage suffered

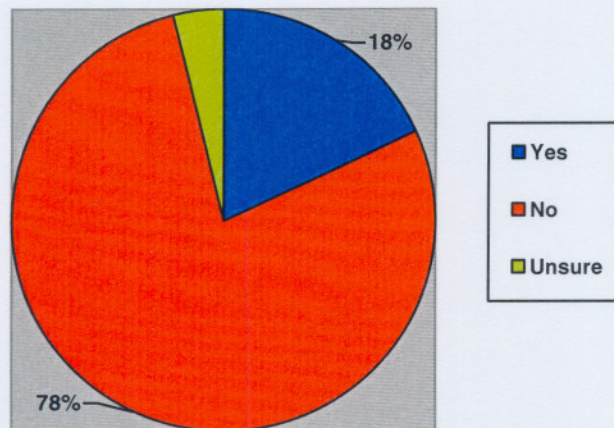


FIGURE 4.16: DAMAGE SUFFERED

Figure 4.2.1 shows that 78% of the respondents indicated that they did not suffer any damages, 18% suffered damages. This was mainly because of greater competition and the fact that their businesses were not accessible enough to the public. Another reason is theft. 4% of the respondents could not at that stage say if they suffered any damages.

4.3.2 B Previous damages

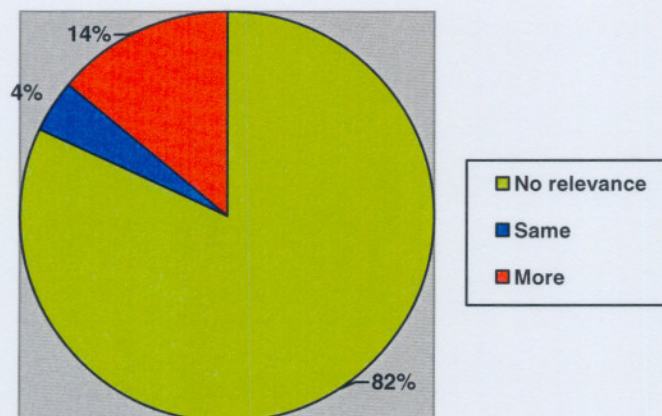


FIGURE 4.17: PREVIOUS DAMAGES

On the question whether the damages was more that in the past, 82% of the respondents indicated that the question has no relevance, 4% stated that it

was the same as last year and 14% indicated that the damage was more than in the previous year. In conclusion it can be said that the vast majority of respondents did not suffer any damages (Figure 4.17).

4.3.3 Impact on yearly income

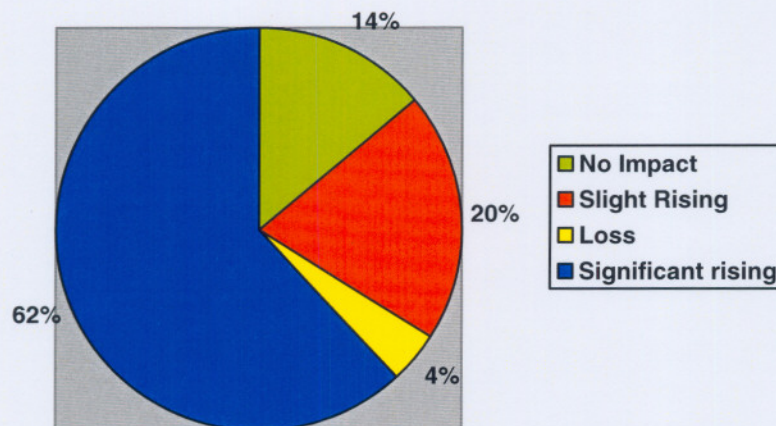


FIGURE 4.18: IMPACT ON YEARLY INCOME

According to Figure 4.18 it can clearly be seen that 62% of businesses indicated that there is a significant increase in the average monthly income during the festival. A further 20% indicated that there was a slight increase. 14% indicated that they experienced no impact on sales, and 4% indicated a slight decrease in sales during the festival.

4.3.4 Job creation

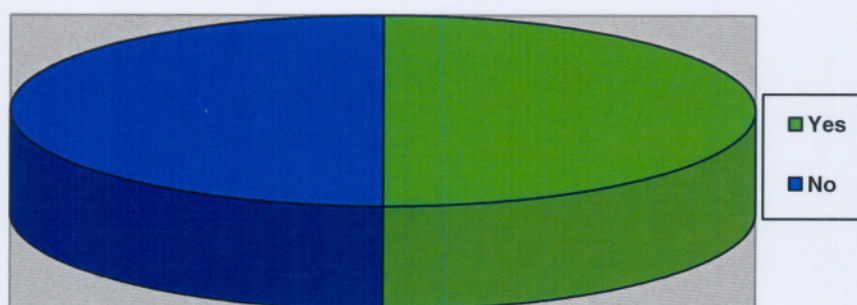


FIGURE 4.19: JOB CREATION

The results in Figure 4.19 show that 50% of businesses make use of additional labour while 50% do not. Of the 50% that used additional labour, 52% was only 1 or 2 people. A further 4% and 32% used 3 or 4 people or 5 people respectively. All the above jobs were temporary, and thus for the purpose of the festival. Therefore, it is clear that the event is responsible for an increase in employment even though it is temporary.

4.3.5 Leakage

Table 4.10: Purchase of goods

Percentage purchase	Percentage respondents
5% - 10%	16%
11% - 20%	4%
21% - 30%	0%
31% - 40%	0%
41% - 50%	6%
51% - 60%	4%
61% - 70%	4%
71% - 80%	6%
81% - 90%	8%
91% - 100%	51%

Table 4.2.2 shows the percentage of goods purchased outside Oudtshoorn. This aspect is important since it shows real economic benefit to the community. 51% of respondents show that they buy between 91% and 100% of their stock outside Oudtshoorn. In total 73% of respondents buy more than 50% of their stock outside Oudtshoorn. This is an indication that a large portion of the spending leaks out of the local economy. This will have an impact on how much money is respent in the area and that will, in turn, have an influence on the size of the multiplier.

4.4 Economic impact

The number of people that attended the festival, their total expenditure, the leakages in the area and the multiplier effect can now be determined.

4.4.1 Attendance

One of the key aspects in determining the economic impact is determining the number of people that attended the festival. This can be done with the benchmark indicator method. With this method the number of tickets sold is divided by the average number of shows attended and then multiplied by the number of people respondents indicated they are financially responsible for. (Denton *et al.*, 1993).

A total of 126 100 tickets were sold at the festival. According to visitors questionnaires, respondents attended an average of 3.6 shows and they were financially responsible for an average of 2.4 people. According to this method ($126\ 100 \div 3.6 \times 2.4 = 108\ 067$) it can be determined that an estimated 108 067 people attended the festival.

Having more visitors is often seen as a component of prestige and success. Snowball *et al.*, (2003) thus indicated that it is also necessary to distinguish between visitors that attend the festival and locals that attend the festival (Table 4.11).

Table 4.11: The number and distribution of visitors

Attendants	Number
Total number of attendants	108 067 (100%)
Visitors	93 306 (86.4%)
Locals	14 761 (13.6%)
Visitor breakdown	
Due to event	90 320 (96.8%)
Other reason	2 986 (3.2%)

4.4.2 Total expenditure

Visitor and local spending per category is shown in Table 4.12

Table 4.12: Average expenditure per person per category

Category	Locals	Visitors
Shows	39.17	142.16
Accommodation	0.00	260.85
Food and restaurants	108.83	213.22
Transport	10.20	22.12
Alcoholic drinks	105.50	94.83
Non-alcoholic drinks	13.08	55.04
Retail	18.25	59.57
Tobacco	3.22	20.11
Souvenirs	54.17	109.77
Parking	0.83	2.17
Other	0.00	5.13
Total	371.25	984.97

The results indicated that the visitors spend more than twice as much as locals; it is, therefore, understandable that event organisers aim to attract more visitors than locals to the event. It should be noted that the item "transport" refers only to transport whilst at the festival (mainly in the form of private entrepreneurs providing transport services) and not to any transport costs incurred while travelling to the festival, since the benefits of travelling costs would normally not incur to a small community.

Total expenditure for both locals and visitors can now be determined: According to Stynes (1999) total expenditure can be determined by using the following equation.

Total spending = Number of tourists x Average spending per visitor.

Total expenditure for visitors is:

$$R984.97 \times 93\,306 = R91\,903\,611$$

$$\approx R91.9 \text{ million}$$

Total expenditure for locals is:

$$R371.25 \times 14\,761 = R5\,480\,021$$

$$\approx R5.5 \text{ million}$$

By multiplying the average spending per category with the number of people at the festival the total income per category can be determined (Table 4.13).

Table 4.13: Total income per category

Category	Locals (R)	Visitors (R)
Shows	0.58 million	13.26 million
Accommodation	0.00	24.34 million
Food and restaurants	1.61 million	19.89 million
Transport	0.15 million	2.06 million
Alcoholic drinks	1.56 million	8.84 million
Non-alcoholic drinks	0.46 million	5.14 million
Retail	0.27 million	5.56 million
Tobacco	0.05 million	1.88 million
Souvenirs	0.80 million	10.24 million
Parking	0.01 million	0.20 million
Other	0.00	0.48 million
Total	5.5 million	91.9 million

4.4.3 Leakages

However, all this expenditure does not stay in Oudtshoorn. Some money brought into the area by tourists will leave that area, in a process known as leakage (Coltman, 1989:225).

To determine the leakages information from the business questionnaires as well as information from the festival organisers is taken into consideration. The following leakages are determined according to the spending categories (Table 4.4.1).

Table 4.14: Leakage percentage

Spending category	Leakage percentage
Show tickets	80%
Accommodation	0%
Food and restaurants	50%
Transport	85%
Alcoholic beverages	70%
Non-alcoholic beverages	70%
Retail shopping	49%
Tobacco products	70%
Souvenirs and gifts	60%
Parking	0%

With leakages subtracted the income per category will be greatly reduced as can be seen in Table 4.15.

Table 4.15: Income with leakages accounted for

Category	Visitors (R)	Local (R)
Shows	2.6 million	0.12 million
Accommodation	24.3 million	0.00
Food and restaurants	10 million	0.8 million
Transport	0.32 million	0.03 million
Alcoholic drinks	2.64 million	0.48 million
Non-alcoholic drinks	1.53 million	0.15 million
Retail	2.68 million	0.15 million
Tobacco	0.57 million	0.02 million
Souvenirs	4.08 million	0.32 million
Parking	0.2 million	0.01 million

Other	0.4 million	0.00
Total	49.5 million	2.08 million

After leakages, only R49.5 million of the original R91.9 million spent by visitors remains in the Oudtshoorn economy, and only R2.08 million of the original R5.5 million spent by locals (Table 4.15).

The spending of visitors and locals are two inputs, but the expenditure of the festival organising committee must also be taken into account. The committee earns income from the rental of souvenir stall space, ticket fees and sponsorships. Their expenditure includes the payment of artists (which absorbs approximately 80% of the ticket fees), the renting of equipment and venues as well as marketing and personnel costs. The proxy that will be used for total spending by the festival committee is the sponsorships earned and the income from the rental of craft market space. The total expenditure of the organizing committee is thus R7.1 million; this amount will also have to be subjected to the leakage factor of 70% which leaves Oudtshoorn with only R2.13 million.

4.4.4 The multiplier

The most problematic choice was the choice of multiplier, since using large scale techniques like the input-output model would be inappropriate for such small areas and no regional input-output models are available. The information obtained from the business survey, in which the leakage factor for various business (as determined by the percentage of stock purchased outside the town) was determined, was an attempt to get a more realistic view on the amount of funds that the town retains after initial expenditure (the indirect effect). The type of multiplier that should be applied is the sales multiplier, which is defined by Pollok *et al.*, (1994) as *“the additional local economic impacts as monies are respent by local merchants to purchase supplies and services”*. A larger multiplier would thus indicate a greater economic impact on the area.

The basic Keynesian multiplier definition is applied as a rough estimate of the value of the multiplier. A simple equation suggested by Vogel (2001) can be used.

$$\text{Multiplier} = 1/\text{leakages}$$

The average leakage factor, as was expected, was very high - 70%. This applied as input to the multiplier used in the analysis.

$$\text{Multiplier} = 1/0.7$$

$$\text{Multiplier} = 1.43$$

The economic impact can now be determined by multiplying the multiplier with the total expenditure after leakages in each category:

$$\text{Visitors: } R49.5 \text{ million} \times 1.43 = R70.79 \text{ million}$$

$$\text{Locals: } R2.08 \text{ million} \times 1.43 = R2.97 \text{ million, and}$$

$$\text{Festival committee: } R2.13 \text{ million} \times 1.43 = R3.05 \text{ million.}$$

The total economic impact of visitors, locals and the festival committee can thus be determined at $(R70.79 + R2.97 + R3.05)$ R76.72 million.

4.5 Conclusion

In conclusion it can now be said that an estimated 108 067 people attended the festival. Visitors spent an average of R984,97 per day and locals spent an average of R371,25 per day. The total expenditure from visitors was R91 million and R5, 4 million from locals. Added to this is the expenditure from the organising committee (R7,1 million). With the leakages taken into account only R49,5 million of the visitors', R2,08 million of the locals' and R2.13 million

of the organising committee's money remain in the Oudtshoorn economy. The multiplier effect is 1,43 this means visitors had an economic impact of R70,79 million, locals R2,97 million and the organising committee R3.05 million. The total economic impact is thus estimated at R76,72 million.

Chapter 5

Conclusions and Recommendations

“Prior to modern times, travel was pretty much limited to the elite, the nomad, the warrior, the pilgrim” Lundberg 1985

5.1 Introduction

The goal of this study was to determine the economic impact of tourists visiting the Klein Karoo National Arts Festival, and is based on the following objectives being met:

1. To determine the reasons for and the methods of conducting an economic impact study.
2. To define event tourism, identify the types of events and investigate what the impacts of events are.
3. To determine how much people spent at the festival, on what do they spend their money, what are the leakages and what is the multiplier effect?

In Chapter 2 event tourism was defined and the types of events were discussed, in Chapter 3 the reasons for and methods of undertaking an economic impact study were discussed. Chapter 4 looked at the attendance counts, the total expenditure of visitors, the leakages and the multiplier effect. This will answer the questions how much people spent at the festival, what are the leakages and what is the multiplier effect.

This chapter will attempt to summarise the conclusions of the study and to propose some suggestions on how the economic impact can be enlarged.

5.2 Conclusions with regard to the literature review

From the literature study the following conclusions can be made:

- Events can be classified as ordinary or special. Special events can again be divided into minor event, festivals and major events.
- If event managers want to make successful changes to influence economic impact it is critical that they understand the 5 stages of events, namely: Research, design, planning, coordination and evaluation.
- The economic role of events is as image-maker, marketer, tourist attraction, catalyst and animator.
- When determining the economic impact, determining the attendance is critical, this can be done by the following methods: Benchmark indicators, static crowds, vehicle counts, counting moving pedestrians tag and recapture, market area surveys, aerial photographs, entry points and triangulation.
- A model should be framed to standardise event evaluation. For this pre and post-event evaluation criteria is set up. Pre-event evaluation includes: Potential risks, potential benefits, potential community benefits, potential environmental impacts and probability for success. Post-event evaluation criteria include: Economic impact, direct visitor expenditure, financial results, community impacts and yield per visitor.
- An event is classified as a failure when it disappears outright, or even rebirth in some form or at some other venue might constitute failure. A variety of problems cause events to fail, with financial troubles heading the list. Two general schools of thought exist; one is the resource dependency theory, the other centres on the destination life cycle theory.

- The level of economic activity depends on demand and supply of final goods and services.
- Tourism has many advantages and disadvantages. Added income, development of infrastructure, entrepreneurial opportunities, stimulation of other trades, a rise in employment and increased government revenue are some of the key advantages, while inflation, seasonality, added risk, increased cost of daily necessities and poorly distributed funds are some of the disadvantages.
- There is a need for those in tourism to know the significance of their services in terms of economic impacts on their community. With such information practitioners can illustrate that tourism services have the ability to make significant economic contributions to the local economy. Knowledge of the economic impact process and the ability to conduct credible analysis can increase the ability of tourism practitioners to successfully secure funds to meet their service demands.
- There are varied methods, which can be employed to study tourism's impact. However, although there is a great deal of literature output in the field, a consistent and comprehensive methodological framework has not yet been developed.
- One of the important effects of tourism is the degree to which money spent by visitors remains in the destination area to be recycled through the local community. This concept is known as the multiplier effect. The more solid the economy's base is in an area, the less it will need to import goods, and the larger its multiplier will be, as there will be less leakages.
- The employment benefits generated by the tourism industry are many. It creates jobs overall and employs persons of all skill levels. But these jobs are mainly seasonal or temporary.

- A successful event depends on high-level cooperation between the private and public sectors. The contribution of an event to the tax base is an important aspect when public money is used to fund an event.

5.3 Conclusions with regard to the empirical study

- Most of the visitors to the KKNK are between the ages of 18 and 45; they are mainly Caucasian, Afrikaans-speaking people.
- 84% of the visitors attended free shows, and they saw an average of 3.6 paid shows during their stay.
- Visitors travel to Oudtshoorn specifically for the festival. They spend the most of their money on accommodation, food and restaurants and show tickets. It is thus clear that the festival will play a big role in the development and marketing of Oudtshoorn as a tourism destination.
- Visitors are loyal to the festival and satisfied with the quality of the shows, seeing that the majority indicated that they would return to the festival.
- The average tour group is 5 people, although not all travelling groups are necessarily family. Their main form of accommodation is camping and they stay an average of 4 days and 5 nights in Oudtshoorn.
- Visitors originate mainly from Port Elizabeth, Cape Town, the George - Mosselbay – Knysna district and the Stellenbosch – Paarl – Strand district. There are also a fair number of visitors that come from Gauteng (Johannesburg/Pretoria).
- All indications are that the price of show tickets are relatively price elastic, in other words just a small rise in price may cause a big fall in

demand for show tickets, a rise in price, even as little as 10%, can lead to a fall in total income from ticket sales.

- Businesses in Oudtshoorn are satisfied with the festival and gain greatly from it. Damages suffered are mainly from theft. But no permanent jobs are created by the festival.
- An estimated 108 067 people attended the festival. Visitors spent a total of R91 903 610 at the festival while locals only spent R5 480 021. The income from the festival committee (R7.1 million) is also taken into account.
- After leakages only R49,5 million of the visitors' money and only R2,08 million of the locals' and R2,13 million of the festival committee's money remain in the Oudtshoorn economy. This is an indication of the huge leakages of income in the area.
- An accurate multiplier is difficult to determine, but with the formula used a multiplier of 1,43 was found. If income from the visitors and locals are subjected to the multiplier it can be seen that the visitors have an economic impact of R70,79 million and the locals R2,97 million, while the festival committee's impact is R3,05 million.
- It can thus be seen that the total economic impact of locals, visitors and the festival committee can be estimated at R76,72 million.

5.4 Recommendations with regard to the study

- Based on the findings of the research the following recommendations are made.
- Because the Klein Karoo National arts festival has a definite influence on the promotion of Oudtshoorn as a tourist destination, more

emphasis should be on the promotion of Oudtshoorn's attractions at the festival such as museums and other sites.

- There should be greater emphasis on the tourism potential of the festival, seeing as it has a noticeable influence on tourism in the area and the province.
- Ways should be found through which the local community could benefit more (thus leakages must be minimized). For instance more attention can be given to the development and marketing of local products, such as the ostrich farms and the Congo caves and the use of local labour.
- The managers should take note of the spending patterns of visitors. Accommodation for instance is the category on which the most money was spent, and it is also the category with the lowest leakages. More emphasis should thus be put on trying to make people stay for as long as possible. Attention should be given that as far as possible local labour is used in accommodation.
- The second biggest category is food and beverages; this is bought to a large degree at stalls. An attempt should be made to keep the money, which is spent at the stalls on food and beverages in Oudtshoorn, for instance, getting local people to manage these stalls.
- The role that free shows play should not be underestimated. It brings the arts to parts of the community who otherwise would not have been able to experience it. This creates goodwill, not just for the festival, but also for the arts in general.
- The vast majority of the people at the festival were South Africans. There should be an effort to attract more foreign visitors to the festival. This can attract valuable foreign currency, not only for Oudtshoorn, but also for South Africa as a whole. Because it is an Afrikaans festival, foreign visitors from the Netherlands or of Flemish descent would

probably be the biggest market. The festival can become an important draw-card to lure foreign visitors to South Africa.

5.5 Recommendations with regard to further studies

- ❖ An area that needs to be researched further is job creation. Questions such as what type of jobs are created during the festival and what is the skill level required for these jobs can be asked.
- ❖ Social, political and cultural impacts are other areas that can be investigated. The question is what benefits and costs are there that cannot be expressed in monetary terms, such as the stresses of the local community.
- ❖ The monetary leakages in this area is very high, a further study could be done on the strategies to keep more of the money spent during the festival in Oudtshoorn.
- ❖ The costs and benefits to government income is another question that can be addressed. The costs being the extra expenditure on infrastructure, policing and health services, whereas the benefits include added tax income.

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