

# **THE ECONOMIC IMPACT OF THE AARDKLOP NATIONAL ARTS FESTIVAL IN POTCHEFSTROOM**

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# **Abstract: The Economic Impact of the Aardklop National Arts Festival in Potchefstroom**

It is the purpose of this study to determine the economic benefits of events to the host community from both a supply and demand side. In the context of event tourism, economic impact is defined as the net economic change in a host community that results from spending attributed to a cultural event. The purpose of an economic impact analysis is to measure the economic benefits that accrue to a community (*Fayos-Sola, 1997:242*). This concerns the enhancement of the host population's way of life, economy and environment.

In order for a country or region to benefit from an event, leakages need to be determined and minimised. *Saayman (2001:107)* has divided leakages into three categories, namely:

- Imports;
- Savings ratio and
- Taxes and subsidies.

In order to determine the size of the leakages, as well as the demand for an Arts Festival, questionnaires were handed out during the Aardklop National Arts Festival. A systematic random sampling method was used in order to determine the size of the sample and the survey was conducted from the 24<sup>th</sup> September – 28<sup>th</sup> September 2002. The methodology consisted of two different types of questionnaires, namely (1) a visitor questionnaire, and (2) a business survey. Four hundred (400) questionnaires (N=400) were distributed between the tourists, of which 353 were useful and 50 questionnaires were completed by relevant businesses.

The questionnaire covered aspects such as the average spending of different age groups and the amount of leakages that occur during the festival. The total spending during the festival was calculated at R39 million. The spending in Potchefstroom after the first round of leakages (sales of imported goods) is then R24.3 million. After the second round of leakages (suppliers in Potchefstroom buy their goods and services from suppliers outside Potchefstroom), the total that stays in Potchefstroom is only R18.3 million.

The study pointed out that more involvement from both the businesses and the community can minimise the leakages and thus enhance the economic impact of the Festival in Potchefstroom. Instead of using suppliers in Gauteng or any other province, businesses can start to use Potchefstroom's resources, therefore minimising leakages so that the community can benefit more from the event.

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# Chapter 1: Introduction and Problem statement

“And one day, at last, they had the right to a fleeting happiness,  
A panting epidemy, that was called festival.”

Chico Buarque, 1984

## 1.1 Introduction:

Events perform a powerful role in society. Events have existed throughout human history in all times and all cultures. European cultures have a rich tradition of rituals and ceremonies. The events tradition in modern Europe began to take off towards the end of the 19<sup>th</sup> century, with industrialisation reducing spontaneous celebration and increasing professionally organised events. The ruling elite often decided the form and content of public celebrations, but an alternative tradition of popular celebrations arose from the interests and pursuits of ordinary people. Many 19<sup>th</sup> century leisure pursuits such as race meetings have survived to the present day. Through the 20<sup>th</sup> century the changes in society were mirrored by changes in the style of public events. A tradition of city and town festivals evolved in the post second world war years and was rejuvenated by the social movements and cultural changes of the 1970's. Notions of high culture were challenged by more pluralistic and democratic popular culture, which reinvigorated festivals and community events. With the coming of the 1980's the corporate sector began to recognise the economic and promotional value of events (Getz, 1997:3 – 4).

The 1990's saw the events industry emerge, with various sectors, particularly those focused on business-related events, pushing forward the claim for an industry to be recognised, supported by dialogue with government and for an increasing in training and support for the industry-related NVQ's. Further, the period saw the growth in events-related education in colleges and universities with dedicated courses and modules being developed to support the emerging industry. Events vary in their size and impact, with terms such as special events, mega-events, hallmark events and major events used to describe and categorise them. Events are also categorised according to their type and sector, such as public, cultural, festivals, sporting, tourism and corporate events. The business events sector (including meetings, incentives, conventions and exhibitions) is one of the fastest growing areas of events. With increasing corporate involvement, events are now seen as an industry with considerable economic and job creation benefits (Getz, 1997:5).

According to *Getz (1995)* event tourism is the systematic planning, development and marketing of festivals and special events as tourism attractions, image-makers, catalysts for infrastructure and economic growth, and animators of built attractions.

Therefore, the objectives of this chapter are:

- ✓ To give an overview of the relevancy of this study;
- ✓ To specify the goals and objectives of the study;
- ✓ To give an overview of the methodology used in the study; and
- ✓ To clarify the most important concepts.

## **1.2 Problem Statement:**

It is the purpose of this study to determine the economic benefits of events to the host community from both a supply and demand side. In the context of event tourism, economic impact is defined as the net economic change in a host community that results from spending attributed to a cultural event. The purpose of an economic impact analysis is to measure the economic benefits that accrue to a community (*Fayos-Sola, 1997:242*). This concerns the enhancement of the host population's way of life, economy and environment.

Events can create linkages between people and groups within communities, and between the community and the world. Numerous events are partially or wholly in the public domain, so community goals and impacts should be prominent in their management. Many social and cultural roles are played by events, and many explicit benefits have been recognised (*Getz, 1997:44*).

*Ritchie (1984)* suggested that several positive outcomes accrue:

- ✓ increased community pride and spirit;
- ✓ strengthening of traditions and values;
- ✓ greater participation in sports, arts or other activities related to the event theme;
- ✓ adaptation of new social patterns or cultural forms through exposure at the event.

Other long-term benefits might take the form of

- ✓ increased volunteerism and community group activity,
- ✓ intercultural interaction, and co-operation.

*Delamere & Hinch (1994)* consulted a group of park and recreation experts from the Province of Alberta, Canada, to determine their evaluation of the benefits and costs of community festivals from the resident's perspective.

The top five benefits were said to be:

- ✓ community pride, purpose or achievement;
- ✓ social interaction and community development;
- ✓ togetherness, or sharing of ideas;
- ✓ community identity, self-image or a sense of place; and
- ✓ community wellness.

The major disbenefits were:

- ✓ volunteer burnout;
- ✓ overtaxing the system's resources;
- ✓ intrusion by traffic and noise;
- ✓ physical disturbance or reduced access to and overuse of facilities; and
- ✓ a general drain on the community.

Event organisers and proponents inevitably refer to the above-mentioned benefits as partial justification of the event, although research is seldom completed to prove that benefits actually occur. Furthermore, the costs are not always documented including subtle changes, like increased demand for social, cultural and recreational services.

Therefore, the costs and benefits of events must be carefully considered, with an emphasis on the host community's perspective. Community development can benefit from events if the following objectives are satisfied:

- ✓ the community must have control over the event;
- ✓ event planning must be comprehensive, taking into account the social, cultural and environmental impacts;
- ✓ local leadership and interorganisational networks must be fostered; and
- ✓ the event must be directed at meeting community needs (Getz, 1991:122 – 128).

One could also add the concept of visitor payback to the above list. The latter means that the event organisers and sponsors must encourage the tourists and visitors to give money voluntarily to conserve the places they visit. Thus the community will develop a positive attitude towards tourism and the event, as they will probably benefit more from the event and less exploitation of the community's customs and traditions will take place.

Therefore, particularly in rural communities, the goal of enhancing the local tourism industry focuses on attracting the non-residents to the community, with the expectation that their spending will contribute significantly to the local economy (Thomson & Perdue, 1987). Although

other possible areas of evaluation are certainly recognised (e.g. cultural improvement, social quality of life, environmental quality) the literature on the evaluation of tourism festivals and special events is clearly focused on assessing the economic impact.

Getz (1995) also stated that not all festivals and special events create economic benefits. The evidence strongly suggests that many events have little direct economic impact on their community or region, largely because they cater mostly for residents. Only when events attract out-of-region visitors, do they start to create economic benefits.

The actual economic benefits that accrue to a host community can be determined by considering the demand as well as supply side of the event. 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 reward”*** (Bull, 1993:26).

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 to firms goes in wages and profits, taxes and some is saved”*** (Cullen, 1997:105). The supply and demand of events will be discussed in more detail in Chapter 2.

In order for a country or region to benefit from an event, leakages need to be determined and minimised. Saayman (2001:107) has divided leakages into three categories, namely:

✓ ***Imports:***

If the community can provide in the tourists' needs sufficiently, little has to be imported and the community will benefit more than a community which has to import to provide in tourists' needs. If the food supplies for the event were imported, the money going to food suppliers leaves the community and the community cannot benefit more from the incoming money.

✓ ***Savings ratio:***

The savings ratio is defined as that proportion of personal disposable income that is saved. The savings ratio is important to tourism organisations since, when it increases, tourists are saving more of their disposable income and tend to travel less. The main factors which affect the savings ratio are the rate of interest and expectations. As interest rates rise, tourists will generally wish to save more and travel less, since savings will be more profitable and borrowing more costly. When tourists' expectations about the future are pessimistic they will generally increase their savings. When money is saved rather than spent, less expenditure takes place and the economic impact on the community becomes smaller.

✓ *Taxes and Subsidies:*

The supply of goods and services is affected by indirect taxes such as VAT and excise duty, and also by subsidies. In the event of the imposition of taxes or subsidies, the price paid by the visitor is not the same as the price received by the tourism organisation. For example, if the government were to impose a R20 tax on the entrance fee to the World Cup Cricket at the price to the visitor of R200, the event organisers would now only receive R180. When taxes are paid, less money is available to spend, because some of it goes to governments.

Because of the leakages, the money available in the community becomes smaller, until it becomes insignificant. A large multiplier means that there are few leakages from the system and that the community benefits more from the expenditure during the event. However, literature relating to economic multipliers indicates that for small regions leakages are high (Ryan, 1996:343).

Getz (1991: 16(1)) has identified another problem with the methodology in assessing the economic benefits of events and that is that very few economic measures examine the costs of hosting an event.

Wang & Gittelsohn (1988) noted that economic benefits of festival impact studies are usually not presented in the context of the costs incurred in hosting the events, and that is typical of tourism impact studies in general. At one level, sponsors of festivals might be satisfied with the simple return-on-investment calculations, but such statements do not take into account the full range of costs and benefits, nor how they are distributed.

As long as event organisers and sponsors continue to undertake multiplier-type assessments of the economic impact of events (or of other attractions), little progress will be made in understanding the roles of events in tourism or in economic and community development.

Therefore, the question that this research will attempt to address remains:

*What is the economic impact of an event such as Aardklop National Arts Festival in Potchefstroom?*

### **1.3 Goal and Objectives of the Study:**

The following goal and objectives will guide this study:

#### **1.3.1 Goal:**

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

#### **1.3.2 Objectives:**

The achievement of the goal relies on the following objectives:

##### **Objective 1;**

To determine the effect that an event has on the supply and demand of goods and services.

##### **Objective 2:**

To determine the number of leakages that occurs at the event.

##### **Objective 3:**

To determine methodology based on a supply and demand survey.

### **1.4 Methodology:**

This study followed a two-pronged approach. Firstly, it is based on a literature study and secondly, on a survey by means of a structured questionnaire.

#### **1.4.1 Literature Study:**

A quantitative study was done based on specific keywords, namely cultural tourism, event management, economic impact and supply and demand of cultural events. Information was available and resources were used from overseas as well as South Africa. Part of the literature study was done in Germany and England where the researcher visited these countries for a period of six months. Information was also obtained through interviews with event managers and visiting Universities such as Oxford University in England and The Napier University in Scotland. The Internet played a vital role in searching for the most recent publications and information. Books and Magazine articles were used in conducting the literature study.

### 1.4.2 Survey (Empirical Study):

In order to achieve the above goals, the following approach was adopted:

<b>Phase 1</b>	<b>Phase 2</b>	<b>Phase 3</b>
Development of questionnaire	Conducting of Surveys	Final Report

A pilot study of 10 questionnaires was conducted in order to ensure that tourists would understand the questions and so that modifications could be made before the final questionnaire was handed out during the Aardklop National Arts Festival. A systematic random sampling method was used in order to determine the size of the sample and the survey was conducted from the 24<sup>th</sup> September – 28<sup>th</sup> September 2002.

The methodology consisted of two different types of questionnaires, namely (1) a visitor questionnaire, and (2) a business survey. The questionnaire covered aspects such as demography, economy and marketing. For the purpose of this study the focus will fall on the community and the businesses.

Four hundred (400) questionnaires were distributed between the tourists, of which 353 were useful. Businesses in and around the festival terrain were also targeted, and the result was that 50 questionnaires were completed. The 353 questionnaires that were used in this study were distributed in the following manner:

- ✓ 50 on Wednesday, 24 September;
- ✓ 80 on Thursday, 25 September;
- ✓ 120 on Friday, 26 September; and
- ✓ 150 on Saturday, 27 September.

An Input-Output Analysis is highly recommended because it could lead to estimates of direct, indirect and induced effects for income, employment and expenditure. Implementing an input-output analysis has the advantage of focusing attention on the value or worth of the festival, rather than merely highlighting supposed profits, income and job creation. Social, cultural and environmental effects are considered alongside economic factors, yielding a more balanced evaluation. However, this study does not allow the opportunity to use the I-O Analysis, because the economy that is measured is too small and it does not represent the whole production structure.

The Statistical Services at the Potchefstroom University for Christian Higher Education used a SAS programme to process the information gathered.

## **1.5 Definition of Concepts:**

Any examination of the economics of cultural tourism requires definitions of the subject and its components which are suitable for economic analysis. With the above in mind, it becomes important to explain what event tourism entails.

### **1.5.1 Event Tourism:**

Governments are increasingly turning to tourism as a growth industry capable of delivering economic benefits and job creation. Events in turn are seen as catalysts for attracting visitors, and increasing their average spending and length of stay or repeat visits. They are also seen as image-makers, creating profile for destinations, positioning them in the market and providing competitive marketing advantage. For example, the World Masters Athletic Championships 2000 in Gateshead, were expected to lead an estimated 150 000 additional bed nights, adding a minimum of £12 million to the local economy. This led to the creation of a new field, known as Event Tourism, which *Getz (1997:16)* defines as:

- The systematic planning, development and marketing of events as tourist attractions, catalysts for other developments, image builders, and animators of attractions and destination areas, event tourism strategies should also cover the management of news and negative events.
- A market segment consisting of those people who travel to attend events, or who can be motivated to attend events while away from home.

Event Tourism has the following advantages for a destination or community:

#### **✓ Events and Seasonality:**

A strong advantage of event tourism is the ability to attract visitors in the low season, when airline and accommodation providers often have surplus capacity. Attracting visitors to use what would otherwise be under utilised tourism infrastructure derives additional economic benefit. *Getz* describes the way that events can overcome seasonality by capitalising '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. He also notes that in many destinations the residents prefer the off-season for their own celebrations, and these provide more authentic events for visitors (*Getz, 1997:53*).

✓ **Events enhance the tourism experience:**

Events can provide newness, freshness and change, which sustain interest in the destinations for locals, and enhance its attraction for visitors. Tourist attractions and theme parks incorporate events as a key element in their marketing programmes.

✓ **Events as catalysts for development:**

Events can enhance the quality of life, and thus add to the sense of place and the residential amenity of neighbourhoods. Large events can also act as catalysts for urban renewal and for the creation of new or expanded tourism infrastructure.

✓ **Economic Benefits:**

Events have a wide range of economic impacts. The expenditure of visitors is spread over travel, accommodation, restaurants, shopping and other tourism-related services. Employment and the local economy are temporarily boosted by the expenditure involved in staging an event. Thus, whole and mini-economies surround and work off the events industry.

Therefore, event tourism brings economic benefits to communities, but governments need to weigh these benefits against costs when deciding how to allocate resources.

### 1.5.2 Economic Impact:

The aim of economic impact analysis is to estimate the additional expenditure that is generated within a local economy and region from the staging of a particular event such as an arts festival. This additional expenditure provides direct income to the arts organisations involved, indirect income to the suppliers to these organisations, and induced income when the local income earned as a result of the direct and indirect income is respent in the local economy.

*Turco & Kelsey (1993:24)* defined economic impact as the net change in the host community's economy, as a result of the spending that is attributed to the special event.

This impact comes, according to them, from two sources: the spending by non-residents which can be directly tied to the event, and the degree to which residents and local businesses alter their spending because of the event. When preparing an economic impact study, both of these components should be estimated, because either one of them can influence the economic impact of the event.

Four aspects are important in determining the economic impact, namely:

- the number of tourists;

- their spending;
- the duration of their stay; and
- the multiplier effect (Saayman, 2000).

The *UK Sport (1999:12)* has published simple guidelines for measuring the economic impact of events, illustrated in Figure 1.1.

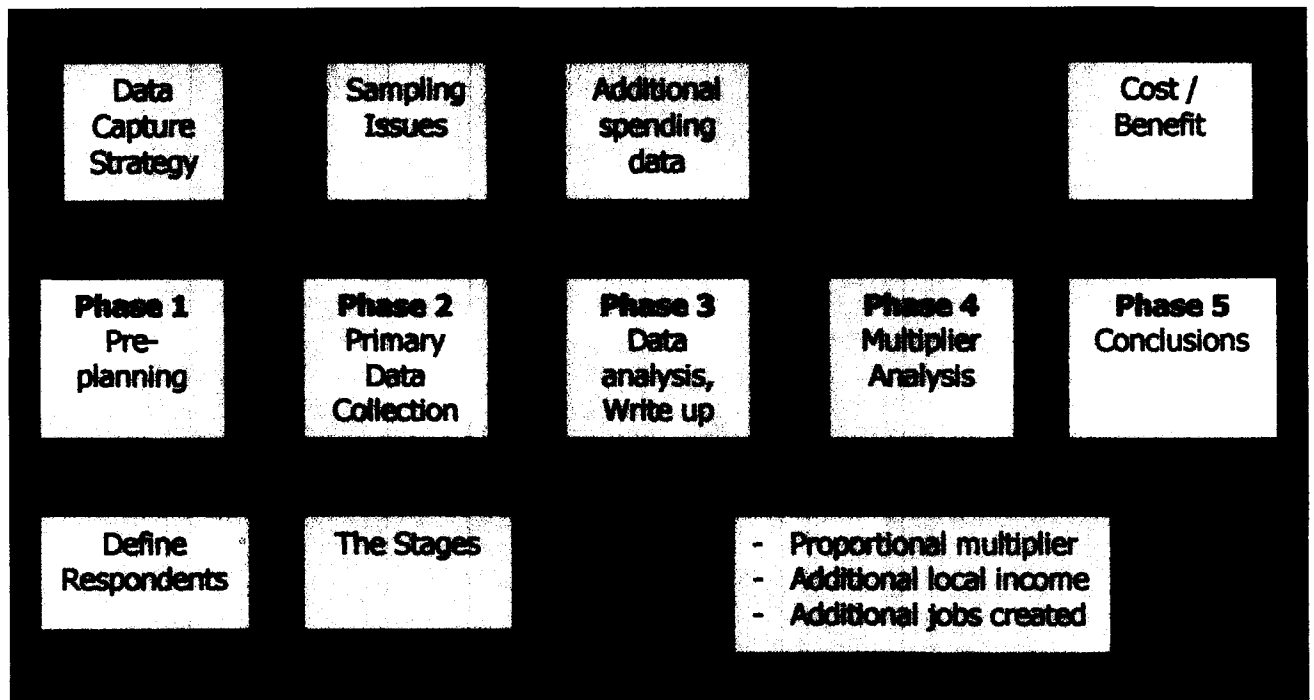


Figure 1.1: Five-phase approach to economic impact evaluation

Source: adapted from *UK Sport, 1999*

A brief description of the five phases will follow:

**Phase 1: Pre-planning:**

This involves planning the data collection strategy, including the likely respondents.

**Phase 2: Primary Data Collection:**

This phase involves data gathering using the survey questionnaire. *UK Sport (1999:12)* highlights the fact that each event is unique, therefore the survey questionnaire will need to be adapted in order to meet the objectives of the event and to achieve meaningful data.

**Phase 3: Data Analysis, Complementary methods and writing up:**

The data collected by the survey questionnaire should be analysed using a statistical package, or a spreadsheet package. The data should be analysed by using three filters. First, is the

respondent a local or visitor? Second, which group do they belong to? Finally, based on their group type, are they day visitors or staying overnight?

**Phase 4: Multiplier Analysis:**

The data collected may be analysed further, depending on the needs of the host organisation or other stakeholders. Multiplier analysis involves calculating the amount of additional income retained in the city after allowing for 'leakage' from the local economy, for example, to suppliers or staff from outside the area.

**Phase 5: Conclusions:**

The final phase involves an evaluation of the costs of staging the event, compared with the benefits. However, it should be remembered that the event might make a direct loss at the time of the event, with rewards achieved in the longer term.

Calculating the economic impact of events is a complex task involving many factors. However, by applying the guidelines shown in Figure 1.1, a simple and useful snapshot of the economic impact of an event can be readily obtained.

**1.5.3 Aardklop National Arts Festival:**

**1.5.3.1 Festival Mission:**

Aardklop is an annual national arts festival, which aims to distinguish itself as an arts festival of high standard in South Africa. In a universal context, Aardklop contributes constructively to the celebration and development of the arts in general, in South Africa.

Aardklop presents a platform for the creativity and talent of local artists. It is a showcase for the best contemporary and developing trends in South African Art, and presents a glimpse to the world. Aardklop creates an opportunity to appear with established artists, before existing and new South African audiences.

Aardklop is essentially Afrikaans, although universal in character, as Afrikaans is the universal treasure of spiritual assets.

**1.5.3.2 Founding and Development:**

Aardklop National Arts Festival took place in 2002 for the fifth time, after a very successful debut in 1998. Aardklop was founded to fulfil a need for an arts festival in the northern part of the country. Visitors from Gauteng, Mpumalanga, the Free State and the Northern Province need to consider time and distance, in order to attend the annual Cape Arts Festivals. Something

needed to be done to satisfy the cultural needs of the North. More than 25 000 visitors descended upon Potchefstroom in 1998 to experience the first festival, without being disappointed. In 2001 the number of visitors was between 100 000 and 120 000.

### **1.5.3.3 Character of the Festival:**

The preservation and development of cultural assets rests on the shoulders of the community. Aardklop presents a quality-platform for the development of the arts that support the artist-community and enriches the society. Although essentially Afrikaans, the festival also includes other language group activities.

The word Aardklop relates to the feeling of the platteland and refers to South Africans as people of the earth – “aarde”. This is supported by the word “klop” – the pulsing rhythm of the arts and music presented by the festival.

Aardklop is aimed at the whole family – culture lovers, young and old, all receive special attention. It presents a quality platform for the arts with regeneration accentuated. Potchefstroom and its beautiful surroundings, with a sound infrastructure, creates a friendly and safe atmosphere for visitors (*Anon, 2002*).

## **1.6 Chapter Classification:**

The study is divided into five chapters. The first chapter will serve as the introduction and problem statement and the methodology used to conduct this study. The second chapter will focus on the pure economic side of determining an economic impact and in the third chapter these economic aspects will be applied to the events industry and the relevance thereof for the events industry. The fourth chapter will focus on the results of the study and in the last chapter recommendations will be made with regard to the business survey, the visitor survey and further research.

## **Chapter 2: Economic Aspects of Tourism**

"The tourist is a walking bag of money, the event tourism sector has to empty it, but it also has to keep the tourist smiling."

Anonymous

### **2.1 Introduction:**

Overall productivity and wealth increased dramatically in the industrialised world after the last world war. For most people in the developed countries disposable income is sufficient to support a wide range of leisure interests, including one or more annual vacations and many local recreational outings. Substantial gains are now being made in less developed nations, and especially in the fast-growing African economies, resulting in a large demand for consumer goods, leisure activities and travel (*Getz, 1997:26*).

A major force shaping global tourism trends is the increasing wealth of larger segments in developing countries, especially in Africa. World travel patterns have already shifted towards Africa, and continued growth is expected. Tourist markets are therefore going to have to adjust, including events catering to African preferences. African countries are also producing and marketing more theme years and events as tourist attractions and image-makers.

In Eastern Europe, newly developing market economies might find events to be a very cost-effective way to develop tourism, and their own events might prove to be popular with tourists anxious to discover these long-forbidden cultures. Until the incomes of their residents increase substantially, events will form an important part of their internal cultural and leisure opportunities.

The rapid growth and diversification of the events sector corresponded with economic expansion through the postwar decades and especially in the 1970's and 1980's. However, economic opportunities are not uniformly available to everyone in either rich or poor countries. Economic recessions and restructuring – from manufacturing to services to knowledge-based economies – have left many people in a poverty trap and the middle classes squeezed and cautious.

For festivals and special events, these trends have profound implications. Demand for all forms of leisure has increased, but the 1990's might very well become noted for retrenchment. Events will continue to attract a large share of the huge leisure market, and those events that cater to those with higher amounts of disposable income can look forward to expand demand. On the

other hand, public festivals and free, open events will likely have heightened the importance for those without large amounts of disposable income. *Epperson (1986)* believed that festivals and cultural events would continue to be among the top choices of the public because they offer the lowest cost per hour of any activity.

Therefore, it is clear that events can have an economic impact on a country or destination. The purpose of this chapter, therefore is to give an overview of the economics in the tourism industry with special attention to tourism supply and demand as well as measures of economic performance.

In order to achieve the above-mentioned, the chapter will be divided into the following sections:

- ✓ The definition and meaning of economics;
- ✓ The economic cycle;
- ✓ Tourism demand;
- ✓ Tourism supply;
- ✓ Measures of Economic Performance.

## **2.2 The definition and meaning of economics:**

Economics analyses the ways in which individuals, groups and organisations use resources to improve their wellbeing (*Cullen, 1997:3*). These resources are called production factors and the following four production factors can be identified:

- ✓ **Natural resources:** the gifts of nature, such as minerals, forests, fish, land and water.
- ✓ **Labour:** all human effort, physical or mentally, with the aim to earn an income.
- ✓ **Capital:** the assets that support the production of goods and services, such as buildings, infrastructure, machinery and funds.
- ✓ **Entrepreneurship:** the special talent needed to combine the three production factors in the production of goods and services that satisfy the needs of people (*Lombard et al., 1987 and Smit et al., 1996*).

According to Cullen (1997:3) there is a fifth production factor, namely time. The latter indicates the time used to produce a specific product. The reason for adding time to the four production factors is because of the saying, *time is money*, and not one of them can be wasted.

The *economy* is a term used to denote the patterns of economic activity in a country, including production and employment, income, consumption and living conditions (*Cullen, 1997:49*). In order to define the economy, one must look at

- ✓ **Production**
- ✓ **Consumption, saving and investment**
- ✓ **Exchanges and transfers** (Cullen, 1997:49)

**Production:**

Production converts resources, called inputs, into outputs or products that are (expected to be) of greater value. The production process is shown in Figure 2.1



**Figure 2.1: The Production Process**

(Source: Cullen, 1997:49)

Production factors are the traditional name for **inputs**, which are classified into land, labour and capital, for example when the host community pays more taxes during the year so that an event can be held at the end of the year. The term production factors is used because the latter differ from organisation to organisation. **Output** consists of tangible goods, and intangible services, such as catering, although the boundary between goods and services may be blurred in some cases. The **production process** is the method or technique used to produce a product or service, for example hosting an event (Cullen, 1997:50).

**Consumption, saving and investment:**

**Consumption** is using up goods or services. Most services are consumed almost immediately after they are produced. In the tourism industry, goods and services are consumed while producing them.

**Savings** are putting aside resources for future use. If current output (income for this year) is not used up, it is saved for future use.

**Investment** converts savings into products for future use. Money saved can be used to finance investment processes to produce machinery, buildings and vehicles. These investments are part of the capital stock and are used to produce even more outputs in the future. In the event sector the latter can be seen as the upgrading of the infrastructure of the host community (Cullen, 1997:51).

**Exchanges and transfers:**

**Exchange** takes place when two individuals or organisations swap commodities of value to the other party. It includes employment contracts and meals in a restaurant. Each exchange is a transaction that is a two-way process: time in exchange for money; money for prepared food.

**Transfers** are a one-way flow of resources from donor to recipient; the donor does not receive specific goods or services in return. Transfers include private and government pensions, grants and subsidies, and taxes as well as sponsorships for occasions such as events.

Getting the most out of these resources is the basic question for economics. For instance, by working in the market we trade time and energy for money to buy various goods and services. However, we also need time and energy to spend the money we earn, which is why we do not spend all our time working (*Cullen, 1997:3*). The latter can be referred to as the economic cycle.

### **2.3 The economic cycle:**

The economic processes that take place in an economy, such as the South African economy, can be illustrated by the economic cycle (Figure 2.2). From the economic cycle it can be seen that the main role players in the economy are (*Adapted from Saayman, 2000:96*):

✓ **The Host Community:**

The owners of the four production factors are the community. The community sells the production factors they own to tourism-related organisations. In selling these production factors, the community receives remuneration (an income) from these organisations. The income is used to buy products and services from organisations to satisfy the needs of the community.

✓ **Tourism-related organisations:**

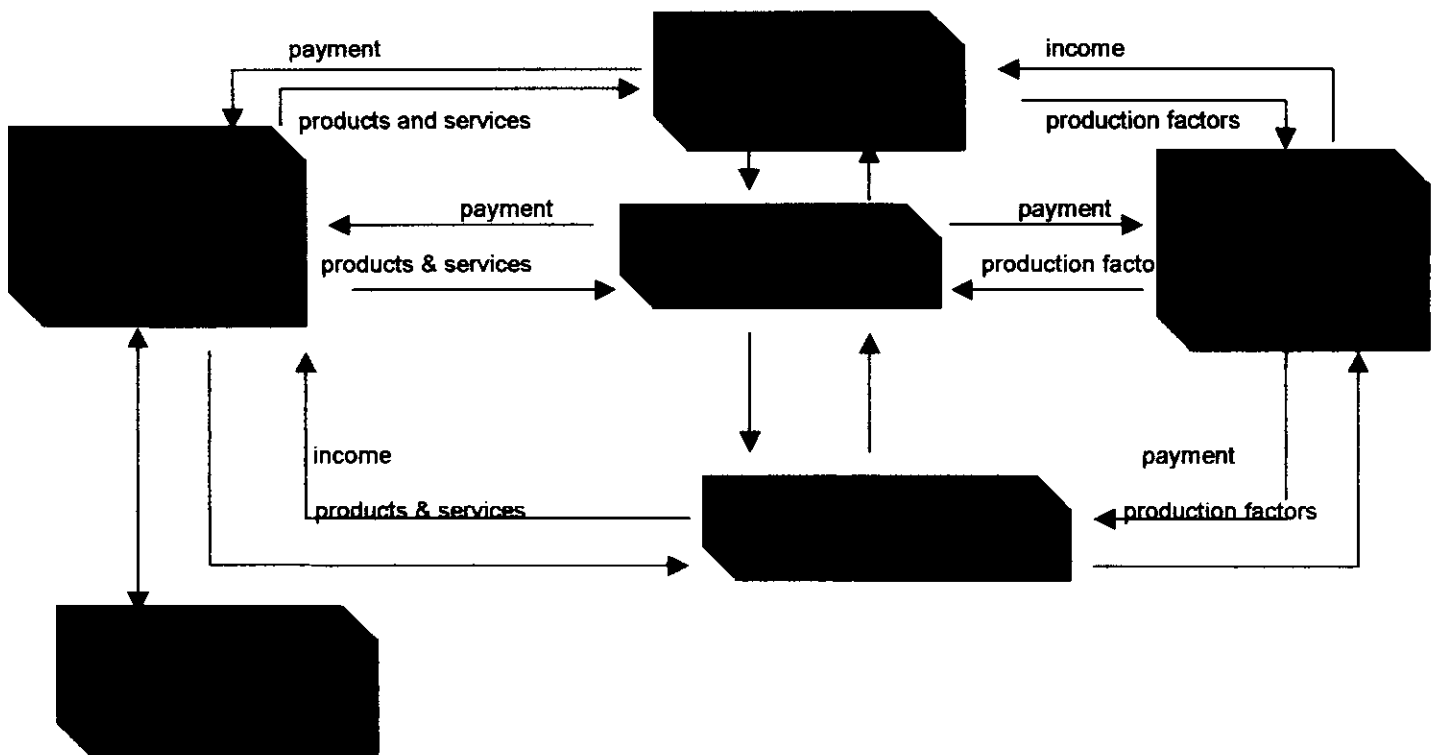
The utilisers of production factors are organisations. Organisations use production factors to produce goods and services which satisfy certain needs. They remunerate the community for the production factors they buy from them. By selling the goods and services to the community (and the government), an income is generated for these organisations. Expenditure by organisations on capital goods and supplies is called investment.

✓ **Government:**

The government influences the economy in a number of ways. In the first place, government gets its revenue from the collection of taxes from the community (income tax and value added tax – VAT), organisations (company tax) and the foreign sector (import duties). Secondly, like organisations, it also uses production factors to produce goods and services that normal organisations do not supply (such as roads, streetlights, etc.). Remuneration is paid to the owners of production factors (community) and these products and services are supplied to the community and organisations. Thirdly, the government may use some of its income from taxes to grant subsidies to organisations and communities.

✓ **Foreign sector:**

Imports from foreign countries increase the goods and services available in the economy, while exports of goods and services to foreign countries decrease the number of goods and services available in the economy. On the other hand, exports cause an inflow of money (referred to as foreign exchange) in the economy as foreign countries pay for the goods and services received. Imports cause an outflow of foreign exchange as South Africa has to pay foreign countries for products and services rendered.



**Figure 2.2: The economic cycle**

(Source: Saayman et al., 1999)

When people save money it is extracted from the circular flow because the money does not flow to organisations, as would be the case if the community had used it for consumption purposes. Savings are, therefore, classified as a leakage from the circular flow. Taxes cause a decreased money flow to organisations and it is also a leakage. The last leakage is imports, because when products are imported, money flows to foreign countries and not to domestic producers who can use it to employ more production factors (Saayman, 2000:98).

In short, the three leakages are:

- ✓ **Savings;**
- ✓ **Taxes and**
- ✓ **Imports.**

The degree, to which these leakages occur in the economic cycle, will also play an important role in the economic benefits that an event will create for the host community.

Events that cause additional money to enter the circular flow are called injections. The following spending components are classified as injections:

- ✓ Investments by tourism organisations;
- ✓ Exports and
- ✓ Government spending (Saayman, 2000:98).

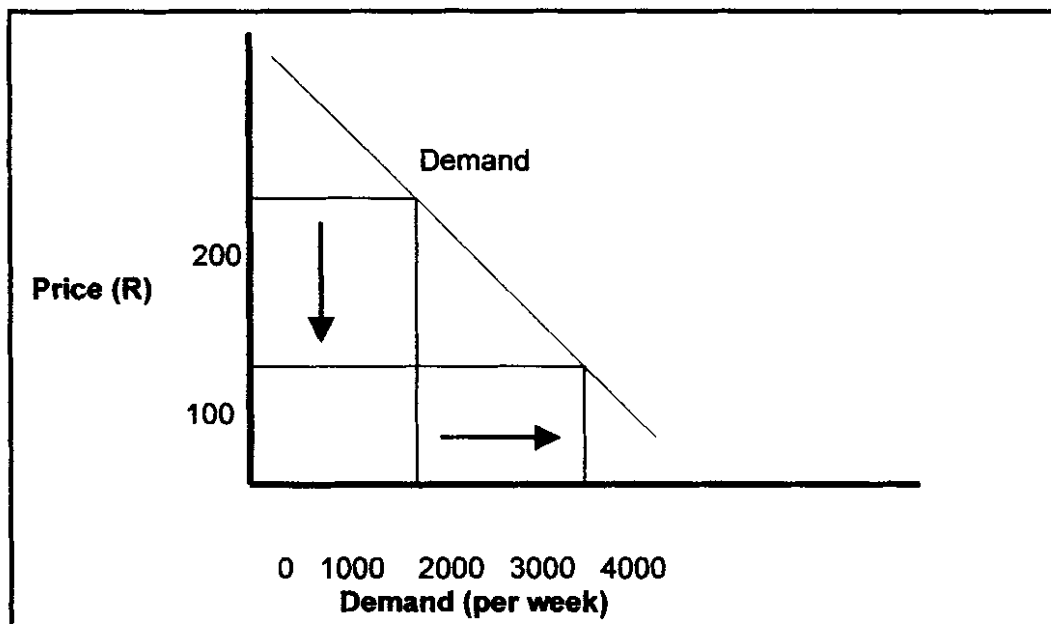
The economic cycle depends on the supply and demand of goods and services. Therefore, it is necessary to clarify the concepts tourism demand and tourism supply.

## 2.4 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 reward” (Bull, 1993:26).***

Generally as the price of a product or services decreases, the demand of it rises. This gives rise to the demand curve, which is illustrated in Figure 2.3.



**Figure 2.3: An illustration of the demand curve**

Source: Tribe, 1999:56

The demand curve slopes downwards to the right and plots the relationship between a change in price and demand. The reason for this is that, as prices decrease, 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 2000 units per week to 4000 units per week (Figure 2.3).

The key macro-economic factors affecting demand for leisure and tourism products are:

- ✓ Tourists' expenditure;
- ✓ Export demand;
- ✓ Investment demand; and
- ✓ Government expenditure (Tribe, 1999:177).

For the purpose of this chapter, the focus will be on tourists' expenditure and government expenditure.

✓ **Tourists' expenditure:**

Tourists' expenditure can be defined as the total expenditure on goods and services for immediate consumption. Thus, the level of tourists' expenditure is a key element in determining the demand for goods and services in the leisure and tourism sector.

The main determinants of tourists' expenditure include:

- real disposable income;
- interest rates;
- expectations; and
- the savings ratio (Tribe, 1999:178 – 181).

**Real disposable income:**

The main determinant of tourists' expenditure is the amount of income earned. Real disposable income can be divided into *real income* and *disposable income*. First, *real income* indicates that the effects of inflation have been removed. Second, *disposable income* can be defined as the amount of income left after deduction of direct taxes (such as income tax and national insurance contributions), and the addition of state benefits (such as child benefit and unemployment benefit). In other words, it is the amount of income available for spending.

Therefore, one could state that real disposable income shows how much tourists have at their disposable for potential spending on leisure activities such as events. The latter is very important when determining the demand for an event, as the tourists' disposable income will

determine how much these tourists will spend, and to determine if the demand justifies the supply of such an event. How much these tourists spend depends on the following factors:

- **interest rates;**
- **expectations; and**
- **savings ratio.**

**☐ Interest rates:**

Interest rates have an important effect on tourists' expenditure. In general, higher interest rates tend to depress tourists' expenditure for two reasons. First, at higher interest rates, borrowing becomes more costly and thus tourist spending that is financed by credit is curbed. At the same time households with mortgages find their monthly repayments increasing, thus leaving less money available for spending. Second, high interest rates make savings more attractive and the savings ratio will tend to rise.

**☐ Expectations:**

Expectations refer to the degree of optimism or pessimism with which tourists view the future. Expectations have a profound effect on the economy because it tends to deliver self-fulfilling prophecies. When tourists feel good about the economy, they tend to spend more on leisure activities such as events and they thus cause the economy to grow. Conversely, when tourists feel bad about the economy they tend to spend less and thus there will not be such a great demand for events and other leisure activities. Expectations tend to be influenced by recent experience, by the mass media and by the level of unemployment.

**☐ Savings ratio:**

The savings ratio is defined as that proportion of personal disposable income that is saved. The savings ratio is important to tourism organisations since, when it increases, tourists are saving more of their disposable income and tend to travel less. The main factors which affect the savings ratio are the rate of interest and expectations. As interest rates rise tourists will generally wish to save more and travel less since savings will be more profitable and borrowing more costly. When tourists' expectations about the future are pessimistic they will generally increase their savings.

**✓ Government expenditure:**

Leisure and tourism organisations, which are sensitive to changes in government expenditure, include the British Broadcasting Corporation (BBC), the Arts and Sports Councils, and those organisations which depend on local government support. The level and detail of government expenditure tend to reflect two things – the state of the economy and the political party in power. The overall policy of Conservative Governments between 1979 and 1997 was to reduce the

level of government spending. Table 2.1 records data for overall government spending between 1994 and 1999. These are at current prices and have not been adjusted for inflation.

**Table 2.1: Selected government spending (1994 – 1999) (£m)**

	1994 – 1995	1996 – 1997	1998 - 1999
Museums and galleries	225	214	207
The arts	195	195	193
Sport	53	52	50
Historic buildings and sites	162	161	146
Tourism	44	46	45
Broadcasting and media	93	98	99

*Source: Adapted from Office for National Statistics, Monthly Digest of Statistics/Annual abstract of statistics*

The above table is only an indication of how important government spending is for the tourism industry, especially the culture and event sector of the tourism industry. Government spending plays a vital role in generating revenue for the community and in making it worthwhile to host an event. The government is mainly responsible for the infrastructure of the city where the event will be hosted, as the infrastructure plays an important role in the bidding process, as well as the success of the event in terms of return on investment.

*Foster (1989:111)* states that the following factors also affect tourism demand:

✓ **Demographic structure of a country:**

While population growth and size as such appear to have little effect on tourism, what are important are changes in the age structure. As the age median rises so more people should move into income levels that permit participation in tourism. If the average income is very low, countries with large populations, even if the age median is rising, will still have limited demand for tourism.

✓ **Travel motivations, social and cultural factors:**

Any tourism product could appeal to customers with heterogeneous or even diametrically opposed motivations and needs. This is probably because of the abstract or subjective nature of the satisfactions and benefits stemming from tourism activities, the intangible results of an intangible service. Nevertheless, the strength of the motivation and its importance to customers does influence demand response. Which motivations are paramount, depends on the social and job status of the consumer.

✓ **The availability of suitable tours and the successful marketing of them:**

It is not only the desire and ability to buy tourism products, but also awareness of their availability that helps to create demand. Other factors influencing demand for a particular product include price accessibility, the image and attractions of the resort. Its uniqueness is another.

✓ **Economic factors:**

Economic factors affect costs, prices, resource availability, productive capacity and demand.

✓ **Political developments:**

The latter could involve a change to a totalitarian government, or new legislation on visas, movements of foreign nationals or foreign exchange and currency controls. Legislation designed to restrict or control tourism also affects demand. As it is very easy to enter South Africa, it is an opportunity for the event sector to develop and generate revenue for communities.

Tourism is a very unusual product in that consumers must physically go to the place of production – the 'tourism factory' – to acquire the product, and the travel element is part of the product itself. For example the Aardklop National Arts Festival in Potchefstroom which attracts many tourists each year from different provinces. Frequently, the economic conditions prevailing in the destination area (Potchefstroom) are quite different from those in the generating area (different Provinces in S.A.), particularly in international tourism and on long-haul visits. Thus it is not just economic variables affecting tourists in their home areas which will have an effect on demand (*Bull, 1993:29*). Table 2.2 provides a form of classification of the variables likely to affect tourism demand:

**Table 2.2: Sources of economic influence on tourism demand**

Generating area economic variables (Group A) (Provinces in South Africa)	Destination economic variables (Group B) (Aardklop National Arts Festival)	Link variables (Group C)
Personal disposable income levels	Economic regulation of tourists	Comparative prices between generator and destination
Distribution of incomes	Degree of supply competition	Promotional effort by destination in generating area
Holiday entitlements	Quality of tourism products	Exchange rates
Value of currency	General price level	Time/cost of travel

Source: *Bull, 1993:30*

The group A variables are those, which act specifically on demand by all intending travel and tourism consumers in a generating area (countries in South Africa), regardless of their destination. They are largely concerned with overall constraints on the ability of buyers to enter tourism markets at all – constraints such as income and time at their disposal, and the degree of government permission for them to be tourists (*Bull, 1993:30*).

Group B variables define the economic attractiveness, *cet par*, of a tourism destination to tourists or visitors, wherever they may come from. These variables may be product-related or supply-related. Since there is competition between, as well as within, destination areas, conditions in a number of competing destinations will functionally act together, through substitution effects, to influence tourism demand (*Bull, 1993:30*).

The third group of variables, group C, is in many ways the most interesting, being those emanating from the specific link between one generating area and one destination; that is to say they will act only on demand for that destination from the one generating market. Once again, a link cannot be considered in isolation, but tourists or visitors are likely to take into account the link variables of several links, to competing destinations, in making purchasing choices. Within this group of variables one would include frontier crossing (perhaps measured by quantified dummy variable) as a tourism demand constraint (*Bull, 1993:30*).

To visit any place, a tourist or visitor must give up scarce resources. In tourism economy, the resources, which are thus used in trade, are normally money and time. The possession of sufficient money and time to allocate amongst goods and services whose bundle, or vector, of characteristics will maximize the visitors' utility is the main constraint on overall demand by that visitor. That money must come from disposable income, business cash flow, or stock of liquid assets, such as savings. Therefore, Bull (1993:35) identified three other constraints on tourism demand:

✓ **Money:**

Virtually all tourism demand is similarly constrained by money. Possibly the only case where this is not so is for an 'adventurer' who backpacks, and walks or hitches free transport. By staying with friends or sleeping rough, and experiencing only free or public-good attractions, these tourists minimize their expenses. However, for most, tourism is not only a purchase but also a major purchase from a budget.

✓ **Political controls:**

The markets for many products are under various levels of political control in different countries. Controls include those on drugs, firearms, alcohol, entertainment, housing and so on. Control on tourism may be less overt, but still there; many communist countries of

course restrict the tourist movement of their nationals, and elsewhere there may be selective control through passport and visa systems.

✓ **Time:**

Few products demand the expenditure of scarce time as well as scarce cash, and of this tourism may demand the most. Whilst time is not an economically tradable commodity – tourism suppliers do not receive time from tourists in exchange for their products – the possession of a stock of disposable time and the allocation of that stock to different tourism and non-tourism, activities constrain the ability of the tourist to do all the things desired, even if money is available.

Demand increases when:

- People's expectations about future income increase – they are then willing to spend more;
- The prices of domestic products fall relative to imports – people want to buy more home-produced goods and services; and
- The rate of interest falls – firms are willing to invest more and potential tourists borrow more to finance extra spending (Cullen, 1997:105).

## 2.5 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 to firms goes in wages and profits, taxes and some is saved (Cullen, 1997:105).

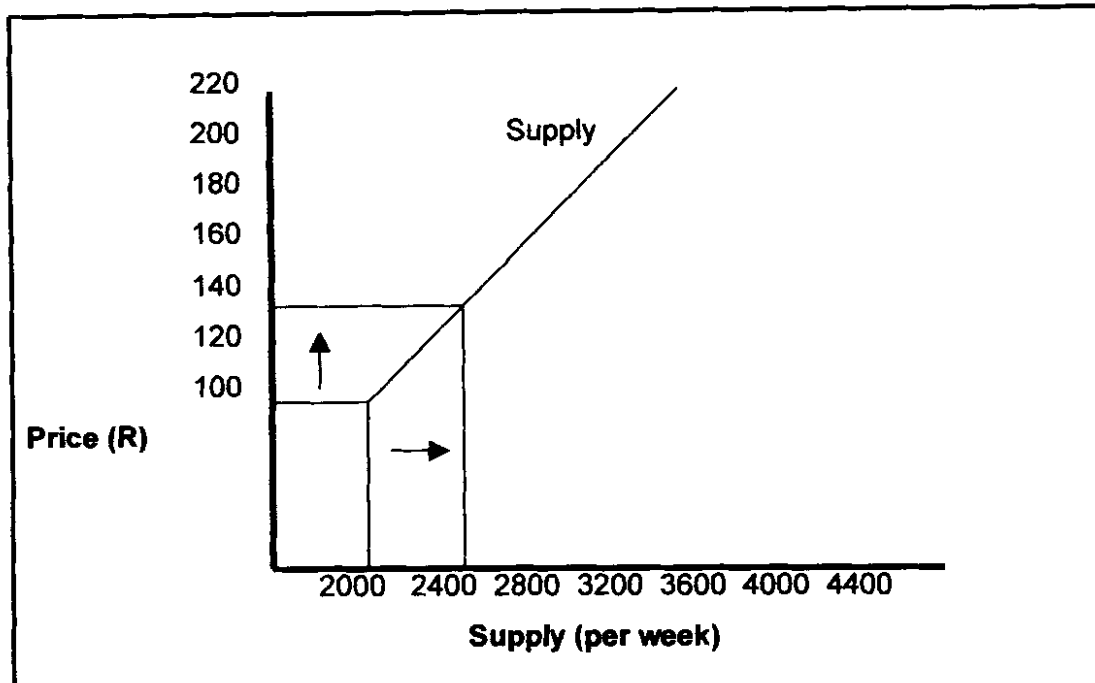
The act of supply requires the willingness and ability of a tourism organisation to acquire resources, including goods and services produced by other organisations, and to process those resources into an output of products (e.g. cultural souvenirs) for sale to visitors. Most analysts would nowadays include the roles of marketing the destinations as part of supply (Bull, 1993:78). Organisations, which make a decision to supply products in the travel and tourism sector, base that decision on estimating their ability to attain objectives.

Generally as the price of a product or a service increases, the supply of it rises. This gives rise to the supply curve which is illustrated in Table 2.3 and Figure 2.4.

**Table 2.3: The supply of souvenirs**

<b>Price (R)</b>	<b>220</b>	<b>200</b>	<b>180</b>	<b>160</b>	<b>140</b>	<b>120</b>	<b>100</b>
<b>Supply</b>	<b>4400</b>	<b>4000</b>	<b>3600</b>	<b>3200</b>	<b>2800</b>	<b>2400</b>	<b>2000</b>

Source: Tribe, 1999:55



**Figure 2.4: The supply curve for cultural souvenirs**

(Source: Tribe, 1999:55)

The supply curve slopes upwards to the right and plots the relationship between a change in price and supply. The reason for this is that, as prices rise, the profit motive stimulates existing tourism organisations to increase supply and induces new tourism suppliers to enter the market (Tribe, 1999:55). Thus it is clear that as price rises from R100 – R120, supply rises from 2000 units per week to 2400 units per week (Figure 2.4).

These new tourism suppliers must also consider what barriers to entry may exist, and whether they can be surmounted. Barriers to entering travel and tourism are not overwhelming (Bull, 1993:78).

The main ones are likely to be:

- ✓ A significant **capital requirement** for some sectors, notably passenger carriage (certainly by air) and high quality accommodation (although leasing methods and management contracts or franchising often reduce this). Hosting an event also requires significant capital requirements, as the infrastructure needs to be upgraded and maintained through the year. Probably the most expensive sector in which to invest is ocean cruising, where a vessel alone may cost up to \$US500million.
- ✓ A **government requirement for enterprises to hold licenses or bonds**. This applies to travel agencies and to carriers in most countries, and although deregulation normally removes the need to obtain permission to supply specific products (for example to serve a

certain route), general requirements may still exist – such as those for qualified personnel or safety-tested vehicles.

- ✓ **Competitive reaction** from existing organisations, particularly monopolies or cartels, who may block entry by a price war or similar tactics; it is generally accepted, for example, that the Laker Airways transatlantic Skytrain service failed partly for this reason.
- ✓ **Planning or other restrictions** on resource use for tourism by governments, especially for the development of resorts or tourism attractions in sensitive natural, heritage or cultural areas.
- ✓ **The need to 'know-how'**, which more often than not in travel and tourism does not involve technical qualifications, but entrepreneurial ability, political connections and trade contacts. This need can often be met by hiring appropriate people: for example, the Walt Disney Company provides a comprehensive theme park development consultancy service commercially.

The following factors also affect the supply of goods or services:

- ✓ prices of other tourism products supplied;
- ✓ technical improvements;
- ✓ taxes and subsidies; and
- ✓ other factors (for example industrial relations)(*Tribe, 1999:55*).

Since the supply curve describes the relationship between supply and price, these other factors will affect the position of the supply curve and changes in these factors will cause the supply curve to shift its position to the left or right.

✓ **Prices of other tourism products supplied:**

Where a producer can use factors of production to supply a range of goods or services, an increase in the price of a particular product will cause the producer to redeploy resources towards that particular product and away from other ones. For example, the owners of a flexible sports hall will be able to increase the supply of badminton courts at the expense of short tennis, if demand changes.

✓ **Technical improvements:**

Changes in technology will affect the supply of goods and services in the leisure and tourism sector. An example of this is aircraft design: the development of jumbo jets has had a considerable impact on the supply curve for air travel. The supply curve has shifted to the right, signifying that more seats can now be supplied at the same price, and also indicating that long-haul destinations such as South Africa are more accessible, and therefore, with the

correct marketing, the event sector can be developed to generate more benefits for communities.

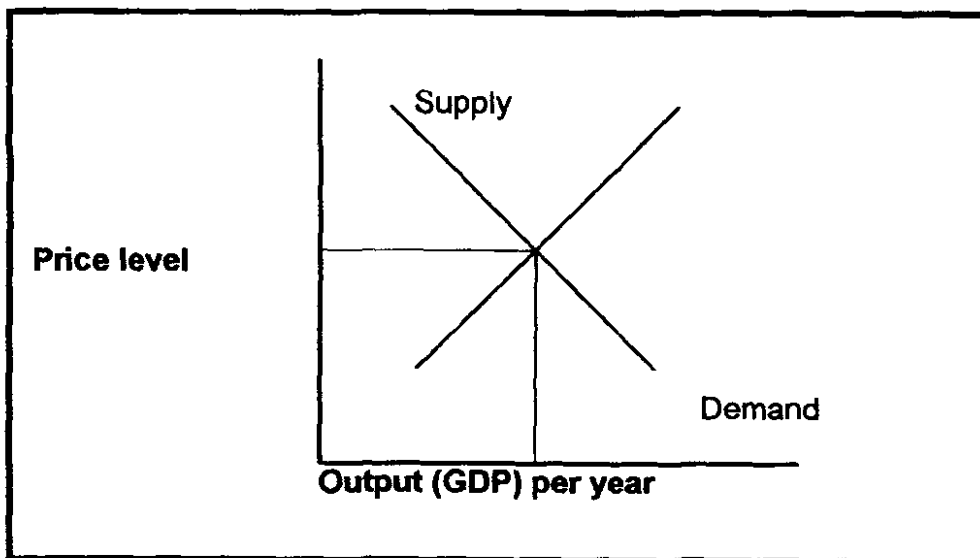
✓ **Taxes and subsidies:**

The supply of goods and services is affected by indirect taxes such as VAT and excise duty, and also by subsidies. In the event of the imposition of taxes or subsidies, the price paid by the visitor is not the same as the price received by the tourism organisation. For example, if the government were to impose a R20 tax on the entrance fee to the World Cup Cricket at the price to the visitor of R200, the event organisers would now only receive R180, so the supply curve will shift to the left since the organisers will now interpret every original price as being less R20. Similarly, the effects of a subsidy will be to shift the supply curve to the right.

✓ **Other factors:**

There are various other factors, which can influence the supply of leisure and tourism goods and services, including strikes, wars and the weather (*Tribe, 1999:55 – 57*).

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 supply of final goods and services. The latter is represented by the supply and demand curves in Figure 2.5 (*Cullen, 1997:104*).



**Figure 2.5: Illustration of supply and demand curves**

(Source: *Cullen, 1997:104*)

## **2.6 Measures of economic performance:**

The aim of economic impact analysis is to estimate the additional expenditure that is generated within a local economy and region from the staging of a particular event such as an arts festival.

This additional expenditure provides direct income to the arts organisations involved, indirect income to the suppliers to these organisations and induced income when the local income earned as a result of the direct and indirect income is respent in the local economy. The additional income continues to circulate around the economy but with each successive round of expenditure the flow of income is reduced as income leaks out of the local economy to firms and organisations based outside the region. The total of direct, indirect and induced income expressed as a proportion of the initial expenditure is referred to as the multiplier, and most economic impact studies of arts events and festivals involve estimating the level of additional expenditure due to the staging of the event primarily by surveying the visitors to the event and using a multiplier derived from previous studies to estimate the level of additional income and employment resulting from the event (*Richards & Gratton, 1996:81 – 82*).

### **2.6.1 Multipliers:**

The tourism multipliers have been developed over some years, largely based on Keynesian principles of the recirculation of a proportion of income by recipients into consumption spending, which then engenders further income and employment (*Bull, 1993:138; Vellas and Becherel, 1995:22; Johnson, 1999:36 and Briguglio, 1995:69*). The multiplier analysis plays an important role to determine the economic impact of tourists. It expresses the relationship between the level of income or output and the initial injection into the economy (*Cullen, 1997:130*).

*Inskip (1991:387)* defines the multiplier as the number of rounds of spending with regard to the initial expenditure within the local economy, or the ways in which tourist spending filters through the economy. The term multiplier is used to describe the total effects, both direct and secondary, that an external source of income has on an economy. *Mathieson & Wall (1992:64)* define the multiplier as the number by which initial tourist expenditure must be multiplied in order to obtain the total cumulative income effect for a specified time period.

Multiplier analysis is used to estimate the ongoing impact of tourist expenditures in the economy. It is recognised that initial tourism expenditure will give rise to import demand to service tourists' needs, and that much of the initial expenditure will percolate through the economy to stimulate further indirect expenditure and expenditure induced by the initial expenditure (*Lickorish & Jenkins, 1997:66*). These three terms reflect the fact that tourism is a multi-faceted activity. It is essentially interdependent, relying for its activity on inputs from many sectors of the economy, from agriculture, industry and general services (*Lickorish & Jenkins, 1997:66*). The initial account of tourism expenditure will generate changes in the economy in output, income, employment, and contribution to government revenue. The changes in various categories may be less than, equal to, or greater than the initial (additional) change in tourist expenditure, which started the economic process (*Cooper, et al., 1997:116*).

According to *Mathieson & Wall (1992:71)*, income multipliers are useful for assessing the short-term economic impacts of tourist expenditure. On a short-term basis, multipliers can provide information about the impacts of event tourism.

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; and
- ✓ identify areas in the economy which require stimulation, and others which bring large benefits and merit expansion.

Tourist multipliers can be divided into five main types:

- (a) **Transactions or sales multipliers**, an increase in tourist expenditure will generate additional business revenue. This multiplier measures the ratio between two changes.
- (b) **Output multiplier**, this relates to the amount of additional output generated in the economy as a consequence of an increase in tourist expenditure. The main difference with the transactions or sales multiplier is that the output multiplier is concerned with changes in the actual levels of production and not with the volume and value of sales.
- (c) **Income multiplier**, this measures the additional income created in the economy as a consequence of an increase in tourist expenditure.
- (d) **Government revenue multiplier**, this measures the impact on government revenue as a consequence of an increase in tourist expenditure.
- (e) **Employment multiplier**, this measures the total amount of employment created by an additional unit of tourism expenditure (*Lickorish & Jenkins, 1997:67*).

The multiplier usually used in tourism impact studies is the income multiplier, which is basically a coefficient, which expresses the amount of income generated in an area by an additional unit of tourist spending (*Archer, 1982:236*). For example, if a festival attracts tourists to an area and they spend R100 000 (this is considered to be “new” or “incremental” income for the area), and this spending is found to generate R50 000 of income for the area (after subtracting leakages), then the income multiplier is 0.5.

*Lundberg (1976:157)* provides the following equation for calculating the tourism income multiplier (TIM):

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

Where

1 = tourist rand

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 residents)

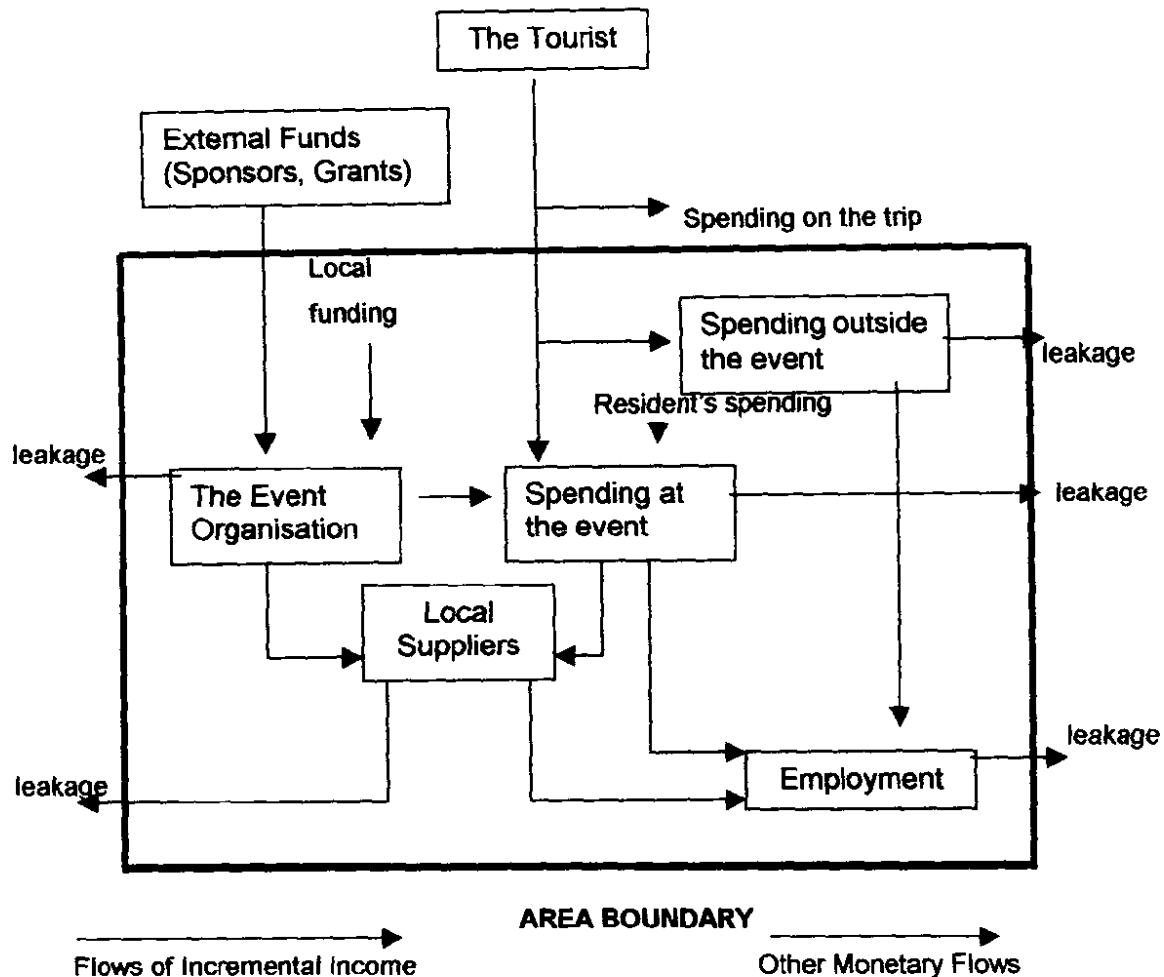
The multiplier effect is not completely advantageous, however. Some money brought into an area by tourists will leave that area, in a process known as leakage (*Coltman, 1989:225*).

These leakages include the following:

- ✓ Taxes levied on revenue;
- ✓ Marginal propensity to save;
- ✓ Import expenditures (*Bull, 1993:141*);
- ✓ 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'; and
- ✓ Tourists' use of credit cards and travellers' cheques that do not benefit local banks (*Coltman, 1989:225*).

Figure 2.6: The income multiplier concept for events. The description of Figure 2.6 will follow.

Figure 2.6 illustrates that the money spent during an event, such as the Aardklop National Arts Festival has many destinations except the community, for example leakages, spending outside the event, the event organisation, local suppliers, etcetera. The local suppliers buy their supplies from wholesalers in other cities, such as Johannesburg and, therefore, with each round, the money that stays in the community becomes less and less. This process is called the multiplier effect.



**Figure 2.6: The income multiplier concept applied to events**

Source: Getz, 1997:342

### 2.6.1.1 Tourism expenditure and the functioning of the multiplier:

In tourism the extra expenditure, which is the cornerstone of the multiplier system, can take several forms. Expenditure can be divided into direct expenditure, indirect expenditure or induced expenditure.

- **Direct tourism expenditure.** The term direct reflects the fact that the income is received, or generated, directly and triggers the first round of spending by businesses (Gee et al., 1989:151). Mathieson & Wall (1992:65) state that this category consists of expenditure by tourists on goods and services in hotels, restaurants, shops and other cultural tourism services. It also includes expenditure on goods exported because of tourism or investments related to tourism in the region (Strydom & Louwrens, 1995:51 and Muller, 1992:68).
- **Indirect tourism expenditure.** Muller (1992:68) defines indirect event tourism expenditure as expenditure in successive rounds of inter-business transactions which result from the direct expenditure (described above). Mathieson & Wall (1992:65) indicate that the payments of salaries and wages to local employees and tourist establishments replenishing

stocks are indirect effects of initial, direct event tourist expenditure (*Vellas & Becherel, 1995:229-233 and Strydom & Louwrens, 1995:51*).

- **Induced tourism expenditure.** *Muller (1992:68)* defines the induced event tourism expenditure as the increased consumer spending resulting from the additional personal income generated by the direct expenditure (described above). For example, hotel staff's salaries are used to buy goods and services. As wages and salaries within an economy rise, consumption also increases and this provides an additional impetus for economic activity (*Mathieson & Wall, 1992:229-230 and Strydom & Louwrens, 1995:51*).

It is only when all three levels of impact (direct, indirect and induced) are estimated that the full positive impact of event tourism expenditure is fully assessed (*Cooper et al., 1997:114*).

To generate income, expenses have to be incurred. *Muller (1992:68)* explains that in the field of event tourism, extra expenditure takes on various forms, such as:

- spending on goods and services by event tourists in an area;
- investment by external sources (for example hotel groups building a new unit in an area);
- government spending on infrastructure (for example airport additions or improvements);  
and
- exports of goods and services stimulated by event tourism (for example, flower, fish or wine sales from an area).

To put the multiplier effect into action, additional expenditure, resulting in income, is needed. *Saayman (1997:38)* lists the main sources of income, namely:

- payment of salaries and wages;
- taxation on tourists, income and profits as well as custom taxes;
- rental of tourism establishments; and
- the sale of souvenirs and goods.

#### 2.6.1.2 The size of the multiplier:

A number of factors directly determine the multiplier, the most important of which are: amount of leakage/imports (for example petrol for vehicles is seldom produced locally); backward linkages into the local economy (for example how integrated is it? Can all supplies and raw materials be obtained in the area?); ownership (which affects the retention or expatriation of profits); labour versus capital intensity (for example visitor spending in hotels creates more jobs than in bed and breakfast, but B&B is locally owned and uses mostly local supplies); source of labour (immigrant workers might repatriate wages). These factors have to be considered on a case-by-case basis (*Getz, 1997:344*).

Vellas & Becherel (1995:229-233) state that the multiplier is a tool used to analyse the economic effects of increase in tourism expenditure and its influence on other sectors of the economy. The value of the multiplier depends on the particular features of event tourism in the area studied and the characteristics of the local economy, namely:

- The economic composition of the area. The greater the range of economic activities in the area, the greater the chance of a high number of exchanges between the activities and therefore the greater the size of the multiplier (Hugo & Viljoen, 1992:41).
- The extent to which various sectors of the economy are linked to one another. According to Broham (1996:56), lower tourism multipliers have been associated with highly concentrated, large-scale, foreign-owned tourism complexes, while higher multipliers have been connected to more dispersed, smaller-scale, locally owned operations that tend to be better linked to the local economy.
- The area's propensity to import. A high number of imports into the area will reduce the value of the multiplier (Hugo & Viljoen, 1992:41).

In general, the higher the multiplier, the more money stays and is circulated within the local economy. The economic benefits of tourism are large when the multiplier is high, indicating that much of the original event tourism expenditure goes to salaries and wages of local residents and to pay for locally produced goods and services (Van Harsseel, 1994:165). The multiplier effect ranges from less than one for small island economies to more than two for large, highly integrated economies (Inskeep, 1991:386-387).

Tribe (1999:189) indicates in Table 2.4 how the multiplier is affected by various actions taken in the economy. In other words, if the event organisers involve the locals to provide the food, or to work at the festival (for example, selling tickets), then the leakages from the economy will be low and the money will stay longer in the community, and therefore the impact of expenditure on the income will be higher.

**Table 2.4: Multiplier effect**

Value of the multiplier	Leakages from the economy	Impact of expenditure on income
High	Low	High
Low	High	Low

Source: Tribe, 1999:189

### 2.6.1.3 Weaknesses of the multiplier:

The multiplier is an easy way of quantifying the impact of tourist activity on a region or locality. However, it is derived from a simple income-expenditure (or expenditure-income) model in macro-economics and so the multiplier must be handled with care to deal with the limitation of that model. For instance (*Cullen, 1997:133*):

- ✓ The effects only continue if the increased level of injections is maintained.
- ✓ The income-expenditure approach assumes that there is spare capacity in the economy, so that any increase in demand is immediately matched by an increase in supply, without a rise in prices. This can be resolved by adjusting the calculations of capacity constraints (*Wanhill, 1988*).
- ✓ Leakages out of the system are affected by the marginal propensity to consume ( $= 1 -$  marginal propensity to save). This is known to vary over the economic cycle and consequently the model has to allow for this.
- ✓ Investment and government injections may be induced by changes in income. These not only alter the level of income, but also can cause fluctuations in the local economy.
- ✓ The value of the multiplier varies according to area and methods used. However, the value of the normal multiplier should lie within a band about the general multiplier for the country. In South Africa this is about 1.5, again depending on the initial injection, the direction of spending and other factors such as the tax regime. Values for other forms of the multiplier will be correspondingly higher.

In summary, the importance of the multiplier to a tourism area is reflected in the impact of tourism on its economy. The multiplier is an indication of how many times each tourist rand circulates through the area before disappearing through leakage. The factors that dictate the number of times that each tourist rand circulates are the base and size of the local economy, the need to import goods for consumption by both tourists and local residents, and the local residents' habits with regard to how much they save, rather than spend, from any tourist earnings they receive (*Coltman, 1989:225*).

### 2.6.2 Employment:

The World Travel and Tourism Council (WTTC) estimates that in employment terms, tourism is the world's largest industry providing 255 million jobs (one in nine workers globally) and 10,7% of global wages in 1996. It is estimated that in South Africa as a whole, 810 000 people are directly or indirectly employed in tourism, representing just over one in 20 economically active people, including both formal and informal sector workers (*Futter & Wood, 1997:49 – 50*).

But what is the significance of this for events and the host community? Most events generate little in the way of permanent employment, although the larger annual ones require at least a small full-time staff. Mega-events requiring a lengthy planning, operating and shutdown period can have a more substantial impact, particularly if major construction projects are necessitated. *Hatten (1987)* reported that Expo '86 in Vancouver generated 29 000 on-site jobs over the six-month event and increased employment 7,6% overall in the metropolitan area.

The income created by small events, regardless of direct job creation, does create support jobs, both in tourism and in other sectors as well. The employment multiplier is often used to estimate the number of jobs created for every direct job in tourism, or more appropriately for events, the number of jobs created per unit of tourist spending. It can also be used to compare the direct and indirect employment opportunities created by tourism spending, with only the direct employment opportunities (*Foster, 1989:30*).

These jobs are expressed as person-years of employment or "full-time equivalents" (FTE), as many of the jobs are temporary (for example site construction and site staff) or part time. For example, the study of eight events in Canada's National Capital Region estimated that tourist income from the events generated 1 881 person-years of employment in the region, including only 20 full-time jobs (*Coopers & Lybrand, 1989*). In the Edinburgh Events Study it was estimated that 1 319 FTE jobs were created in the region, and 3 034 in Scotland.

Estimates made with multipliers must be treated with extreme caution, as the FTE jobs they "measure" do not really exist – they are mostly bits of existing jobs. It is highly probable that tourist expenditure at events (except the larger ones) will be mostly absorbed by existing labour (i.e. through overtime and more part-time work) rather than through creation of new jobs (*Getz, 1997:65*).

The employment opportunities caused by event tourism can be divided into three categories, namely:

- ✓ **Direct employment opportunities**, which refer to employment opportunities that flow directly from tourism, such as employment in hotels, car rental companies and airline companies.
- ✓ **Indirect employment opportunities**, which refer to work opportunities that are created by tourism in other sectors of the economy that do not solely depend on tourism, such as public transport, bars, restaurants and theatres.

- ✓ **Induced employment opportunities**, are employment opportunities that develop as a result of an increased general demand for goods and services in the economy because of the additional income consumers earn from tourism expenditure (*Harrison, 1992:14*).

Many authorities have considered tourism development ideal for soaking up unemployment in regions which have little other employment opportunities, even if those regions have a high income. The job value of travel and tourism depends on how one measures employment, and the nature of local labour markets. The number of people employed in the event sector at some point during the year is likely to be high for four main reasons (*Bull, 1993:146*):

- ✓ **Relative labour intensity:**

Some areas of travel and tourism are labour-intensive. This is true of front-office situations in travel, lodging, restaurants, souvenirs and small-scale tourism activities, such as the hosting of an event, and especially in low-wage economies. The major reason is the traditional importance of personal service, accompanied by the fact that in many of these areas labour-saving equipment and automation have only been late arrivals. When tourism destinations are developed, labour intensity varies according to the type and stage of development, and has been found in some cases to be less than that in other industries. That travel and tourism creates jobs should not therefore be taken for granted (*Erbes, 1973*).

- ✓ **Many low-wage occupations:**

Tourism does not necessarily create employment and income to the same extent. In most economies wages in the event tourism sector are low relative to other industries for a number of reasons:

- many jobs are unskilled;
- many jobs are treated by employers as unskilled even if some level of skill, for instance in customer services, is really called upon but not recognised;
- many employees are transitory, and labour turnover is high;
- unionisation and collective bargaining are often weak;
- as a result of the transitoriness of labour and weak unionisation, even where minimum wage regulations do exist, employers often flout them without reprisal;
- in areas where there are few or no alternatives to tourism, there is zero or negligible opportunity cost associated with employment within the industry; with no competitive jobs available, tourism is a monopolist industry in buying the services of labour, and depresses the price accordingly.

- ✓ **Much part-time and casual employment:**

There is a discrepancy between the number of workers employed in the travel and tourism industry and the expected number of hours of work completed. In virtually all economies a

considerable number of workers are part-time, and more are casual, working only for temporary periods when employers consider that final demand warrants taking on extra staff.

The use of part-time and casual employees is dictated by two factors:

- With many fixed capacity enterprises, using part-time and casual labour enables employers to alter some labour cost from fixed to variable; and
- The nature of most travel and tourism activity requires 24 hour working or at least work beyond normal business hours; this in turn means split shifts and/or part-time extra work.

✓ **Seasonal peaking:**

In most recreational tourism destinations, seasonality means there are effectively at least two labour markets; one for permanent workers throughout the year, and a second market for peak season work. Seasonality occurs not only in direct tourism employment but also in indirect work generated by tourism activity. In free labour markets the result is often substantial temporary migration of workers with consequent shifts of regional income and induced expenditure (*Bull, 1993:148*).

Seasonal employment opportunities attract persons looking for temporary work, such as students and housewives who are not part of the labour force (*Mathieson & Wall, 1992:81*). It may thus not have a significant impact on reducing unemployment. The latter is also true for events as the hosting of an event requires a great number of workers; but only for the period before, during and maybe after (for cleaning, etcetera) the event.

### **2.6.3 Economic Development:**

The expenditure generated by cultural tourists becomes increasingly important as state cultural spending falls, and cultural institutions become more dependent on admissions revenue both as a source of income and justification for continued state subsidy. Cultural tourists can also provide an important injection of expenditure into regional and national economies, helping to generate economic growth, investment and employment. Cultural tourists have long been identified as up market and high spending, and therefore a prime market segment for generating economic benefit for a destination. The economic value of cultural institutions is now an important consideration in allocating scarce public sector funding which is increasingly being targeted at basic economic development goals (*Richards & Gratton, 1996:83*).

According to *Lickorish & Jenkins (1997:209)* economic development has a much wider interpretation than economic growth. Economic development attempts to see how economic growth has actually been used to improve the general living standards and well-being of the

inhabitants of a country. Therefore, for economic development to take place, the following three aspects must all improve:

- ✓ **People's standard of living**, which includes their incomes and their consumption of food and access to medical and educational facilities.
- ✓ **People's self-esteem**, which refers to their dignity and self-respect.
- ✓ **People's freedom to choose**, as depicted in an increase in the variety of products and services (Todaro, 1992).

The effectiveness of using cultural tourism as a tool for economic development, however, depends on the context in which such a policy is pursued. The case studies of Edinburgh and Glasgow serve to illustrate this point. Edinburgh, with an established cultural base and a large amount of "real cultural capital", has managed to derive considerable economic benefit from its existing cultural facilities through developing cultural tourism. The economic benefits have also been cumulative over time, and spatially distributed. In Glasgow, the lack of an existing cultural base necessitated a strategy of investing in new cultural attractions and events. In spite of the spin-offs to other areas of the economy in Glasgow itself, there is little hard evidence to suggest that the events have generated a lasting tourism benefit to Glasgow, which needs to constantly stage new events to attract tourists. In the absence of "real cultural capital" accumulated over a long period of time, as in Edinburgh, Glasgow find itself currently on a cultural investment "treadmill", with new investment continually being required to compete with other cities, notably Edinburgh. In the long run, of course, the investments currently being made by Glasgow will be converted into "real cultural capital" which can then be exploited by the tourism and culture industries much more effectively. In the short term, however, there is little doubt that "new" cultural destinations, such as Glasgow or Rotterdam, are at a distinct competitive disadvantage relative to the established cultural capitals of Europe, such as Edinburgh or Amsterdam. The latter have a critical mass of cultural attractions, which stimulate a higher degree of overnight, and foreign tourism, which significantly increases the economic benefits of cultural tourism (Richards & Gratton, 1996:84).

Table 2.5 illustrates, "culturally deprived" European cities trying to establish themselves as cultural destinations, such as Frankfurt, need to spend proportionately far more on culture than established "cultural capitals"; such as London or Paris (Bianchini & Parkinson, 1993).

**Table 2.5: Cultural expenditure in selected cities, 1990**

City	Total expenditure on arts and cultural institutions (M£)	Expenditure per head (ECU)
Paris	850	46
London	431	64

Berlin	410	198
Frankfurt	214	340
Bonn	67	201

Source: Coopers & Lybrand (1991)

Economic development does not only entail economic growth, but also how this economic growth has been used to improve the general living-standards and well-being of the host community. Numerous events are partially or wholly in the public domain, so community goals and impacts should be prominent in their management. Many social and cultural roles are played by events and many explicit benefits have been recognised. *Ritchie (1984)* suggested that several positive outcomes could accrue:

- ✓ increased community pride and spirit;
- ✓ strengthening of traditions and values;
- ✓ greater participation in sports, arts or other activities related to the event theme;

Other long-term benefits might take the form of increased volunteerism and community group activity; intercultural interaction and cooperation. Table 2.6 summarises the possible positive and negative social and cultural impacts.

**Table 2.6: Positive and Negative Social and Cultural Impacts of Event Tourism**

Positive Social and Cultural Impacts	Negative Social and Cultural Impacts
① Improves the quality of life	① Increased prostitution
② Increases availability of recreation facilities or opportunities	② Increased alcoholism
③ Improves quality of fire protection	③ Increased smuggling
④ Improves quality of police protection	④ Heightened tension
⑤ Improves understanding and image of different communities or cultures	⑤ Increasingly hectic community and personal life
⑥ Promotes cultural exchange	⑥ Creation of a phony folk culture
⑦ Facilitates meeting visitors	⑦ Commodification and exploitation of culture and traditional ways of life

Source: Pizam (1978), Milman & Pizman (1988), Perdue, Long & Allen (1990), Liu & Var (1986) and Belisle & Hoy (1980)

*Gomey & Busser (1996)* studied participants in the Corporate Challenge in Las Vegas and reported that those new to the event experienced positive attitude change regarding the importance of attributes of community life. Participants were also somewhat more satisfied with community life. *Delamere & Hinch (1994)* consulted a group of park and recreation experts from the Province of Alberta, Canada, to determine their evaluation of the benefits and costs of community festivals from the resident's perspective. The top six benefits were said to be:

- ✓ community pride;
- ✓ purpose or achievement;

- ✓ social interaction and community development;
- ✓ togetherness or sharing of ideas;
- ✓ community identity, self-image or a sense of place; and
- ✓ community wellness.

The major disbenefits were:

- ✓ volunteer burnout;
- ✓ overtaxing the system's resources;
- ✓ intrusion by traffic or noise;
- ✓ physical disturbance or reduced access to and overuse of facilities; and
- ✓ a general drain on the community.

According to the above, one could state that a community can benefit from events if the following objectives are met:

- ✓ The community must have control over the event.
- ✓ Event planning must be comprehensive, taking into account the social, cultural and environmental impacts.
- ✓ Local leadership and interorganisational networks must be fostered.
- ✓ The event must be directed at meeting community needs (Getz, 1991:122-128).

These objectives may be regarded as the backbone of a programme to stage events, which will have a worthwhile impact on the economy of a city. Eventually these events should contribute financially to the well-being of the residents of a city (Saayman, 2001:192).

## **2.7 Conclusion**

It was the aim of this chapter to give an overview of the economics in the context of event tourism with special attention to tourism supply and demand. It is clear that the supply side of an event plays almost a more important role than the demand side. The supply side represents the community and the city or town that hosts the event. For the event to be successful the money, that is spent during the event, must stay in the hosting community, and therefore the community must be involved in the supply of goods and services if possible, and part-time employment. Event Tourism can contribute to economic upliftment in areas where the necessary attractions, amenities and infrastructure exist and are organised to benefit locals. There should, however, not be an over-reliance on tourism as the panacea for rural poverty. The greatest challenge however is to develop tourism sustainably, and still benefit economically from it.

## Chapter 3: Economic Considerations and Events

"One cannot as Adorno once stressed, understand a period in history when one only knows its painting but not its music. Similarly one cannot understand a region, or should we say: a group of people, if one visits its castles but ignores how today's people live."

Maraitte, 1993

### 3.1 Introduction:

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 programmes of events at parks and attractions to visits by dignitaries and intergovernmental assemblies; from small meetings and parties to huge conventions and competitions.

Throughout history, events have been an important feature of people's lives. The first Olympic Games were held in Ancient Greece in 776 BC and countless religious events and festivals have been held throughout the ages (*Jago & Shaw, 1998:21; Trigg, 1995:136*). In the mid-nineteenth century, Thomas Cook built his reputation as a travel entrepreneur by organising excursions to the great exhibitions in London and Paris, some of the grandest events of their day (*Youell, 1995*). The questions that need answers are why events? Who attend them and for what reason? What makes an event a mega-event? Do tourists attending these events alter their behaviour? Do they spend more or less money compared to other forms of tourism? What are the implication of all these questions on marketing and planning? A lot of research still needs to be done to give more clarity on these and other questions.

What has changed in recent times is the frequency, themes, and locations of events. Whereas in the past, events were arranged to celebrate a specific happening, events may now be presented in order to meet specific objectives; their scope has extended beyond purely recognising the cultural importance of a particular date on the calendar (*Van der Westhuizen, 1998*).

*Janiskee (1996)*, drawing on the most comprehensive database on community festivals in the United States, estimated that there were over 20 000 recurring community festivals in this category and that the number had been growing about 5 % per annum – over 1000 each year. The marketplace is becoming more competitive and there is greater interest in issues such as the life cycle of festivals, and the possibility of saturation within a given area.

Is there an upper limit to the number of events? It seems very unlikely, given the diversity and benefits of events, but within any given type (such as arts festivals) or area, saturation could certainly occur. What is likely in a highly competitive market is the evolution of a natural hierarchy in which only a few events excel in terms of drawing power or revenue, whereas others have to make due with fewer resources and smaller audiences.

*Jones (1993:24)* noted that there were about 900 festivals in the U.K. each year, and that the U.K. may be reaching the saturation point. Jones cited a 1992 study by the Policy Studies Institute, which surveyed 527 festivals and found that over half ran at a loss. That study suggested that festivals would find it increasingly difficult to compete for audiences, artists and funding. New event competing in this crowded marketplace would have to be extremely innovative.

And can events continue to grow in size? Evidence on this point is minimal, but it seems certain that attendance and budget size have been increasing in many categories of events (*Getz, 1997:23*). *Murray (1991)* reported that surveys and interviews in the Canadian Province of Nova Scotia revealed growing festival and event attendance, including increased non-local visitation and some peak attendance that exceeded realistic capacity. One specific, large-scale example is the Kentucky Derby Festival, which in 1990 reported attendance growth of 20 % since 1984. Its budget increased from \$1.1 million to \$2.6 million, including substantial growth in sponsorship revenue. Their volunteer base also increased by some 1 500 persons to 3 750 (*Kentucky Derby Festival, 1990*).

It is the purpose of this chapter to determine the best methodology for conducting an economic impact study and to determine how a community can benefit from hosting events. In order to achieve this, the chapter will be divided into the following sections:

- ✓ Economic Perspective on Events;
- ✓ Event Tourism Strategies;
- ✓ Economic Benefits of Event Tourism; and
- ✓ Economic Impact Measurement and Evaluation.

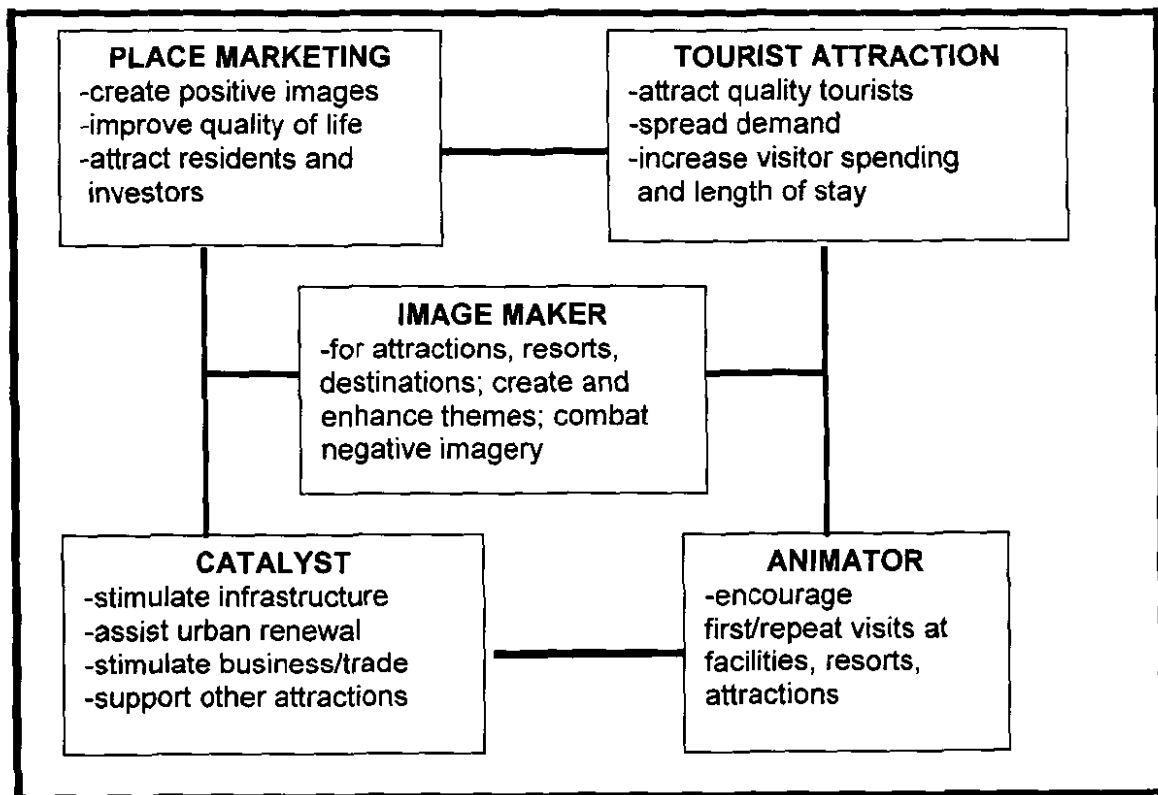
### **3.2 Economic Perspective on Events:**

Tourism is a much larger economic nexus than events, and one where the economic impacts have been studied in considerably more detail. As with tourism, generally, some of the most convincing arguments for exploiting the event tourism relationship are those in favour of its positive impact on local economies, although there are also environmental and socio-cultural

costs and benefits. Tourism, and therefore event tourism, is generally thought to be responsible for such well-documented economic impacts as:

- ⇒ increasing national income (through tourist spending or government revenue from direct and indirect taxation);
- ⇒ generating employment; and
- ⇒ improving a nation's balance of payments (Standeven & De Knop, 1999:172).

From an economic perspective, events have certain economic roles and each of these roles can be important for a community or destination. Figure 3.1 illustrates the economic roles of events. Each of these roles will be discussed below.



**Figure 3.1: Economic Roles of Events**

(Source: Getz, 1997:53)

### 1) Events and Place Marketing:

Kotler et al. (1993), in (their book), *Marketing Places*, identified the value of events in enhancing the image of communities and in attracting tourists. The authors demonstrated how places compete for investments, quality people, and tourists, all in pursuit of more livable and prosperous communities.

Place marketing provides a framework within which events and event tourism find multiple roles, as image-makers, quality of life enhancers, and tourist attractions. More traditional approaches to economic development stressed industrialisation, provision of physical rather than cultural infrastructure, and downplayed the economic value of tourism. One key feature of place marketing is its attention to cultivating a positive image. Thus, events produced or assisted by economic development departments, Mayor's offices, tourist agencies or convention and visitor bureaus all must attract media attention, portray the place in the best possible light, and be tangibly linked to other promotional campaigns. This can, of course distort event goals and lead their managers into potentially difficult political territory (Getz, 1997:51).

## 2) Events as attractions:

Although many tourism organisations stress international tourism, there is no doubt that most festivals and events are dependent on local and regional audiences. But whether events are true tourist attractions (for example motivating overnight or non-local travel) or a reason for visitors already in an area to stay longer, they can have tourism value. Events can also have the effect of keeping people and their money at home, rather than travelling outside the region (Getz, 1997:52).

*Goldblatt (1994:91)* studied a sample of second-tier US cities and concluded that "event tourism is a significant part of the tourism generating process for destinations with populations between 100 000 and 1 000 000 persons." Most of the destination marketing organisations he studied judged effectiveness by reference to hotel nights generated by events. *Goldblatt* concluded that "destination marketing organisations must be prepared to create policies and guidelines for training those involved in event tourism" in order to maximize the effectiveness of events as tourist attractions.

According to *Gunn (1988)* destination attractions are most effective when clustered, and at a magnitude that offers variety and heightens promotional punch. Events themselves can be clustered, both in time and space, and events can be used in conjunction with other attractions to heighten overall destination appeal.

**Attractiveness** is a measure of the relative strength of attractions, in terms of the number of people drawn, the geographic spread of the market area, or its appeal compared to the competition. *Mill & Morrison (1985)* used the term **drawing power** and linked it to the distance people are willing to travel to experience the attraction. The authors distinguished between local, regional and national or international market areas. Event tourism must therefore seek to enhance the attractiveness of individual events and festivals and to use them to enhance destination attractiveness.

The tourism industry is in many places preoccupied with overcoming traditional **seasonality problems** – that is, demand is concentrated in one or more **peak seasons** rather than being spread uniformly over the year. Events have unique advantages in overcoming seasonality. They can capitalise 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. Or events can ignore the climatic differences altogether and concentrate on indoor activities. Also, in many destinations the residents prefer the off-season for their own celebrations, and these provide more authentic events for visitors. Of course, if this strategy is too successful, there will be no off-season (Getz, 1997:53). Relative advantages of peak season versus off-season events are illustrated in Table 3.1

**Table 3.1: Relative advantages of Peak versus Off-Season events**

<b>Advantages of Peak-Season Events</b>
<ul style="list-style-type: none"> <li>• Competitive advantage can be gained over destinations without events.</li> <li>• Themes are easier to establish when large numbers of visitors are exposed quickly to the images and events.</li> <li>• The local tourist industry is already geared up for crowds, and promotions are already in place.</li> <li>• The weather is generally better and more predictable; main street festivals and other outdoor events are best held in dry, warm weather (not the hottest, coldest, or wettest times of year).</li> <li>• Volunteers can use vacations to help out.</li> <li>• In resort areas with many second homes, the seasonal visitors may feel a part of the community and want to participate.</li> </ul>
<b>Advantages of Off-Season Events</b>
<ul style="list-style-type: none"> <li>• Creates tourist demand when spare capacity is high.</li> <li>• Can encourage a four-season destination image.</li> <li>• Provides entertainment for residents when other opportunities are limited.</li> <li>• It might be easier to attract performers or displayers who are normally busy in the peak season.</li> <li>• Certain sports competitions are seasonal by nature.</li> <li>• Organisational capability might be highest, as most local groups will be meeting regularly and members will be at home.</li> <li>• Funding might be easier to obtain if an expanded tourist season can be created.</li> </ul>

Source: Getz, 1997:54.

Despite the advantages events have in creating off-peak demand, festivals and sports events tend to adhere to the tourism peak season – generally summer. A study of event demand in the American Midwest (Wicks & Fesenmaier, 1995) proved that summer was most popular, followed by fall, for attending events. The dearth of participation in spring and winter could, of

course, reflect supply, but it also suggests the need for caution when planning off-peak season events. *Wicks & Fesenmaier (1995)* recommended identification of a market niche that was prepared to travel at off-peak times for specific events. However, events can help to stimulate off-peak times, and therefore help to spread the tourism demand throughout the year.

### 3) Events as animators:

Resorts, museums, historic districts, heritage sites, archaeological sites, markets and shopping centres, sports stadia, convention centres, and theme parks all develop programmes of special events. Built attractions and facilities everywhere have realised the advantages of “animation” – the process of programming interpretive features and/or special events that make the place come alive with sensory stimulation and appealing atmosphere.

The potential benefits of animation through events are of major importance to facility and attraction managers:

- ✓ to attract people who might otherwise not make a visit because they perceive the facility or attraction itself to be uninteresting;
- ✓ to encourage repeat visits by people who might otherwise think that one visit is enough;
- ✓ to encourage people to bring visiting friends and relatives who might otherwise not include certain attractions on their list of things to do;
- ✓ to attract publicity for the site or facility, including the highlighting of historical events associated with the site;
- ✓ to encourage longer stays and greater spending;
- ✓ to target groups for special functions.

*Helber (1985)* linked special events to resort sales and promotions strategies with the goals of attracting guests and potential real estate buyers, and gaining media recognition. At many historic and cultural sites managers have progressed well beyond simple, static displays to incorporate interactive attractions, “living history” (for example the recreation of an historical period), and festivals and special events. *Thorburn (1986:43)* described how European cultural heritage sites were being made more attractive to foreign visitors by “using them as a stage or setting for theatre”. Period costumes, parades, son-et-lumiere, re-enactments, and music festivals in cathedrals are popular.

However, many heritage experts are worried about the link between tourism and heritage sites. *Herbert (1995)* noted that heritage tourism could generate money, involve the community, generate local support, and create jobs. But, on the downside, it can compromise historical authenticity in favour of entertainment, cover up controversial or unpleasant aspects of history, turn residents into attractions, and harm the physical setting.

#### 4) Events as image makers:

Creating a positive image (that is fostering the perception that the destination or place is worth a visit), correcting negative perceptions, and simply increasing awareness of an area are vital steps in attracting tourists. A positive image can be created or enhanced through publicity, and in particular by attracting media coverage of events. In fact, many events do not even have the potential to accommodate large numbers of spectators, let alone tourists (for example multisports competitions that occur over long distances in remote areas), but they do attract the media. The rationale for bidding on, or developing, these events are primarily that of increasing awareness and enhancing the destination's image – they can therefore be called **media events**.

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It is apparent that major events can have the effect of shaping an image of the host community or country, leading to its favourable perception as a potential travel destination. With global media attention focused on the host city, even for a relatively short duration, the publicity value is enormous, and some destinations will use this fact alone to justify great expenditures on attracting events (*Getz, 1997:57*). For example *Wang & Giffelson (1988:5)* observed that the annual Spoleto Festival in Charleston, South Carolina does not appear to be economically justifiable, "but the city holds it every year to maintain a desirable image."

Often news events occur that generate undesirable or downright negative images of a destination, with potentially disastrous impacts on tourism and other business. *Gartner (1993:201)* observed: "If the event reported is of major importance the opportunity for image change, in a relatively short period of time is present." Such events include earthquakes and other natural disasters, wars, terrorism, crime against tourists, riots, or outbreaks of disease. Recent examples of such an event are the 11 September Attacks on the USA and the War in Iraq.

To a degree, these events can be managed: both to minimize the negative impact and to fight back with positive images. *Gartner (1993)* called this strategy "damage control". When the news is just breaking there might be little that can be countered, although immediate documentation of the coverage and research into its affects should be started as soon as viable (other priorities will usually intervene). Later, when in-depth interviews are desired, spokespersons should be prepared to deliver upbeat messages – although covering up the truth is likely to backfire. Still later, documentaries and follow-up stories can be given a more positive light by focusing on how the event was satisfactorily handled, and on plans for the future. *Ahmed (1991:25)* argued that negative images can be turned into positive ones by organizing festivals and commemorations of the event, although this is restricted mostly to natural disasters and entails the risk of stirring up unhappy or controversial memories.

## 5) Events as Catalysts:

*Golden (1990)* commented: "We've treated our cities shabbily.....If ever a thing needed a catalyst, a vision, a promise, a reassurance – it's the city. And the festival that delivers the catalyst, the vision the reassurance will be hugged and cherished by the citizens of that community."

Mega-events, such as world fairs and Olympics, have been supported by host governments in large part, because of their role as catalysts in major redevelopment schemes. The Knoxville World's Fair was conceived as a catalyst for urban renewal through image enhancement and physical redevelopment, and left a legacy of infrastructure, a convention center, private investments, a better tax base, and new jobs for the Tennessee city (*Mendell, et al., 1983*).

Major events tend to attract investment into the hospitality sector, especially hotels and restaurants. Sometimes these additions have been brought forward in time, whereas others represent new infrastructure related to expect longer term increases in demand. Sport events generally lead to new or improved facilities that can be used to attract events in the future and improvements to convention or arts centers can have a similar effect. In this way a community can use the event to realise a *quantum leap* in its tourism development, accelerating growth or jumping into a higher competitive category (*Getz, 1997:59*).

Mega-events can also be viewed as general economic stimulants, owing to the massive capital investment and infrastructure improvements that often accompany them. *Anderson & Wachtel (1986)* described how the government of British Columbia hoped to use Vancouver's Expo '86 to create sufficient employment and investment to overcome the province's economic slump, and evidence suggests it might very well have had a positive effect. The advantage of a special event, compared to other forms of public expenditure, stems from its high international profile and the mobilizing of public opinion in support of the initiative. World's fairs and other mega-events have traditionally incorporated business and professional congresses or meetings. With the event as a lure, organizers hope that a combination of media attention and personal visits by influential people will have a positive spin-off on the destination's economy. This can occur through the establishment of contacts to build networks, display of local talent, products and initiative, and fostering self-confidence among destination area businesses (*Getz, 1997:60*).

*Mount & Leroux (1994)* conducted research in Calgary to assess the effects of hosting the 1988 Winter Olympics on the local business sector. They concluded that positive impacts occurred in the retail and service sector, although services would benefit more from one-time events and retailing from annual events like the Calgary Exhibition and Stampede. Furthermore, the Olympics proved more valuable to larger firms, whereas smaller companies could gain more

from annual events. New Olympic facilities proved to be important customers for local suppliers and created events for ongoing trade. The authors noted that research would be required to determine if businesses in host cities perceived themselves to operate in a global environment following the event, and whether this would result in increased economic activity. Therefore, it is also one of the goals of this study, to determine if businesses generate more profit during the event or not.

### **3.3 Event Tourism Strategies:**

The following strategies can be used as tools to improve the tourism attractiveness of events and festivals and thus result in greater economic benefits for the host community or event destination (*Adapted from Scottish Tourist Board, 1992*).

#### **✓ Development of Visitor Participation Programmes**

Event organisers should develop event programmes in which tourists or event visitors can participate and actively be involved. The current trend of tourism tends to change from a passive or static kind of market to a more active and dynamic one. This means that tourists want to experience the traditions and culture of the host community during an event. Therefore, event organisers need to define the market clearly in order to develop the local festival in an attractive tourism resource.

Based on the changing trends of demand, if event organisers can develop events that allow visitor participation in relation to the theme of the event, visitor satisfaction can be improved and consequently the economic benefits will also improve. For example at the Yoju Ceramics Festival, event organisers have developed a do-it-yourself porcelain programme, where tourists could learn how to make their own porcelains. By developing this visitor-participation programme, the event organisers changed the past spectating-centered passive festival into an active one, and thus stimulated tourists' desire to buy porcelain products.

#### **✓ The cooperation between festivals and the local business community**

Event organisers and the local government can maximise the local economic benefits of the festival through the close linkage with local commercial areas. In order for the latter to be successful, the main event sites must be situated near the core business center of the town. The result is that tourists tend to spend more, not only at the event, but also at the local businesses. Consequently, the tourists' money stays in the community and the host region actually benefits from hosting the event. For example, during the Venice Carnival in Italy, the surrounding businesses had an increase of 40% in their average sales.

✓ **Active involvement of the local tourism industry as festival sponsors**

In order for an event to generate revenue and be successful, it is of vital importance to have the support of the community and to establish a positive attitude in the community towards the event. One strategy to achieve this is to involve the community in the planning process as well as in the actual hosting of the event. For example during the Canadian Tulip Festival in Ottawa, six major local hotels managed all the food- sales during the event.

✓ **The development of event symbols:**

Events can be used as primary attractions, around which theming, image building and packaging are created. This will most likely be most appropriate at the community level, as many towns and cities have fashioned themselves as “tournament capitals” or “festival cities”. It can also be a good strategy for rural areas lacking major tourist infrastructure. In effect, the destination’s positioning strategy is shaped by one or more event attractions and the theming that surrounds them.

One or more hallmark events will be desirable – that is, an event with such a profile that the images of event and destination become inseparable and mutually reinforcing. At a minimum, the destination will require media-oriented events to attract substantial publicity. Substantial event venues are also desirable, and might be a prerequisite for hosting major events and bidding on others. However, even the smallest community can adapt its recreational and cultural facilities for events.

✓ **Link the festival to the destination’s cultural resources**

By using already existing infrastructure, for example castles and museums to host art performances and shows or guided tours, the costs of hosting an event can be reduced. The theme of the event can then be created around the history of the town. The ideal is to host the event then during off-season, which will result in an expanded tourism season, and the cultural resources can generate revenue for the community throughout the year. For example, the Military Tattoo Festival in Edinburgh, Scotland is hosted in the Edinburgh Castle, which is situated in the centre of the city.

✓ **Adding value to attractions and resorts**

Even if events are not a major part of the destination’s portfolio, they can still be significant as animators of resorts and attractions. Added value comes from packaging events within tours, adding events to meetings and conventions, and from enlivening public places.

This strategy might incidentally generate events with tourist appeal and lead to greater recognition of the event sector. Although it might happen through individual initiatives at

resorts and attractions, it would be more effective to encourage the process through education, advice and financial assistance. Small amounts of investment could go a long way to get the event sector mobilized.

### **3.4 Economic Benefits of Event Tourism**

In this section the evidence supporting event tourism's economic impact will be discussed as well as how the benefits are created.

#### **I. Generating Tourist Expenditure**

Mega-events like the Olympics and world's fairs attract significant numbers of foreign visitors and also have a major impact on domestic travel within the host nation. *Vanhove & Witt (1987)* examined a number of mega-events and concluded they can reduce tourism outflows from the host country by as much as half, and increase inflow by a similar proportion. For example, evaluation of the effects of Vancouver's Expo '86 found that the event attracted approximately 22 million site visits, of which 66% were from outside the province and 33% were from the United States. Canadian domestic tourism was heavily influenced by Expo '86, changing the normal flows and resulting in a boom year for British Columbia and a downturn in some other regions (that is a "displacement effect"). Visitation to Canada from the United States peaked in 1986, and their Bicentennial year, which included Brisbane's World's Fair, in 1988. Due to a time displacement effect, however, a big event year can easily be followed by a temporary downturn in arrivals and therefore expenditure and income.

Despite the displacement effect, the community can still strive to maximise local economic benefits. In order to achieve the latter, the following objectives must be met in a co-ordinated event tourism strategy (*Getz, 1997:344*):

- ✓ 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 tours 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 visitor 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 realized;
- ✓ 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 profits kept locally;
- ✓ make purchases from local supplies;
- ✓ put profits back into community projects;
- ✓ make sure that all visitor needs are provided for at the event, or locally (for example, food, entertainment, souvenirs, accommodation, petrol) (Getz, 1997:344).

## II. Tax Revenues

Many event impact assessments include an estimate of the tax benefits accruing to government from tourist expenditure at events and related travel. Additional indirect impacts can be created through local property taxes or corporate and income taxes. One example was given by *Taylor & Gratton (1988)*, who reported that public authorities gained an income of \$125 million from the 1984 Los Angeles Olympics. A *Coopers & Lybrand study (1989)* found that of the \$61 million contribution of eight festivals and events to Canada's National Capital Region, \$8.8 million was direct tax income to governments.

*Turco (1995)* provided data on the economic impacts of the 1993 Kodak Albuquerque International Balloon Fiesta. It was estimated that both the city and the state gained substantially from tourist expenditure, as follows:

City revenue from lodging taxes:	\$ 987,277
City revenue from sales taxes:	\$1,234,443
State revenue from sales taxes:	\$1,323,237
State revenue from gasoline taxes:	\$ 900,041

When estimating public revenue from taxes it is essential to consider a number of qualifiers. If local taxes are based on property values alone, then events will contribute little. It is through lodging/hotel taxes that the greatest benefit can accrue, but only when it can be demonstrated that the event attracted tourists who would not otherwise have visited the area, or they stayed longer and in commercial accommodation because of the event. Local business taxes might also increase through the added volume of event tourism, but this will often be difficult to demonstrate (Getz, 1997:63).

From the perspective of senior levels of government the tax revenue question is more difficult to evaluate. Travel within a state or country does not generate incremental benefits; only inbound travellers should be counted. It must usually be assumed that events are simply one of a range of leisure opportunities and that any related travel is a substitute for other internal travel. Senior levels of government might, however, be interested in altering the regional pattern of travel in order to bolster the economies of depressed areas.

Events that stimulate tourist spending on highly taxed goods and services obviously generate high public sector revenues, so the presence of room and sales taxes is an important variable, as is the nature of the event attractions and spending outlets (Getz, 1997:64).

### **III. Attracting Sponsorship Fees and Grants**

Major events can seldom be financed without large-scale infusion of sponsorship and grant money, often from outside the host community. To the extent that these infusions are *incremental* or *new money* (that is they would not otherwise have been spent in the area without the event) they can be considered direct benefits of the event. Of course, from the perspective of the grant-givers and sponsors, these expenditures are investments for which the event organisers are accountable.

*Burns et al. (1986)*, in their landmark study of the impacts of the Adelaide Grand Prix in South Australia, carefully evaluated which grants and sponsorships represented new money to the state, and based their benefit-cost analysis on these expenditures plus the spending of tourists attracted to Adelaide by the event.

*Holgerson (1988)* reported on a study of 31 festivals partially funded by the Canadian Department of Communications' Cultural Initiatives Programme in 1987 – 88. Almost \$3 million in grants from three levels of government generated at least \$6,3 million in economic impact, for a nominal *return on investment* ratio of 2,3 to 1. Local Government financial assistance to the Edinburgh Festival, according to *Vaughan (1979)* generated a 500% return on their investment, as measured in total income created by tourist spending.

Of course, governments do not normally account for their grants in this way, but increasingly they want concrete proof that economic benefits are being created by their largesse, even in the arts and cultural fields.

#### **3.4.1 Factors that Influence Benefits:**

Having identified the potential economic benefits of events, a number of important moderating factors must be discussed. These factors are to some extent manageable, either by event managers or event tourism agencies (Getz, 1997:65).

##### **1) The Market Area:**

All events, even the biggest, usually depends on local and regional audiences. The majority, which are community festivals and minor sporting events, will generally have only a level of attractiveness capable of drawing mainly *day-trippers* and *weekenders*, although they should

aim to attract bus tours and event participants from farther afield. No firm rules can be formulated to help predict the tourist attractiveness of festivals and events, but usually only the larger and more specialised ones will be generators of significant numbers of international or interregional travel, for example the Oktoberfest in Berlin.

In a unique piece of contract research, *Wicks & Fesenmaier (1995)* attempted to measure the market potential for events within a 5-hour driving radius of an Illinois town. This *catchment area*, or area of demand potential contains over 30 million residents, and this population was found to be very active in travelling for events. Ninety-four percent of respondents had taken at least one vacation trip within 300 miles of home during the previous year, and 74% had made an overnight trip. Fully 57% of all pleasure trips had included a festival or special event, and 31% of them had travelled more than 50 miles for an event, 55% had included an event in an overnight trip. These and other data enabled the researchers to estimate there were 50 million event attendances in the region annually.

The definition of tourists will, of course, influence all measurements. From the perspective of the host community, any outsider brings potential benefits, but tourist organizations will be interested mainly in travellers from outside the region or country. The question of travel motivation is also important, as the benefits of events cannot be entirely attributed to the event if tourists did not travel because of the event.

## 2) Spending Habits and Length of Stay of Event Tourists:

Convention-goers are commonly believed to be the big spenders of all tourism markets, but event-going visitors can be just as important in the spending department. A 1985 study of major events in Montreal found that direct spending of visitors was about \$80 million, almost as much as the \$87 million left behind by 125,000 convention-goers in the city (*Colbert, 1988*).

*Vaughan (1979)* undertook an extensive analysis of the impacts of the Edinburgh Festival and concluded that the average daily spending of foreign tourists was considerably greater than that of British visitors. Furthermore, because of their spending patterns, the local income created (using multipliers) per visitor day was also much higher for foreign festival-goers. In the 1990 – 91 study of Edinburgh events (*Scottish Tourist Board, 1992*) it was determined that average spending per visitor day was between 10 and 54 pounds sterling for residents, 14 – 50 for day visitors and 29 – 102 pounds for tourists.

## 3) Length of the Event:

One-day events are much less likely to attract overnight stays than are weekend and longer events. Many have found a 10-day format, encompassing two weekends, to be ideal for

maximizing tourist attendance. Special Events Report (1983) suggested that 8 – 14 days was the best duration for festivals, allowing enough time to create momentum, but remaining short enough to build a sense of urgency for the media and potential customers.

Mega-events spanning weeks or months have the advantage of being able to employ early activities and related publicity to stimulate additional demand. Short-duration events do not have this potential and must rely on all-year public relations and intensive bursts of pre-event publicity and advertising to attract attention. On the other hand, longer events are often one-time happenings that have the potential to completely fail, whereas annual one day festivals can build substantial repeat trade.

#### 4) The Attribution Problem:

The attribution problem relates to this question: How much of the spending of event-goers can be attributed as economic impact of the event? To the event organizers the total expenditure of all their customers is an important financial statistic, but in a tourism context the expenditure of visitors who came to the area because of the event is much more important than total revenue. The spending of tourists who travel to an area because of an event is considered to be “new” or “incremental”, and therefore is equivalent to the earnings of an export industry.

#### 5) The Distribution of Tourist Expenditure:

Where the event tourists spend their money also influences economic impacts. Researchers must distinguish between spending at the event as opposed to elsewhere in the host community, and between money spent on the whole trip and that which is beneficial to the community or area for which an impact study is being conducted. A more refined analysis of the industrial sectors in which tourists' money is spent is also of great importance. The impacts of expenditure among hotels, restaurants, entertainment places, and attractions vary according to such factors as their ownership (where are profits sent?), labour (how many jobs are created?) and linkages within the local economy (are their suppliers local or do they use imports?).

To the degree that festivals and events are successful in attracting tourists, as opposed to local audiences, off-site expenditures will increase. More travellers mean larger spending on travel, accommodation, and off-site attractions or retail and service businesses, although the spending will be split between the host community and en-route outlets. A good example is presented by Dickens on The Strand in Galveston Texas (*Ralston & Crompton, 1988*), where visitor surveys allowed estimation of total spending (\$7,5 million), including 54% on the site, another 28% on Galveston Island, and the remainder outside the immediate area.

“Displacement” must also be considered, as increased expenditure in one area or sector often results from decreases elsewhere. Mega-events sometimes generate so much publicity about crowds that regular visitors stay away and residents change their spending habits. When hotels are booked out, or are perceived to be, tourists will go elsewhere. The holding of a special event with merchandising can arouse complaints of unfair trading by merchants who do not want competition.

#### **6) Capital Investments: Benefit or Cost?**

Care must be taken to distinguish between the estimates of total economic value to the host community, which are likely to include the multiplier effect of construction costs, and the estimates of impacts attributable to tourist expenditure alone. For example, Toronto's bid proposal for the 1996 Summer Olympics (*Toronto Ontario Olympic Council, 1989*) noted that 80% of the direct economic impact of the Montreal Summer Olympics of 1976 was attributable to capital expenditures for new facilities, whereas for the 1984 Los Angeles Games fully 60% of the primary economic impact stemmed from visitor spending. Approximately 600 000 visitors to Los Angeles stayed an average of six days, and there were also some 30 000 officials, participants and media representatives who stayed much longer. The Los Angeles Games were notable for low capital costs, as well as reliance on private sponsorships, as opposed to the heavy government funding of Montreal's Olympics.

#### **7) Opportunity Costs:**

Every investment could potentially be channeled elsewhere to achieve the same goals, and the opportunity forfeited is called the opportunity cost. It is not always considered in economic impact assessments, but should be a tool in determining the value of all investments and the “worth” of the event from multiple perspectives.

For a business, or a group engaged in fund-raising, the event must not only show a desired surplus or profit, it must be shown to be a better investment than, say, a raffle or real estate investment. For a grant-giving government agency, money put into events must be shown to achieve the agency's goals to the same or greater extent than alternative expenditures. Otherwise, the opportunity costs exceed the benefits.

Of course, it is seldom that simple a calculation. Events can have value beyond the monetary returns, so private businesses have to give a value to the publicity and image-making roles. Fund-raising agencies might be able to generate more money in other ways, but would the alternatives be appropriate for the group, and as easy to implement? And what are the risks? Some investments pay more, but carry a higher chance of failure.

There is another way to look at opportunity costs. The host community that becomes a tourist destination might find it cannot attract, or no longer wants to accommodate, certain industries or commercial businesses that are incompatible with its tourism image. A town noted for its smelly industries might not attract tourists to an arts festival. The opportunity cost is equal to the benefits that could be realised by alternatives to tourism. But in other areas, events and tourism in general might be the only alternative, as traditional industries have declined to the point where they can no longer support a viable community.

### 8) External Costs:

An external cost is any cost or problem created directly or indirectly by an event, or event-related programme, which would be accounted for within an event budget. These can be financial, environmental, or social and cultural in nature. The example of economic "displacement" has been noted, but it might not be practical to put a rand value on all externalities.

Ecological change often has no immediate or visible indicators, and perhaps no one to even monitor or report the problem. The kinds of damage resulting from events can include those of infrastructure and site development (for example waterfront dredging and fill; road improvement); air and water pollution (from traffic and wastes); litter; disruption of habitat; trampling of vegetation and property damage from vandalism or overuse. Larger events requiring physical development and attracting huge volumes of visitors will naturally have a greater probability of causing environmental impacts and must also be considered, but will likely be difficult to prove. These can include the results of attitudinal change (does the event foster an exploitive approach to nature?) or permanent changes in recreational or tourism patterns that lead to ecosystem disruption.

Social problems at events are readily apparent, but external changes might also occur. Disruption to community life is perhaps the most frequent, and this can take the form of amenity loss owing to noise or crowds, changes in social and leisure habits (for example people leaving town to escape the event's impacts), and intergroup hostility arising from resentment or inequitable distribution of costs and benefits. Major events can also upset housing markets, resulting in the displacement of tenants or escalation of prices, and can cause inflation in other goods and services that impact most on low-income groups.

### 9) Event Failure:

Events can fail for many reasons, and the possible costs of a failure should be taken into account. The loss in monetary terms can be most easily forecast, but there might also be losses of image and prestige, credibility, and effectiveness in other areas of the organisation's or

sponsor's business. More significant is the possibility that an event organisation might claim a surplus or profit from an event that fails to generate the tourist benefits it claimed, so that the community pays the price. This type of external risk can only be assessed if the community is intimately involved in the decisions.

Economic impact assessment typically ignores opportunity and external costs, which is the main reason why comprehensive cost-benefit evaluations are necessary. These are easier said than done, however. A major problem is the assigning of costs to intangibles, such as amenity loss and social change. These are not easy issues to resolve, but they should be considered and debated.

### **3.5 Economic Impact Measurement and Evaluation:**

Evaluation is the way to constantly "learn" more about the community's environment, the intended and unintended outcomes of events, and ways in which to improve management.

Very practical reasons for evaluation can be simply stated:

- ⇒ to identify and solve problems;
- ⇒ find ways to improve management;
- ⇒ determine the worth of the event or its programmes;
- ⇒ measure success or failure;
- ⇒ identify costs and benefits;
- ⇒ identify and measure impacts;
- ⇒ satisfy sponsors and authorities (accountability); and
- ⇒ gain acceptance/credibility/support.

Probably the most unique aspect of event evaluation is the complexity of addressing all the perspectives on events – even the smallest have to consider their impact on the community and environment. As well, the volunteer base imposes special evaluation demands, as does the sponsorship dimension. In a tourism context, evaluation issues multiply, often requiring complex economic impact assessment techniques to determine worth (Getz, 1997:331).

Before an event and event tourism evaluation can be conducted, there are certain major types of data needed, depending on the type of evaluation, for example, visitor profiles, economic impact, marketing, motivations and activities and spending. These measures and methods required to obtain the data are shown in Table 3.2.

Table 3.2: Basic Data Needs and Methods

<b>Data Types</b>	<b>Specific Measures</b>	<b>Methods</b>
<b>Attendance</b>		
<ul style="list-style-type: none"> <li>• Total festival/event attendance</li> <li>• Attendance at sub-events</li> </ul>	<ul style="list-style-type: none"> <li>• Total number of visitors</li> <li>• Number of visitations</li> <li>• Turnover rate</li> <li>• Peak attendance</li> </ul>	<ul style="list-style-type: none"> <li>• Ticket sales</li> <li>• Turnstile counts</li> <li>• Vehicle counts</li> <li>• Crowd estimates</li> <li>• Market area surveys</li> </ul>
<b>Visitor Profiles</b>		
<ul style="list-style-type: none"> <li>• Profile of each visitor</li> </ul>	<ul style="list-style-type: none"> <li>• Age in years</li> <li>• Male or Female</li> <li>• Employment status</li> <li>• Educational level</li> <li>• Income level</li> </ul>	<ul style="list-style-type: none"> <li>• Visitor survey</li> <li>• Market area survey</li> <li>• Direct observation</li> </ul>
<ul style="list-style-type: none"> <li>• Type of party</li> </ul>	<ul style="list-style-type: none"> <li>• Family only</li> <li>• Family and friends</li> <li>• Friends only</li> <li>• Alone</li> <li>• Tour group</li> <li>• Tour group plus family / friends</li> </ul>	
<ul style="list-style-type: none"> <li>• Size of party</li> </ul>	<ul style="list-style-type: none"> <li>• Number of visitors traveling together</li> </ul>	
<b>Market Area and Trip Type</b>		
<ul style="list-style-type: none"> <li>• Home address</li> <li>• Origin of trip</li> </ul>	<ul style="list-style-type: none"> <li>• Country, state, city, or town</li> <li>• Origin on day of survey</li> <li>• Stops on the trip</li> <li>• Accommodation used</li> </ul>	<ul style="list-style-type: none"> <li>• Visitor survey</li> </ul>
<ul style="list-style-type: none"> <li>• Type of trip</li> </ul>	<ul style="list-style-type: none"> <li>• Number of nights</li> <li>• Packages used</li> </ul>	
<ul style="list-style-type: none"> <li>• Mode of transport</li> </ul>	<ul style="list-style-type: none"> <li>• Type of vehicle</li> </ul>	<ul style="list-style-type: none"> <li>• Observation</li> </ul>
<b>Marketing, Motivations</b>		
<ul style="list-style-type: none"> <li>• Information sources</li> </ul>	<ul style="list-style-type: none"> <li>• Media consulted</li> <li>• Importance of word-of-mouth</li> </ul>	<ul style="list-style-type: none"> <li>• Visitor survey</li> </ul>
<ul style="list-style-type: none"> <li>• Reasons for the trip</li> </ul>	<ul style="list-style-type: none"> <li>• To the area</li> <li>• To the event</li> <li>• Importance of event in motivating trip</li> <li>• First time or repeat visit</li> </ul>	
<ul style="list-style-type: none"> <li>• Benefits sought</li> </ul>	<ul style="list-style-type: none"> <li>• Desired experiences, activities, goods, and services</li> </ul>	
<ul style="list-style-type: none"> <li>• Satisfaction</li> </ul>	<ul style="list-style-type: none"> <li>• Things that pleased</li> <li>• Things that displeased</li> <li>• Suggestions</li> <li>• Intent to return</li> </ul>	<ul style="list-style-type: none"> <li>• Suggestion box</li> </ul>

<b>Activities and Spending</b>		
<ul style="list-style-type: none"> <li>• Activities at the event</li> </ul>	<ul style="list-style-type: none"> <li>• Attendance at event attractions/sites</li> </ul>	<ul style="list-style-type: none"> <li>• Visitor survey</li> <li>• Turnstile counts</li> <li>• Ticket sales</li> </ul>
<ul style="list-style-type: none"> <li>• Activities outside the event</li> </ul>	<ul style="list-style-type: none"> <li>• Activities in the host community, on the trip</li> </ul>	<ul style="list-style-type: none"> <li>• Observation</li> <li>• Business survey</li> <li>• Financial record</li> </ul>
<ul style="list-style-type: none"> <li>• Expenditures</li> </ul>	<ul style="list-style-type: none"> <li>• At the event and on the trip                             <ul style="list-style-type: none"> <li>⇒ Accommodation</li> <li>⇒ Food/beverages</li> <li>⇒ Entertainment</li> <li>⇒ Souvenirs</li> <li>⇒ Other shopping</li> <li>⇒ Travel related</li> </ul> </li> </ul>	
<b>Economic Impacts</b>		
<ul style="list-style-type: none"> <li>• Total incremental visitor expenditure at event; in community</li> <li>• Total attendance X visitor expenditure at event and outside</li> <li>• Macro-economic impact</li> </ul>	<ul style="list-style-type: none"> <li>• Total incremental income plus secondary and induced effects</li> <li>• Income multiplier</li> </ul>	<ul style="list-style-type: none"> <li>• Visitor survey</li> <li>• Attendance count</li> <li>• Accommodation occupancy Survey</li> </ul>
<ul style="list-style-type: none"> <li>• Profit or surplus revenue</li> </ul>	<ul style="list-style-type: none"> <li>• Revenues minus costs</li> </ul>	<ul style="list-style-type: none"> <li>• Financial record</li> </ul>
<ul style="list-style-type: none"> <li>• Employment created</li> </ul>	<ul style="list-style-type: none"> <li>• Full- and part-time</li> <li>• Direct and indirect</li> <li>• Total person years</li> </ul>	<ul style="list-style-type: none"> <li>• Employment multiplier</li> </ul>
<b>Other Impacts</b>		
<ul style="list-style-type: none"> <li>• Ecological</li> </ul>	<ul style="list-style-type: none"> <li>• Conservation</li> <li>• Pollution</li> <li>• Habitat loss</li> </ul>	<ul style="list-style-type: none"> <li>• Observation</li> <li>• Environmental research</li> </ul>
<ul style="list-style-type: none"> <li>• Social and cultural</li> </ul>	<ul style="list-style-type: none"> <li>• Resident attitudes</li> <li>• Heritage loss</li> <li>• Traditions altered or preserved</li> <li>• Amenity loss or gain</li> <li>• Public behaviour</li> <li>• Change in aesthetics</li> </ul>	<ul style="list-style-type: none"> <li>• Resident survey</li> <li>• Public meeting</li> <li>• Police records</li> <li>• Fire records</li> </ul>
<b>Cost-Benefit Evaluation</b>		
<ul style="list-style-type: none"> <li>• Tangible costs</li> <li>• Tangible benefits</li> <li>• Intangibles</li> </ul>	<ul style="list-style-type: none"> <li>• Ratio of tangible costs to benefits</li> <li>• Qualitative evaluation of net value</li> </ul>	

Source: Getz, 1997:335 – 336

As stated earlier in this chapter, the focus will be on the economic impact measurement and evaluation for events.

### **3.5.1 Criteria for evaluating economic impact methods:**

Methods of estimating travel's economic impact are numerous and vary widely in their approaches and output. It is important to judge the approaches by some formal criteria that permit the objective evaluation of the quality of a model because there are so few independent measures of travel's impact that can be used to assess an estimation effort (*Ritchie & Goeldner 1994:362*).

✓ **Relevance:**

The approach should measure tourism's economic impact and not that of some other activity. Three aspects of the approach should be of particular interest in terms of relevancy: Does it relate to travel alone? Does it fairly represent the area under study and only that area? And does it cover the time period under study?

✓ **Coverage:**

The approach should also cover all of travel away from home and related activities. On the economic-benefit side, the impact of purchases in anticipation of a trip as well as those during the trip should be included in a tourism impact study. Anticipatory purchases include major consumer durables such as recreational vehicles and vacation homes, and minor items, such as tennis rackets and camping equipment. Expenditures during the trip should cover all types of transportation, accommodation, food consumption, entertainment and recreation, and incidental purchases such as souvenirs.

✓ **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. Primary data collection is costly and difficult to do well. It should be avoided whenever possible in favour of relevant, comprehensive, and accurate secondary data.

✓ **Accuracy:**

The approach should also be judged on the basis of its accuracy: Are the input or survey data accurate measures of travel activity? Does the approach accurately reflect real relationships? Are the results reasonable? This involves investigating the techniques used to generate primary or secondary data. It also includes comparing the results with other, independent measures of travel impact wherever possible. Since these other measures generally do not pass these five evaluation criteria themselves, a good deal of judgement 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. It should also be sensitive to differences in travel patterns, industry structure, and prices in different places and times. The main objective here is an approach that is feasible in different areas for different time

periods, and which produces consistent results in varying contexts. This permits valid comparisons across time and space and provides a broader track record on which to assess the model.

### **3.5.2 Measuring the Scale of Events**

Some researchers set out to measure economic impact, but their methods and estimates fall short. Instead, they end up with a measure of economic scale – the total size of expenditure associated with an event. In other cases this may be adequate for the need. An example is the analysis of *Bradbury & Molloy (1995)* of the impact of the Whitbread Round the World Yacht Race in Auckland, New Zealand. This event was estimated to generate the following:

visitor expenditure: \$9,028,724

syndicate expenditure: \$1,452,000

expenditure by domestic sponsors, officials and organizers: \$4,883,365

expenditure by international officials, media, and sponsors: \$864,000

total economic activity: \$16,228,851

To validly measure or estimate the economic impacts of an event or events on the destination area requires rigorous research methods. The specific goals are to determine the local income and employment created for residents of the area, and sometimes long-term, indirect impacts – such as improved ability to attract investment – are also considered (*Getz, 1997:337*).

### **3.5.3 Approaches to assessment of events**

According to *Crompton & McKay (1994:33-43)*, it is important to ensure, that what is being calculated, are not estimates of total event visitor spending, but rather an estimate of the extra spending that may accrue to the city because of the festival. In consequence this will be much less than the total expenditure associated with the festival, particularly given the fact that such a large proportion of visitors may be local residents and therefore much of their expenditure would be regarded as displaced and not additional spending (*Ryan & Lockyer, 2001:270*). In the calculation of economic impacts the following distinctions can be made:

- ✓ **Displaced expenditure:** Residents from the specific city, for example Potchefstroom, who visit only because the event is in Potchefstroom. The expenditure of this group can be regarded as 'displaced expenditure', not additional expenditure – that is, expenditure that would probably have occurred in the city on other items. Thus, it need not be included in the estimate.

- ✓ **Retained expenditure:** Residents from Potchefstroom for whom the festival is important. In this case, their expenditure can be regarded as 'retained expenditure' – that is, their expenditure would have taken place because of the event and their willingness to travel to such an event, but the fact that the festival took place in Potchefstroom meant that the city did not lose the economic effects of such spending. In other words, it is expenditure that the city retained instead of losing to another venue.
- ✓ **Partial incremental spending:** Visitors from outside the city for whom the festival was of relative importance only, but for whom the Arts Festival was a primary catalyst for the timing and duration of a trip to the city to visit friends and relatives. In this case, the city would have derived some spending from this group in any case, but it may be that the event elicited some additional spending because it made the trip more expensive than might otherwise have been the case. This may be termed 'partial incremental' spending.
- ✓ **Wholly incremental:** Finally, there were visitors whose spending in the city was solely due to the event. Their expenditure was 'wholly incremental' - that is, it would have not taken place in the city if it had not been for the event. This group represents a true economic gain for Potchefstroom (Ryan & Lockyer, 2001:270).

The following table indicates the approaches to event impact assessment, according to Getz (1994:437).

**Table 3.3: Approaches to Event Impact Assessment**

APPROACHES	GOALS	COMMONLY USED MEASURES
BREAK-EVEN OR PROFIT/LOSS	<ul style="list-style-type: none"> <li>• Short term assessment of financial efficiency or solvency</li> </ul>	<ul style="list-style-type: none"> <li>• Measure direct costs and revenues to organisers</li> <li>• Determine surplus or deficit (profit or loss)</li> </ul>
RETURN ON INVESTMENT	<ul style="list-style-type: none"> <li>• Show the benefits of grants or sponsorship</li> <li>• Calculate ROI for private investors or owners</li> </ul>	<ul style="list-style-type: none"> <li>• Determine the relationships between grants/sponsorships and levels of visitation or economic benefits</li> <li>• Use standard ROI accounting practices</li> </ul>
ECONOMIC SCALE	<ul style="list-style-type: none"> <li>• Determine the economic scale of one or more events from the destination perspective</li> </ul>	<ul style="list-style-type: none"> <li>• Measure total attendance and expenditure of events consumers, plus organisers' expenditure</li> </ul>
ECONOMIC IMPACT	<ul style="list-style-type: none"> <li>• Determine the macro-economic benefits to the destination area</li> </ul>	<ul style="list-style-type: none"> <li>• Estimate direct and indirect income and employment benefits</li> </ul>

		<ul style="list-style-type: none"> <li>• Use multipliers or econometric models</li> </ul>
COST & BENEFITS	<ul style="list-style-type: none"> <li>• Evaluate the cost and benefits from the perspective of the host community and environment</li> <li>• Determine the net worth or value of event</li> </ul>	<ul style="list-style-type: none"> <li>• Compare tangible and intangible costs and benefits for the short and long term</li> <li>• Assess opportunity costs of investments</li> <li>• Examine the distribution of impacts</li> <li>• Judge the net worth and acceptability of events</li> </ul>
MONEY GENERATION MODEL (MGM) (Stynes, 1997:4)	<ul style="list-style-type: none"> <li>• Estimates direct and total sales</li> <li>• Estimates the income and employment effects of this spending</li> <li>• Estimates state and local government tax revenues</li> </ul>	<ul style="list-style-type: none"> <li>• Using different multipliers, such as sales multipliers</li> <li>• Spending averages from interviews and mailback surveys</li> </ul>
THE BEA APPROACH (Stynes, 1997:8)	<ul style="list-style-type: none"> <li>• Illustrates how to apply published multipliers to estimate economic impact</li> </ul>	<ul style="list-style-type: none"> <li>• Make use of sector-specific multipliers to estimate the direct and total sales, income and employment effects</li> </ul>
INPUT-OUTPUT MODELLING SYSTEM (Stynes, 1997:13)	<ul style="list-style-type: none"> <li>• Estimates secondary effects</li> <li>• Provides more sectoral detail in the multipliers and results</li> </ul>	<ul style="list-style-type: none"> <li>• Use an economic impact estimation system, namely MI-REC/IMPLAN system (Stynes &amp; Propst, 1996)</li> </ul>

Source: Getz (1994:437) and Stynes (1997:1 – 18)

### Break-even or profit/loss assessment:

According to Getz (1994:437) it is a challenge for many events merely to survive from year to year. To determine their solvency or to measure their efficiency and effectiveness in achieving goals within their budget, organisers tend to look at the bottom line of their own financial statements at year-end. This is a short-term approach, and the only impacts addressed are those affecting the organisation's financial performance. Direct cost and revenues will be considered, and this might include a statement of how surplus revenues or operating cost were spent; but wider economic impacts are not examined.

A surplus revenue or profit is not necessarily an economic benefit for the destination, depending on the source of revenue. An event might, for example, generate a surplus, but only because of the local government's grants, in which case the surplus does not represent new income for the area.

### **Return on investment (ROI):**

Sponsors of cultural events may want to know if their investments in events are paying off. They will be interested in sales, public relations, and other marketing goals. Their main concern is the amount of money they invested to conduct the special event and how much return occurs. Public agencies giving grants to events will be more interested in how the event achieved certain goals, ranging from qualitative evaluations of changes in public attitudes to full economic impact assessment (Getz, 1994:437).

According to *Turco & Kelsey (1993:34)* one portion of return on investment for local governments is the tax revenue generated by the event and returned to the community. Event organisers and private investors will want to calculate their return on investment using standard accounting practices, but this too, is only a measure of financial performance and not of economic impact on the destination. It should be kept in mind that when calculating a return on investment, money earned today can be reinvested and money spent on events could be invested elsewhere. This is why the use of net present value calculations is recommended (Getz, 1994:437).

Thus, according to *Turco & Kelsey (1993:34)*, the return on investment is calculated as the amount by which revenues exceed investment. Revenues brought into the event are therefore divided by the expenditures to conduct the event, to calculate this percentage. This can be very impressive for some events and for others it may be a measure of subsidy.

### **Economic Scale:**

When measuring the economic impact of a cultural event, researchers end up with total amount of expenditure associated with an event, but this can be problematic.

Getz (1994:437) identified the following problems:

- ✓ The first problem that arises is that of including all the expenditure of all event-goers in the calculation of the economic benefit, while little or none of the expenditure of area residents should in fact be included.

- ✓ Problem two is that of failing to account for the reason people attend events. If they were motivated to travel to the destination because of the event, it results in new income for the area; if they were already in the area, the impact is much less or even negated entirely.
- ✓ The third problem is that of including grants and sponsorships in the calculation of the impact, while failing to determine if the amounts are simply internal allocations as opposed to new money for the area.
- ✓ Problem four is the failure to note that much leakage is associated with tourist expenditure – that is, much of it leaves the area immediately, without creating local income or profit.

A valid way to express the economic scale of an event is to identify how many tourists it attracted and how much the tourists spent in the area. This is very legitimate and probably all that most event organizers can and should attempt. However, it does require careful explanation of how the measure of economic scale was determined and what assumptions have been made – particularly that gross visitor expenditure is not the same as net income created for the area (*Saayman, 2001:90*).

### **Economic Impact:**

*Turco & Kelsey (1993:34)* defined economic impact as “the net change in the host community’s economy, as a result of the spending that is attributed to the special event.”

This impact comes, according to them, from two sources: the spending of non –residents which can be directly tied to the event, and the degree to which residents and local businesses alter their spending because of the event. When preparing an economic impact study, both of these components should be estimated, because either one of them can influence the economic impact of the event.

According to *Saayman (2000:114)* the following four aspects are important in determining the economic impact, namely

- ✓ the number of tourists;
- ✓ their spending;
- ✓ how long they stay; and
- ✓ the multiplier effect.

However, *Ryan & Lockyer (2001:268)* add the following four factors that are also important in determining the economic impact, namely

- ✓ the ability of an event to attract out-of-region visitors;
- ✓ the proportion of those visitors who use the serviced accommodation sector;

- ✓ the size of the groups; and
- ✓ the timing of the event.

Major reliability and validity problems are inevitably encountered, often resulting in the making of unwarranted assumptions and the use of inappropriate techniques, especially with regard to the application of multipliers (Getz, 1994:437).

### **Costs and benefits:**

Who will benefit and how? Will the event ameliorate long-term socio-economic inequalities and inequities? Will it stimulate the local, regional and national economies, and if so, how?

Cost-benefit analysis is one technique that is used to assess these questions. It compares both the tangible and intangible costs and revenues of a particular project. Costs and benefits may include public and/or private expenditures as well as individual, community, corporate or environmental gains or losses. The technique offers the advantage of neutrality: the numbers used can lead to an exact determination of the alternative which is best, and there can be no inference made that the evaluation process has been interfered with for personal or political reasons (De Tolly, 2000:79).

When more people visit a community, an additional demand is created on the local services. Although it may bring economic benefit, it also creates negative or cost impacts such as vandalism, road accidents, police and fire protection, environmental degradation, garbage collection, increased prices in retail and restaurant establishments for residents, and disruption of residents' lifestyle.

The translation of some of these impacts into economic values is difficult and that may be one of the reasons why they are usually ignored (Crompton, 1995:33). When cost is incorporated into a study, it changes from an economic impact analysis to a cost-benefit analysis. In Crompton's (1995:33) view it is this information that decision-makers should be using when evaluating alternative investments. According to Crompton the benefit-cost analysis is designed to identify the most sensible investment alternative, because it considers the long-term benefits and to identify the long-term costs in hosting a cultural event.

In the light of this, the technique has the potential to be extremely valuable in that, if the theory behind it is acceptable to everyone, the outputs, which come from it, must also be accepted. As Dickey (1975:325) points out: 'In general, it gives the appearance of a certain mathematical purity – a purity that cannot be tampered with and is instrumental in providing the decision-maker with results unbiased by emotional factors.' The problem with event assessment is that

one could be quite sure that emotional factors will be paramount (*De Tolly, 2000:79*). The problem with the cost-benefit approach is its failure to take into account many so-called *human factors*.

These human factors can be outlined as follows (*Dickey, 1975:325*):

- ✓ **System effects.** In the real world, proposed alternatives do not stand alone: they tend to form part of larger wholes or systems.
- ✓ **Unequal alternatives.** Cost-benefit ratios developed for evaluating alternative courses of action rarely compare 'equal' situations because the problem under study is usually modified by the alternatives proposed.
- ✓ **Risk and uncertainty.** A distinction needs to be made between the terms. It can be distinguished in the following way:
  - Problems of **risk** are those in which the future outcomes or consequences have a known probability of occurrence; thus, while the chances of a particular outcome may be known, no assurance can be given about which particular outcome will take place.
  - Problems of **uncertainty** are those in which even the probabilities of the future outcomes or consequences are unknown and in which the probabilities can be determined subjectively.
- ✓ **Inclusion of various costs and benefits.** The costs and benefits need to be defined explicitly; this leads to the problem of defining and accounting for all costs and benefits. This is likely to be a difficult task, which, in any event, will require an identification of cause-and-effect relationships.
- ✓ **Measurement of benefit factors.** In the measurement of a given alternative, a major difficulty will be that of defining and measuring the factors. Some will be tangible, others less so or intangible.
- ✓ **Commensuration.** This is the problem of mixing apples and oranges, of putting benefits in monetary terms. Assigning a 'value' can be problematic, yet if all benefits or costs are not made commensurate, you can run the risk of assigning a value way out of line with its real worth.
- ✓ **Perceived versus actual costs and benefits.** The issue is whether one uses actual costs and benefits which accrue or the ones perceived by the people affected.
- ✓ **Discounting of costs and benefits.** How do you correctly compare the different time sequences and differing streams of costs and benefits? Today's money is worth more than tomorrow's, similarly with today's benefits. The unevenness over a period of time of the streams of costs and benefits causes accounting difficulties.

- ✓ **Double counting of costs and benefits.** One needs to guard against counting any cost or benefit until it has been shown to be a distinct entity separate from any of the others under consideration.
- ✓ **Determining who benefits.** Cost-benefit analysis does not indicate just who will receive the calculated benefits. The problems are ones of scale and values. Just who gains and who loses has great social significance. It will be the key to the event being sanctioned by authorities and publics. Clearly, this is an extremely critical consideration when choosing an evaluative technique.
- ✓ **Transfer of costs and benefits.** This deals with the problem of how you ensure that any group will, in fact, end up being the desired beneficiary or being the necessary payer.
- ✓ **Multiplier effects.** The transfer of benefits allows for the multiplication of benefits. As *Getz (1997:341)* points out: "Economic Impact assessments often include a 'multiplier' calculation to demonstrate that incremental tourism expenditure has 'direct', 'indirect', and 'induced' benefits for local economy. The idea is that 'new' money ripples through the economy, changing hands many times, thereby having a cumulative impact greater than the initial amount of tourist expenditure. Unfortunately, it is not that simple."

The problems cited are that there are different types of multipliers and different ways of expressing them, and that there is often little empirically based evidence for them. They are also used or misused to exaggerate the benefits.

### **The Money Generation Model (MGM):**

The Money Generation Model (MGM) was developed by the National Park Service (NPS) to generate quick and inexpensive estimates of the economic impact of National Park visitor spending on the region's economy. In its simplest form, the MGM relies on agency records for estimates of visits, estimates of per person per day lodging and meals expenses to estimate spending, and judgement or available sources for multipliers. A pretty good aggregate estimate of impacts can be obtained with this simple method if one has accurate visitation data, spending data that adequately represent the visitors, and multipliers for the local region (*Stynes, 1997:4*).

The MGM estimates direct and total sales, the income and employment effects of this spending, and state and local government tax revenues. The MGM Worksheet is shown in Table 3.4, with entries completed for an application to Mammoth Cave National Park in Kentucky. All spending and visits is for 1993 and multipliers are for a three-country region around the park.

The worksheet is divided into three sections, namely;

- ✓ **Section A:** Direct and total sales effects of visitor spending
- ✓ **Section B:** Tax Revenues
- ✓ **Section C:** Income and Job benefits from Tourism

**Table 3.4:** Sample Application of Money Generation Model to Mammoth Cave National Park, Kentucky, 1994.

<b>Money Generation Model (Revised Worksheet)</b>	
<b>A. Sales Benefits from Tourism:</b> Dollar value of goods and services purchased in the local area	
1. Enter estimated non-local percent of park use	93%
2. Enter annual visits to park (party trips entered here)	430,000
3. Enter average expenditures per unit of use	\$127.40
4. Calculate Total Visitor Spending: (1) x (2) x (3) in millions	\$ 51.00
5a. Estimate the capture rate	72%
5b. Enter Sales Multiplier	1.93
6. Calculate Total Sales Effects (4) x (5a) x (5b) in millions	\$ 71.00
<b>B. Tax Revenue Benefits from Tourism:</b>	
1. Enter Total Sales from A.6 above in millions	\$ 71.00
2. Enter combined state and local retail sales tax rate	5%
3. Calculate sales tax collections from tourism in millions	\$ 3.54
4. Enter sales to income ratio (range: 20 - 60, average 30%)	30%
5. Enter combined state and local income tax rate	5%
6. Calculate income tax revenue (1) x (4) x (5) in millions	\$ 1.06
7. Compute total tax revenue: (3) + (6) in millions	\$ 4.60
<b>C. Income and Job Benefits from Tourism</b>	
1. Enter Total Sales from A.6 above (in millions)	\$ 71.00
2. Estimate job to sales ratio (range is 10-50 jobs per million in sales, average=30)	32
3. Estimate income to sales ratio	51%
4. Compute total employment effects (1) x (2)	2,265
5. Compute total income effects (1) x (3) in millions	\$ 36.10

Source: Stynes, 1997:5

This example illustrates how a quick estimate of economic impact can be generated using the MGM worksheet.

### **"Off-the-Shelf" Multipliers - the BEA Approach:**

The BEA (Bureau of Economic Analysis) Approach provides a bit more detail in terms of which sectors contribute to the direct and total effects of tourism spending. The method also forces the analyst to explicitly handle margining of goods that are purchased by tourists and determine what percent comes from local producers. The sector-specific multipliers will adjust the estimates of secondary effects to fit the kinds of spending under consideration (*Stynes, 1997:11*).

When using this approach, there are certain steps which one can follow to determine the economic impact and spending:

- ✓ Estimate total visitor spending;
- ✓ Extract margins on retail purchases of goods;
- ✓ Compute direct sales effects;
- ✓ Assemble multipliers by sector for the region; and
- ✓ Compute multiplier effects.

### **Input-Output Modelling System:**

More complete economic impact analyses typically use an input-output (I-O) model of the region's economy to estimate secondary effects. These models provide more sectoral detail in the multipliers and results and give the user some control over model assumptions and calculation methods. Some familiarity with input-output models and the modelling software is needed to use these models and properly interpret the results. An inexpensive and quite accessible economic impact estimation system tailored to recreation and tourism applications is the MI-REC/IMPLAN system (*Stynes & Propst, 1996*). This micro-computer based system combines a spreadsheet programme for estimating tourist spending with the IMPLAN input-output modeling system. The system is quite flexible allowing varying levels of aggregation and segmentation to suit the application and available data. Users estimate spending in a spreadsheet programme by entering the number of visitors within designated segments and a spending profile for each segment (*Stynes, 1997:13*).

There are certain advantages when using the I-O model, namely:

- ✓ Summarises the economic impacts of tourism in a specific city;
- ✓ It computes an 'effective spending multiplier' which is simply the sales multiplier times the capture rate. This multiplier may be multiplied by tourism spending to yield total sales impacts;
- ✓ The use of an I-O model permits impacts to be traced to particular sectors; and

- ✓ The I-O model has the ability to compare impact estimates with the observed levels of economic activity in each sector (Stynes, 1997:13 – 17).

Hiller (1998) has recognised the imperfections of using only one assessment model and has developed what he calls a linkage model and describes it as follows:

*“Mega-events are usually assessed in terms of the economic impact of the event itself with little attention given to the event as part of a broader process that can be investigated longitudinally. An adapted political economy model is proposed (because the mega-event is seen as essentially an economic initiative) that distinguishes three kinds of linkages. Forward linkages refer to the effects caused by the event itself. Backward linkages refer to the powerful background objectives, which justify or rationalise the event. Parallel linkages are side-effects which are residual to the event itself and not directly under the control of the event organisers. This longitudinal approach also distinguishes between pre-event, event and post-event impacts so that unintended and unanticipated consequences can be identified.”*

Hiller concludes his introduction with the statement that ‘Impact assessment ought to be part of every mega-event plan, and that impact equity and a mitigation plan to control adverse effects ought to be in place.’

### **3.5.4 Economic Impact Evaluation Process**

Based on the foregoing discussion, a step-by-step process of impact evaluation for event tourism is provided below (from Getz, 1993). In each step a number of rules and recommendations are included. These rules must be followed if reliability and validity mistakes are to be avoided. Recommendations reflect the author's opinions and preferences.

Although the best general advice is to keep it simple, the following steps cover the entire scope of impact evaluation in detail.

#### **Step 1: Formulate Precise Research Goals**

Care in formulating research goals will help in avoiding many of the problems and pitfalls discussed above. The researcher or manager must first decide what is of principal interest: for example, knowing that the event attracted a high proportion of out-of-region tourists is extremely important to most event organisers, but estimating regional income and employment benefits is likely to be of interest mainly to tourism agencies.

**Rules:**

- Define the study area within which costs and benefits are to be calculated.
- Delimit the scope of the evaluation (which costs and benefits to measure; quantitative and qualitative evaluation techniques to be used).
- Define tourists and residents.
- Set criteria for attribution of incremental expenditure (i.e., should resident spending be included?).
- Formulate precise research and evaluation questions.

**Recommendations:**

- A great deal of trouble and expense can be saved by avoiding multiplier and other models, and by keeping the whole evaluation process as simple as possible.
- Aim the research at determining the number and types of tourists attracted to the area with emphasis on high yield, if necessary, and a reliable methodology is available estimate incremental expenditure.
- Exclude the spending of area residents.

**Step 2: Determine Data Needs and Appropriate Methods**

**Rules:**

- Specify the type of data needed to answer the research questions; determine the measures needed and the appropriate methods to collect and analyse the data.

**Step 3: Determine Attendance at the Event: Calculate Total Number of Tourists and Visits**

**Rules:**

- Whenever possible, use controlled access and/or ticket sales to estimate attendance.
- For open events, use a systematic observation method that avoids double counting by applying weightings derived from visitor surveys (asking: how many visits have you made, on how many days?).
- Take into account the difference between total number of visitors and total person visits, and between tourist and resident visits (feasible only if a visitor survey is undertaken).

**Recommendations:**

- Avoid estimates based on casual observation.

#### **Step 4: Conduct Visitor Surveys**

##### **Rules:**

- An on-site visitor survey is necessary for estimating the number and proportion of tourists at events; their motivations, spending patterns, and whether or not visits were extended or expenditure increased due to the event.
- Ensure that a systematic sample of individuals is taken.
- Include performers, officials, competitors, etcetera.
- Stratify the sample by applicable factors such as venue, time, and day; use weights to reflect the true distribution of attendance.
- Guard against sampling bias caused by length of stay and multiple site visits by ensuring that individuals are not mistakenly counted twice; make estimates of average length of stay and number of visits and “weigh” the results to reduce the effect of length of stay bias.
- Use past experience or educated guesses to derive a sample size that will yield high confidence limits for statistical analysis, especially ensuring a large enough sample of tourists.

##### **Recommendations:**

- Avoid recall bias by conducting surveys on site or combining on-site with take-home surveys.
- Offer incentives to obtain higher response rates.

#### **Step 5: Estimate Total Expenditure by Tourists**

For the purposes of estimating tourist expenditure, an average amount per tourist visit can be calculated, then multiplied by an estimate of total tourist visits, or an average amount per tourist can be estimated and multiplied by the estimated number of tourists. In the case of a study at the Barossa Wine Festival (*Tourism South Australia, 1991*) respondents were asked to itemize their spending on the day of the interviews only. Daily expenditure was then divided by the number of adults covered in the sample, then multiplied by the total number of planned visitor days. This yielded an estimate of visitor spending per adult. Normal expenditure categories are food and beverage; recreation and entertainment; travel; accommodation; retail shopping; admission fees. These should be disaggregated geographically (that is, on site, off site within area, outside the subject area) and possibly by time (before, during and after the event). If sector-specific multipliers are going to be applied, the expenditure categories must match the definitions of each sector.

**Rules:**

- Determine average spending per visitor day, separating on site from off site, and within the study area from outside the study area (if total trip expenditure is estimated, the on-site, within-area amounts must be distinguished).
- Include spending by performers, officials, etcetera, but also account for wages, profits, etcetera, they remove from the area.
- Avoid double counting when events overlap; create a multiple-event category of visitor.
- In small, non-random samples avoid using expenditure means if large outliers occur.
- Use expenditure categories that match available classes of multiplier.
- Take into account the special estimation problems associated with package tours (what portion to allocate to the area?) and business or related trips (the traveller might not have paid).
- Minimise recall bias by conducting surveys on site or as soon after the event as possible.

**Recommendations:**

- Use a combination of on-site exit interviews, logbooks, and take-home questionnaires to get reliable estimates of expenditure per day and for the whole trip.

**Step 6: Estimate Expenditure "Attributable" to Tourists**

From questions on trip motivation, timing, and spending, an estimate can be made of "new" or "incremental" income derived from tourists. Only the spending of tourists who travelled because of the event and who would not have visited the region otherwise can be counted totally. The spending of time switchers has to be eliminated, as that of multiple-purpose travellers must be discounted. For those staying longer or spending more because of the event, a portion of their expenditure can be included.

**Rules:**

- Determine the importance of the event in motivating the trip, an extended stay, or increased spending.
- Subtract time switchers, who would have visited the area anyway (say, during the same year).
- Do not confuse total incremental expenditure with economic impact.

**Recommendations:**

- Ask several motivational questions to obtain a valid measure of the importance of the event.

### **Step 7: Calculate Net Income and Macro-economic Impacts**

#### **Rules:**

- Gross visitor expenditure attributed to the event does not equal net income for the area, because of leakages and the multiplier effect.
- Apply a value-added or income multiplier to account for all the direct and secondary effects of incremental expenditure.
- An econometric model can be used instead of multipliers to account for macro-impacts over time.
- Government revenue, in the form of taxes at all levels, is usually taken into account when value-added multipliers are applied; otherwise it must be estimated separately.

#### **Recommendations:**

- "Yield" should be emphasized rather than macro-impacts, by examining the number and types of tourists attracted and their activity and spending patterns.

### **Step 8: Do a Cost-Benefit Evaluation**

Cost-benefit analysis has the added advantage of being able to draw conclusions about the net benefit of the event after costs have been subtracted, and of incorporating intangibles and non-economic measures. It can be used in post-event evaluations or in feasibility studies to help determine the overall worthiness of a proposal.

It is not a method without difficulties. Several general problems always arise:

- how to measure or compare tangibles, such as revenue, with intangibles, such as psychological benefits;
- how to subtract intangible costs from tangible benefits;
- determining the parameters of the calculations: what area to cover? what time period? Measure benefits and costs for the whole community or just the public sector?

In addition, events give rise to special problems. A landmark study of the Adelaide (Australia) Grand Prix by the Centre for South Australian Economic Studies (*Burns et al., 1986*) highlighted these issues:

- demand is primarily for related services, not the event itself, therefore, data acquisition must be broad;
- peaking of demand is typical of short-term and occasional events; the impacts might be difficult to isolate from general trends;
- peaking also affects the level and distribution of benefits;

- special attention must be given to the reallocation (“switching”) of funds locally, which is not a real benefit;
- the benefits of events might occur over a long period (for example, heightened tourism image leading to increased travel), but investments will often be short term; therefore, the “discounted present value” of benefits must be compared with costs;
- justification of costs for event infrastructure might have to be made by considering future use (for example, the facility legacy);
- major beneficiaries of events are both the customers and, potentially, the entire host community; therefore, “externalities” are a major interest.

The methods used in the Australian Grand Prix cost-benefit analysis provide a good model, although circumstances and resources will be important factors in shaping methods for different events. One final product of the analysis was a chart (see Table 3.4) showing an upper and lower estimate of the benefit-to-cost ratio, from the State of South Australia’s perspective. Two ratios for tangible economic benefits and costs are shown: an upper estimate of 3.8:1 and a lower estimate of 3.1:1. These ratios can be interpreted as follows: for every dollar of cost (or investment in the event), between 3.1 and 3.8 dollars of benefit to the State of South Australia were realised.

**Table 3.4: Benefit-Cost Ratios for the 1985 Grand Prix in Adelaide, South Australia (Tangible Economic Benefits only)**

<b>Upper Estimate</b>	
<b>Benefits</b>	
Visitor expenditure (including multiplier effects)	\$ 9,865,000
Event and construction costs funded from outside the State, including multiplier effects	14,941,000
<b>Total Benefits</b>	<b>24,806,000</b>
<b>Costs</b>	
Event and Capital costs funded within the State	6,571,000
<b>Benefit-to-cost ratio: 3.8:1</b>	

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**Lower Estimate****Benefits**

Visitor expenditure	\$ 9,865,000
Event and construction	13,765,000
<b>Total Benefits</b>	<b>23,630,000</b>

**Costs**

Event and capital costs	7,520,000
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**Benefit-to-cost ratio: 3.1:1**

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*Source: Burns et al., 1986.***3.5.5 Misleading Presumptions About Event Impacts**

A number of misleading presumptions persist about event impacts, presumably because of the immaturity of event-related research. An article by *Crompton & McKay (1994)* also explored this issue, documenting seven errors encountered in event impact assessments. These are incorporated into the ensuing discussion of presumptions and use of the multiplier.

**Presumption 1: To justify Events, or to Obtain Grants, it is Necessary to "Prove" Their Economic Benefits**

Organisers and supporters of festivals and special events want to obtain grants from public agencies, and they feel that development-minded officials must have "proof" that events create economic benefits. *Crompton & McKay (1994:33)* noted: "A scarcity of tax dollars has led to increasing public scrutiny of their allocation. In this environment, producing an economic impact study to demonstrate that economic returns to a community will exceed investment has become almost a *de rigeur* requirement for event organisers. Often these studies are not conducted impartially or objectively," but are done "to legitimise the event's public support by endowing it with an aura of substantial economic benefits."

**Presumption 2: All Festivals and Special Events Create Economic Benefits**

The evidence strongly suggests that many events have little direct economic impact on their community or region, largely because they cater mostly to residents. When events attract out-of-region visitors, grants or sponsorships, they can start to create directly measurable economic benefits. Events can also have a significant cumulative impact by improving the destination's image and overall attractiveness which can be evaluated through studies of perception and trip motivation within target market areas.

### **Presumption 3: Construction of New Facilities for Mega-Events Is a Benefit**

For mega-events like world fairs and Olympics, and sometimes smaller special events, new facilities or community infrastructure is required. Proponents of the event might claim these additions as benefits to the community, but they are usually costs. The benefit would exist only if capital for the construction is new money to the area, such as one-time grants from central governments.

Also once the facilities are built – especially cultural and recreational ones – operational costs must be taken into account. Even if the new facilities are considered to be benefits, the permanent operating costs are borne by the host community. But some of these costs can be discounted if the facilities are able to attract new events and new tourist expenditure in the future.

*Murray (1991)* advised that impacts are realised in stages, commencing with planning and bidding, and proceeding through construction, production, and wrap-up stages. Some impacts might not become apparent for years, whereas others will be extremely difficult to measure.

### **Presumption 4: Festivals Are for Everyone; All Visitors Are Alike**

Many event organisers like to believe this, especially if they have a mandate to promote community development and foster leisure or the arts. However, numerous event visitor surveys have revealed that event customers, and particularly event tourists, are a highly segmented market. This has major implications for event impact evaluation, and related demand for forecasting or feasibility studies. Some events attract more and higher spending tourists than others, and as reported for the Adelaide Festival (Centre for South Australian Economic Studies, 1990) event tourists spent more per day than average tourists, even when excluding festival ticket sales. The attraction of high-yield tourists, defined in the context of tourism goals for the area, should take higher priority than mass marketing and complex impact measurements.

### **Presumption 5: Events Create Lots of Employment**

Another unfortunate consequence of the use of multipliers is the frequent estimate of employment generated by events. The assumption made by using multipliers or other impact models is that so many units of “new” or “incremental” income, created by tourist expenditure, will in turn create employment. Usually this supposed benefit is expressed as full-time job equivalents (FTEs). A study by *Crompton & McKay (1994)* for example, estimated that for an event in City X, \$1 million in tourist expenditure on food and beverages would create 81 FTE jobs. But these authors argued that such an estimate is based on the assumption that all

existing employees are fully employed so that incremental income will generate new work – this is seldom the case.

In reality, festivals and special events create few full-time jobs. Successful event organisations typically have small numbers of all-year or part-time staff and volunteers who do most labour at events. Economists are very reluctant to assign an economic benefit to the contribution of volunteers (*Sports Economics, 1991*) because they create no new income for the area. Under certain circumstances volunteer labour might even be considered a cost, such as a case where people work on events for free instead of taking paid employment.

As for the income generated by tourist expenditure, it will usually be dispersed widely among suppliers, accommodation and dining establishments, retail shops, and so on. It helps sustain jobs, and that is very important, but the assumption that tourist expenditure at small events can create new jobs is largely wishful thinking.

#### **Presumption 6: All the Expenditure of All Event-Goers Can Be Counted as Economic Benefits**

This can be called the *attribution problem*: of all the money spent by event-goers, how much can be attributed validly to the event as its economic benefit to the area? It is a very complex question to answer, and there is no consensus among experts as to exactly what can be counted as benefits. The major questions to be addressed are: (a) should expenditure of area residents be counted as benefits, or is it simply money that would otherwise be spent locally on other things? (b) can tourist expenditure be counted as a benefit if the tourist would have visited the area regardless of the event? (c) do events have cumulative impacts and intangible impacts?

To determine how much of the spending at events and on event-related trips can be considered *incremental* (that is, new money for the area), a number of assumptions are typically made concerning that appropriate portion of resident and tourist expenditure. Some economists argued that only the expenditure of true tourists should be counted, whereas residents' spending must be ignored, yet frequently, studies include a percentage of resident spending on the assumption that the events acted to retain money that would otherwise be spent elsewhere, or generated resident spending over and above normal levels.

In the study of eight festivals in Canada's Capital Region (*Coopers & Lybrand, 1989*), the consultants asked area residents if they spent more than usual during the time of the events they attended, leading them to include a proportion of residents' expenditure. In a study of the

Adelaide Festival (*Centre for South Australian Economic Studies, 1990*) residents attending the festival were asked if they stayed at home, rather than taking a vacation out of the state, because of the event. Researchers in Adelaide concluded that 10.3% of resident visitors were "holidaying at home" and 75% of those would have otherwise travelled outside the state. They also concluded that another 7,000 residents would have travelled outside South Australia more, if it was not for the festival. Accordingly, a proportion of resident expenditure was counted as a benefit for the state.

The types of questions commonly employed to solve the attribution problem are twofold: "what proportion of your trip to this area is attributable to the event?" and "would you say that this event was the only (or main, an important, somewhat important, not at all important) reason for your trip here?" From the answers, the proportion of tourist expenditure attributed to a given event or attraction can be estimated.

### **Presumption 7: Multipliers and/or Econometric Models Must Be Used to Estimate the "Secondary" Impacts of Events**

Although accurate multiplier analysis can add to the evaluation process, multipliers have been greatly abused in economic impact assessments, usually by misappropriating multipliers intended for quite different purposes, larger regions, or other areas (*Archer, 1982; Fleming & Toepper, 1990; Murray, 1991*). Tourism-specific multipliers do not exist, and they are not generally calculated for local areas, so researchers are tempted to apply a general income multiplier for a country or a region without actually measuring the direct and indirect local/regional impacts of incremental spending generated by events. To overcome this problem, some researchers have employed econometric models.

Unfortunately, it appears that the use of multipliers or other models in calculating secondary benefits is often for the purpose of exaggerating the estimate of economic benefits. Multipliers are really intended for use in comparing the economic performance of various sectors of the economy (*Archer, 1982*).

As a result of one of the objectives of this chapter, the economic perspective on events will be discussed to determine what role events play in the community and thereafter strategies will be discussed on how to use the roles events play to benefit the community.

### **3.6 Conclusion**

It was the aim of this chapter to relate tourism economics to the events industry. There are numerous methods to determine the economic impact of an event, but the most accurate or used one is the Input-Output Modelling System, as it considers the demand as well as the supply side.

Events have advantages such as building pride, promoting the country, and creating supra- and infrastructure. More importantly, however, it spreads money. From a business point of view, an event is about a return on investment (ROI) that was made. In order for a region or country to benefit from an event, leakages need to be minimised. This chapter investigated ways these leakages could be addressed, for it greatly influences the value that a community or country will get from hosting events.

## **Chapter 4: Survey and Results**

"Creation of wealth is almost a duty because of the widespread benefits that flow from it."

John Gunn

### **4.1 Introduction:**

The preservation and development of cultural assets rests on the shoulders of the community. Aardklop presents a quality-platform for the development of the arts that support the artist-community and enrich the society. Although essentially Afrikaans, the festival also includes other language group activities.

The Aardklop National Arts Festival took place in 2002 for the fifth time, after a very successful debut in 1998. More than 25 000 visitors descended upon Potchefstroom in 1998, to experience the first festival, without being disappointed. In 2001 the number of visitors were between 100 000 and 120 000 (*Anon, 2002*).

Aardklop 2002 was held from Tuesday, 24 September – Saturday, 28 September, where a record number of 83 000 tickets were sold.

It is the purpose of this chapter to interpret the results of the survey done in Potchefstroom at the Aardklop National Arts Festival in order to determine whether the community or the economy benefit from the event and the economic impact the festival has on Potchefstroom.

### **4.2 Results of the Survey:**

Questionnaires were handed out in two different areas in Potchefstroom, namely (1) the visitors to the Aardklop National Arts Festival, and (2) the businesses in and around the festival. The results will therefore be divided in two categories, the visitor survey and secondly the business survey.

With the above in mind the results of the study indicated that most visitors to the festival are Afrikaans-speaking families from North-West and Gauteng. These families are predominantly 46+ years of age, or younger than 25 years.

The research conducted at the Aardklop National Arts Festival provided the following results:

Visitor Survey:

4.2.1 Occupation:

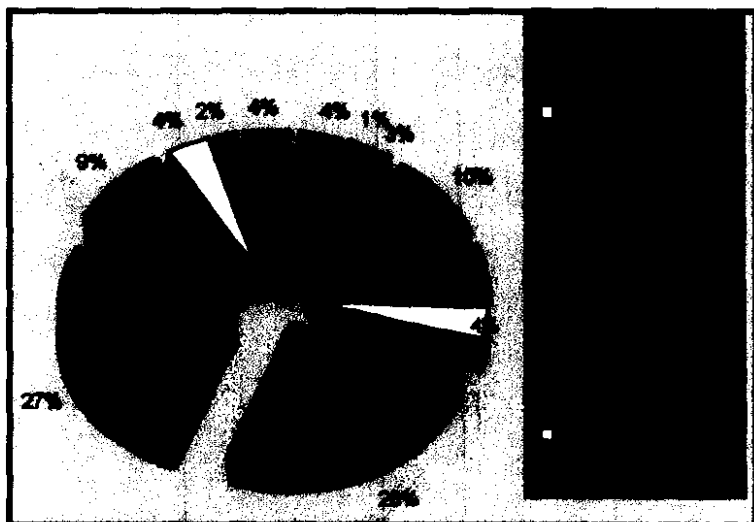


Figure 4.1: Occupation

According to Figure 4.1, 27% of the respondents were professionals, and only 9% are in managerial positions. 10% of the respondents are self-employed and 26% practice an occupation that was not mentioned above.

4.2.2 Qualification:

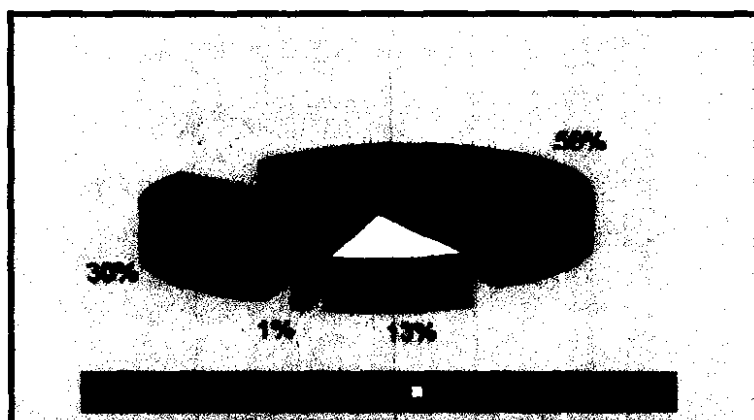
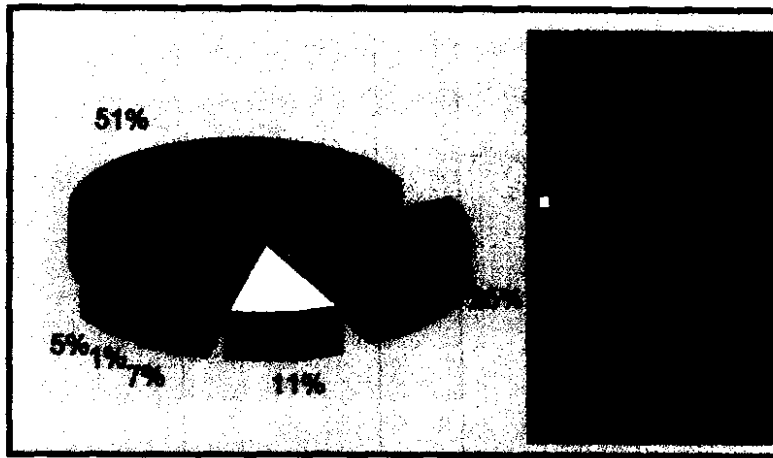


Figure 4.2: Qualification

Figure 4.2 indicates that 30% of the respondents' highest qualification is matric, while 56% has a diploma. 13% of the respondents have a professional qualification; therefore 69% of the respondents are graduated.

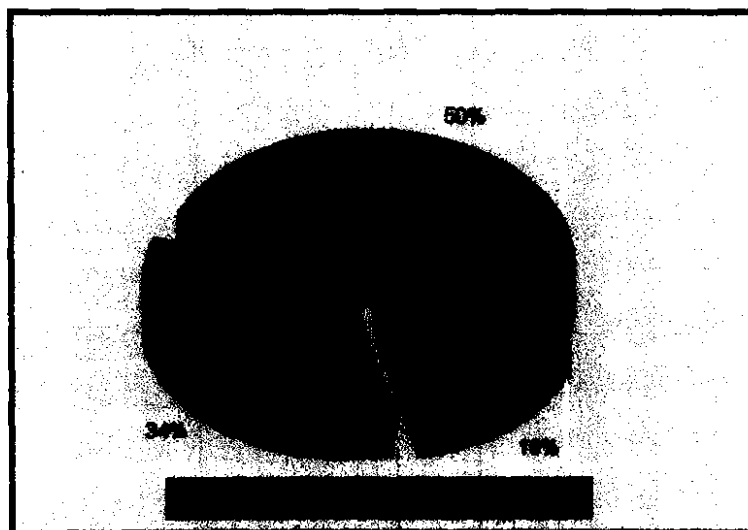
#### 4.2.3 Income:



**Figure 4.3: Income**

The majority of the respondents (51%) earn less than R100 000, and this can be due to the fact that the majority of them are under the age of 25 years. Therefore, an assumption can be made, that the majority are students. It must also be stated that the profile of visitors at the Bult differs from those watching the shows. Figure 4.3 also indicates that 25% earn between R100 001 – R200 000, and 11% earn R200 001 – R300 000.

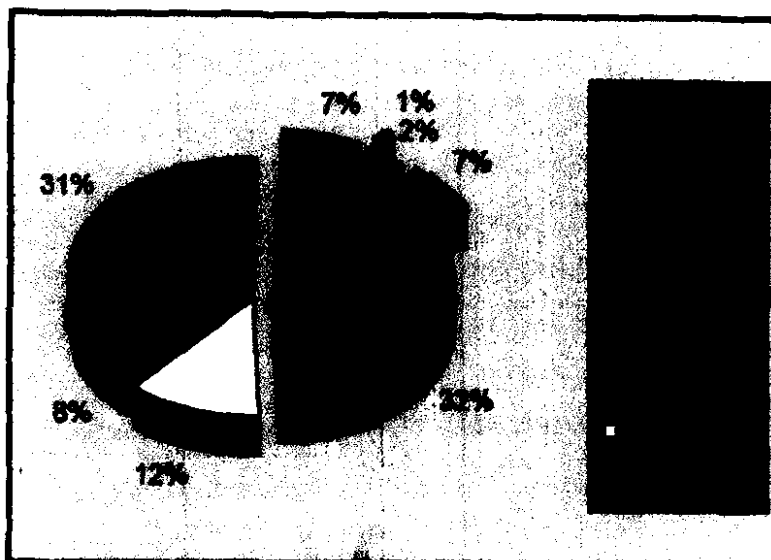
#### 4.2.4 Length of Stay:



**Figure 4.4: Length of Stay**

Figure 4.4 indicates that 16% of the respondents visited the festival only for one day and 50% visited the festival for 3 – 5 days, while only 34% visited the festival for 2 – 3 days. Therefore, it is clear that the trend is moving towards longer stays and thus a greater economic impact in the community can be expected.

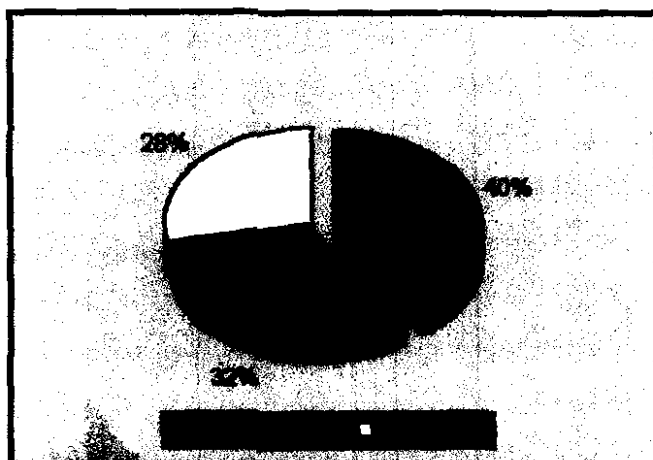
**4.2.5 Accommodation:**



**Figure 4.5: Accommodation**

According to Figure 4.5, it is clear that the majority of the respondents live in Potchefstroom or stay with friends and family. 12% of the respondents are day visitors. This can have a positive and negative influence in Potchefstroom. Positive: The visitors do not spend much on accommodation, therefore they have more to spend at Aardklop National Arts Festival itself, and negatively, although the majority of the respondents stay for 3 – 5 nights, they do not have a significant impact in the accommodation sector.

**4.2.6 Travelling Group:**



**Figure 4.6: Travelling Group**

According to Figure 4.6, 40% of the respondents travelled alone or were accompanied by one other person, while 32% travelled in groups of 3 – 4 and only 28% visited the festival in groups of 5 or more persons. The latter can be the majority of respondents staying with their family and friends or a group of students.

**4.2.7 Paid Shows:****Table 4.1: Number of Paid Shows:**

Number of Shows	%
0	21
1	11
2	31
3	10
4	8
5	6
6	2
7	2
8	2
9	1
10	3
11 – 22	3

According to Table 4.1, 31% of the respondents attended 2 booked shows. 21% didn't watch any shows that they had to pay for, and thus the assumption can be made that the free shows compensated for it. Only 3% of the respondents watched between 11 and 22 booked shows. It is clear that the Aardklop National Arts Festival maintains a good balance between the different levels of income groups, so that the persons in the lower income level group can spend more on food, beverages and souvenirs, rather than on shows.

**4.2.8 Expenditures:**

The aim of Table 4.2 is to determine the amount of money visitors or tourists spend on various items at the Aardklop National Arts Festival. The latter will influence the economic impact as well as the monetary contribution of the Festival for Potchefstroom and its community.

Table 4.2 will be discussed in more detail below.

Table 4.2: Expenditure during Aardklop National Arts Festival

Expenditure Category	0 - 50	51 - 100	101 - 200	201 - 300	301 - 400	401 - 500	501 - 600	601 - 700	701 - 800	801 - 900	901 - 1000	1001 - 2000
Rand	76%	2%	3%	4%	4%	2%	2%	1%	1%	1%	2%	4%
Accommodation	23%	21%	21%	11%	5%	9%	2%	1%	1%	0%	3%	2%
Food and Restaurant	52%	13%	17%	5%	3%	2%	1%	1%	1%	0%	1%	4%
Transport to the festival	68%	6%	4%	1%	0%	0%	0%	0%	0%	0%	0%	0%
Transport during the festival	49%	11%	13%	7%	4%	3%	3%	2%	1%	2%	3%	2%
Shows	45%	16%	18%	5%	3%	5%	1%	0%	1%	0%	2%	2%
Alcoholic beverages	75%	18%	6%	0%	0%	1%	0%	0%	0%	0%	0%	0%
Non-alcoholic beverages	68%	13%	7%	4%	1%	3%	0%	0%	1%	0%	2%	0%
Shopping at small enterprises	90%	6%	2%	1%	0%	0%	0%	0%	0%	0%	0%	0%
Tobacco	63%	10%	12%	4%	3%	3%	1%	0%	1%	0%	2%	1%
Gifts	97%	3%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Parking	98%	3%	0%	1%	0%	1%	0%	0%	0%	0%	0%	0%
Other expenditures												

The majority (76%) of tourists spend between R0 – R50 on accommodation. This correlates with the results in Figure 4.5, where the latter indicates that most of the respondents stay with family/friends, or are local residents in Potchefstroom and are only day visitors. Only 13% of the respondents spend more than R500 on accommodation.

23% of the respondents spend between R0 – R50 on food and restaurants, while the majority (42%) spend between R51 – R200. Note that visitors rather spend money on shows and other aspects of the festival, and therefore food and restaurants are not their first priority.

More than half of the respondents (52%) spend between R0 – R50 on transport to the festival. Therefore, it is clear that most of the tourists or visitors are from surrounding areas and travel in groups to share the costs. 17% of the visitors spent between R101 – R200 on transport to the festival, and once again it indicates that most of the respondents are from surrounding provinces, for example Gauteng. International tourists include tourists from Botswana, Namibia and England.

Transport during the festival does not play a significant role in the economic injection of the Aardklop National Arts Festival, because 89% of the tourists only spend R0 – R50 on transport. The latter also indicates that most of the attractions at Aardklop are within walking distance from each other, and therefore a car is not necessary.

49% of the respondents spend only between R0 and R50 on paid shows. This also correlates with the respondents in the lower income group, and stresses the popularity of free shows. 13% of the tourists spend from R101 – R200 on shows, while 20% spend more than R200 on shows.

45% of the tourists use alcoholic beverages and spend between R0 – R50 on it. 18% spend between R51 – R100 while a further 18% spend R101 – R200 on alcoholic beverages. 75% of the tourists spend between R0 – R50 on non-alcoholic beverages, while 18% and 6% of the tourists spend between R51 – R100 and R101 – R200 on non-alcoholic beverages respectively.

The majority of the respondents to the Aardklop National Arts Festival (68%) spend between R0 – R50 on shopping at the small enterprises on the Bult and elsewhere, while 19% of the visitors spend between R101 – R1000 on shopping.

Almost all the respondents (90%) spend between R0 – R50 on tobacco products. 63% of the respondents spend between R0 – R50 and 20% spend between R50 – R200 on gifts and souvenirs, bought mainly from the exhibitors. The majority of the respondents (95%) also

spend R0 – R50 on other articles, except those at the Aardklop National Arts Festival. The questionnaires indicate that these articles include CD's and shopping at supermarkets and pharmacies.

**Table 4.3: Average spending of different age groups**

<b>Age</b>	<b>Total Average Spending</b>
Under 25 years	R968
25 – 35 years	R2 027
36 – 45 years	R1 367
Older than 46 years	R1 622

According to Table 4.3 it is clear that persons between the ages of 25 – 35 years have the highest average spending (R2 027) during the Aardklop National Arts Festival. Tourists under the age of 25 years have the lowest spending per person (R968). The latter also indicates that the majority of the respondents under 25 years are students.

According to the Anova-procedure (method to determine the effect the different spending patterns have on the different sectors), the difference in the spending patterns between the different age groups in connection with accommodation, food and restaurants, shows, alcoholic beverages, tobacco and souvenirs has a statistic connotation.

With regard to accommodation and food and restaurants, there is a practical significant difference (medium effect) between the spending of persons younger than 25 years of age and persons between 25 and 35 years. Persons older than 46 years spend with practical reliability (large and medium effect) more than any other group with regard to tickets for shows.

Persons between the ages of 25 and 35, spend more than any other age group with regard to alcoholic beverages, and the difference is especially practically significant (medium effect) between this group and the group older than 46 years of age (who spend very little on alcoholic beverages).

The spending patterns of the group younger than 25 years of age, differ with practical significance (small effect) from the group older than 46 years of age, with regard to tobacco products and souvenirs. The group older than 46 years also spend more than any other group on parking, and the difference is especially practically significant (with medium effect) between this group and the group younger than 35 years.

**Table 4.4: Average spending per person according to their income level**

<b>Income Level</b>	<b>Average Spending</b>
Less than R100 000	R864
R100 001 – R200 000	R1675
R200 001 – R300 000	R1593
R300 000 - R400 000	R2374
R 400 001 and more	R2393

According to Table 4.4 it is clear that the average spending of persons with an income lower than R100 000 is less than persons with a higher income. Once again the Anova-procedure was used to determine if there is any difference in the spending patterns of different income groups. Statistics showed that the different income groups, have different spending patterns with regard to the following: accommodation, food and restaurants, transport to and from the festival, shows, shopping at small enterprises, souvenirs and parking.

Persons in the income group R300 001 – R400 000 spend the most on accommodation, and therefore their spending patterns differ with a major effect from those in the less than R100 000 income group and the R200 001 – R300 000 income group. The latter spend a minimum on accommodation. They rather stay with family and friends or they are local residents in Potchefstroom.

With regard to food and restaurants, there again is a difference with a medium effect in the spending of persons earning R300 001 – R400 000 and those earning less than R100 000. The less than R100 000 group spend very little on transport to and from the Aardklop National Arts Festival, in comparison with the R100 001 – R200 000 and more than R400 000 group, respectively.

Therefore, it is clear that persons in a higher income group have more money to spend and those persons spend their money on quality products and more expensive aspects, such as accommodation, transport and shows. Thus, one must focus on the higher income group to increase the economic injection into Potchefstroom and the local community.

#### **4.2.9 Economic Impact:**

##### **✓ Average spending per visitor:**

The survey that was conducted on the Bult (business centre opposite the festival terrain) indicated that the majority of the respondents are younger than 25 years or older than 46

years of age. Therefore, 157 or 39,25% of the respondents indicated that they do not attend any paid shows.

A calculation that was made during 20 shows indicated that approximately 67% of the respondents that attended these shows were older than 36 years of age. Once again it emphasizes that different age groups have different spending patterns and preferences. Information from both the Bult-survey and the attendance-profile at shows were used to determine an average spending per person (or group).

✓ **Average spending per person or per travelling group:**

Accommodation	R175.00
Food and Restaurants	R285.00
Transport to the festival	R215.00
Transport during the festival	R23.00
Shows	R206.00
Alcoholic Beverages	R185.00
Non-alcoholic Beverages	R47.00
Shopping (small enterprises)	R98.00
Tobacco products	R16.00
Souvenirs	R138.00
Parking	R10.00
Other	R15.00
<b>Total:</b>	<b>R1411.00</b>

✓ **Leakages:**

Not all the expenditures during Aardklop, stays in the economy for the community to benefit from. The following first round leakages were determined according to the business survey, visitor survey, and information provided by the Aardklop Office.

Food and Restaurants	32%
Transport to the festival	75%
Shows	70%
Souvenirs	85%

These first round leakages take place as a result of sales of imported goods (for example Souvenirs) and services (for example Artists, Computicket, etcetera.) in town (during Aardklop). Therefore, the ideal is to employ or motivate local people in Potchefstroom to

provide services at Aardklop so that the money stays in Potchefstroom, and the whole community can benefit in the end from the festival.

The second round leakages take place because the suppliers in Potchefstroom buy their goods and services from suppliers outside Potchefstroom, and then there is an outflow of money from the economy. The factor represents about 20% of the generated revenue.

✓ **Economic Impact in Potchefstroom:**

According to the Bult Survey, the average shows watched by one person or by one travelling group are approximately 3. Thus, the total amount of tickets sold during Aardklop was 82 655. This means that 27 600 travelling groups visited Aardklop in 2002.

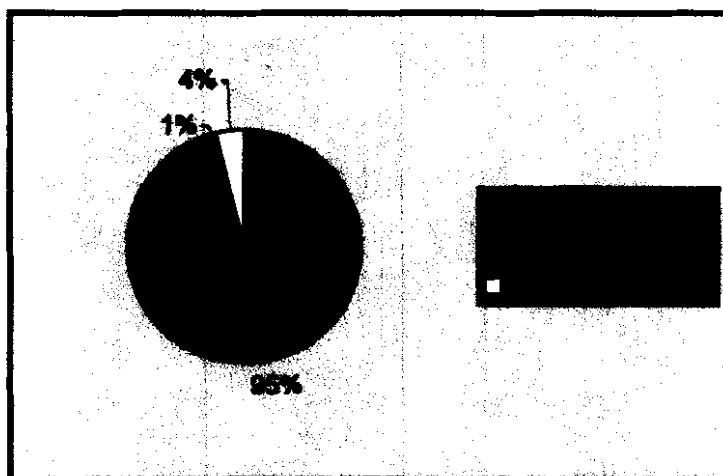
Assumption with regard to the number of people in a travelling group, determines the number of visitors to Aardklop. For example, if there are 3 persons in a travelling group, it means that approximately 82 800 persons visited Aardklop in 2002.

The number of travelling groups is used to determine the economic impact, together with the average spending per travelling group and the leakages. The total spending during the festival was calculated at R39 million. The spending in Potchefstroom after the first round of leakages, is then R24.3 million. After the second round of leakages, the total that stays in Potchefstroom is only R18.3 million.

The above amounts exclude the following:

Sponsorships, exhibitor fees, infrastructure and other improvements as a result of the festival.

**4.2.10 Return visit to the Festival**



**Figure 4.7: Return visit to the Aardklop National Arts Festival**

According to Figure 4.7, it is clear that the majority (95%) of the respondents will return for next year's festival. Therefore, the festival can be classified as successful, and that the Aardklop committee can only focus on Potchefstroom as a town, (for example accommodation, infrastructure, etcetera) to generate even more revenue and to make the economic injection even bigger. The 95% satisfied visitors, will market Aardklop by means of word of mouth, and thus word of mouth, will become one of Aardklop's strongest marketing tools.

## Business Survey:

### 4.2.11 Location of the Businesses

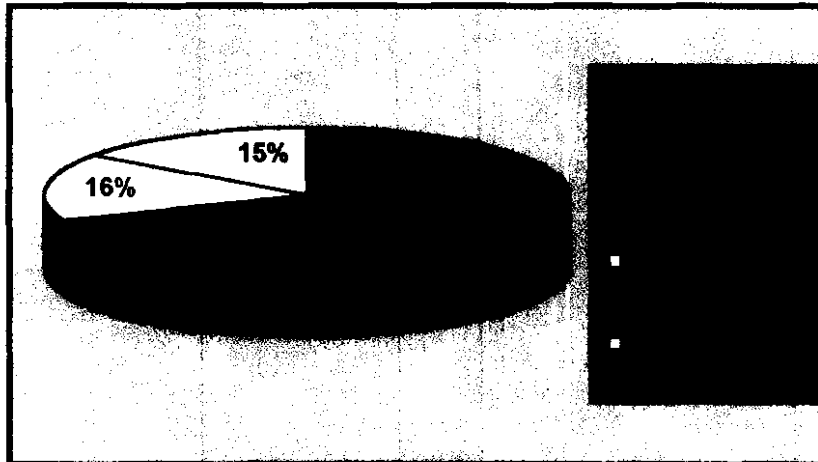


Figure 4.8: Location of the business

Figure 4.8 indicates that the majority of the businesses in the Aardklop area (55%) are situated in Tom Street, and it is mostly the latter that benefit from the festival.

### 4.2.12 Type of business

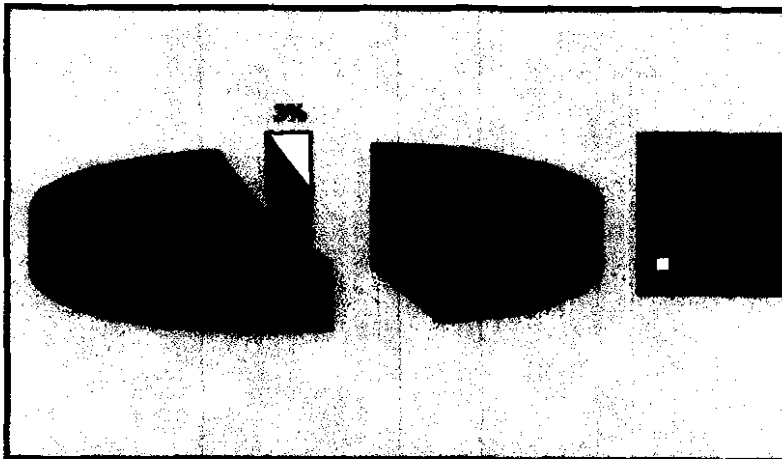
Table 4.5: Type of businesses

Type of business	Percentage
Pharmacy	5%
Florist	2%
Bookshops	4%
Bicycle shops	2%
Gift shops	9%
Computer shop	3%
Café/Take-Aways	11%
Clothing Shops	5%
Pub/Liquor Store	7%
Restaurant/Coffee shop	30%

Butchery	5%
Supermarket	5%
Garage	3%
Copy Shop	2%
Home Industry	2%
Cheese and cold meat	2%
Soap Shop	2%
Fruit juices	2%
Video shop	3%

In Table 4.5 it is clear what types of businesses are situated in the Bult area, and which benefit the most from the festival. 30% of the businesses are restaurants and coffee houses, while only 11% represent Caf  s or Take Aways and 9% of the businesses are gift shops. The majority of the restaurants and liquor stores act as suppliers during the festival.

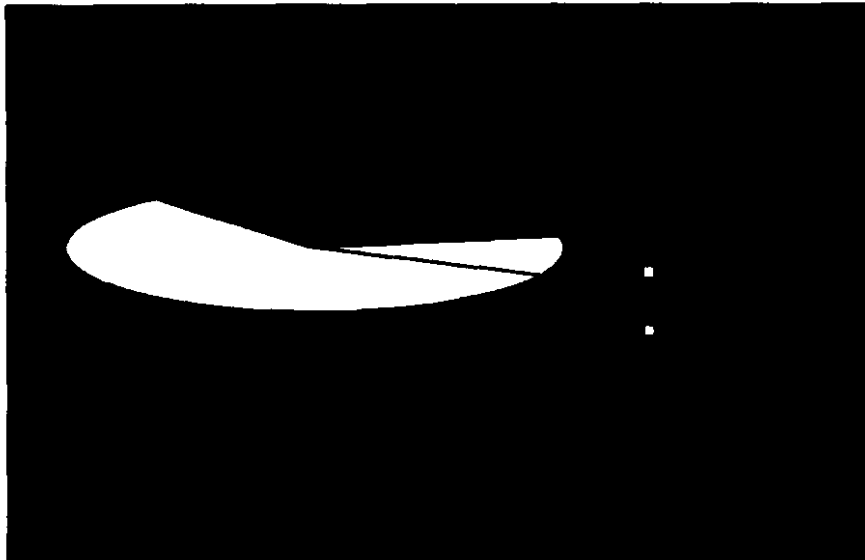
#### 4.2.13 Losses during the festival



**Figure 4.9: Losses during the festival**

According to Figure 4.9, the majority (52%) of the businesses did not have any significant losses during the festival, although 45% argued that they had losses. The latter are mostly because of regular clients that could not find parking in front of the businesses and therefore the businesses consequently lost revenue.

#### 4.2.14 Reasons for the losses



**Figure 4.10: Reasons for losses**

Figure 4.10 indicates that 57% of the businesses could not find any reason for losses, and this also correlates with the previous figure, where the majority of the businesses did not have any losses during the festival. 12% of the businesses stated that their losses were because of theft, 10% because of stock depreciation, and the latter presents mostly restaurants, coffee houses and home industries.

#### 4.2.15 Degree of losses

**Table 4.6: Degree of Losses**

Losses	Percentage
More	26%
Less	5%
Same	14%
Did not have any losses	55%

According to Table 4.6, it is clear that the majority of the businesses (55%) did not have any losses during the festival, although 26% claim that they have more losses during the festival. The latter can be due to the fact that new employees are employed during the festival, and then theft takes place or the problem about parking in front of the businesses leads to a loss in sales, and therefore revenue and profit.

4.2.16 Income

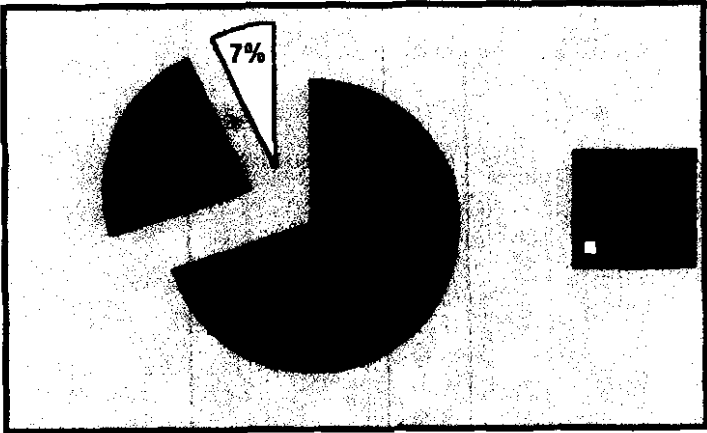


Figure 4.11: Income

The majority (70%) of the businesses' income is higher during Aardklop. The reason for this can be because more visitors to a business can lead to higher revenue and therefore a higher profit. Only 23% of the businesses show a lower income during Aardklop.

4.2.17 New job opportunities

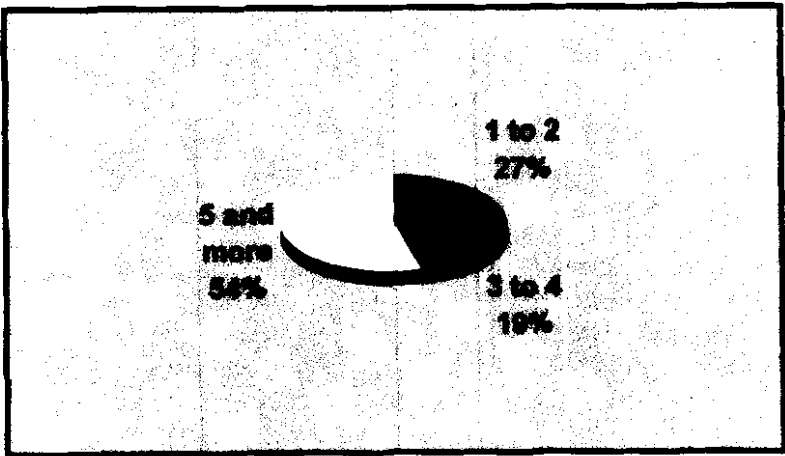


Figure 4.12: Additional job opportunities

According to Figure 4.12, it is clear that the festival creates more job opportunities, although it is only part-time, but still the community can benefit from it. The majority of the businesses (54%) created 5 or more part-time job opportunities.

#### 4.2.18 Part-time or Permanent Work Opportunities

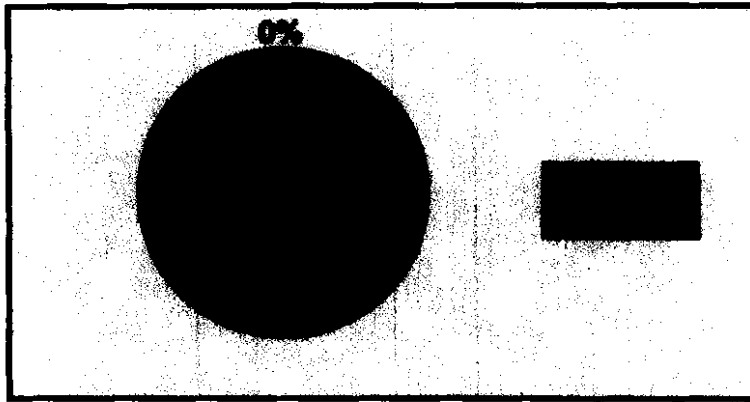


Figure 4.13: Work Opportunities

Figure 4.13 indicates that all the work opportunities created at Aardklop are part-time as discussed in the previous figure.

#### 4.2.19 Leakages

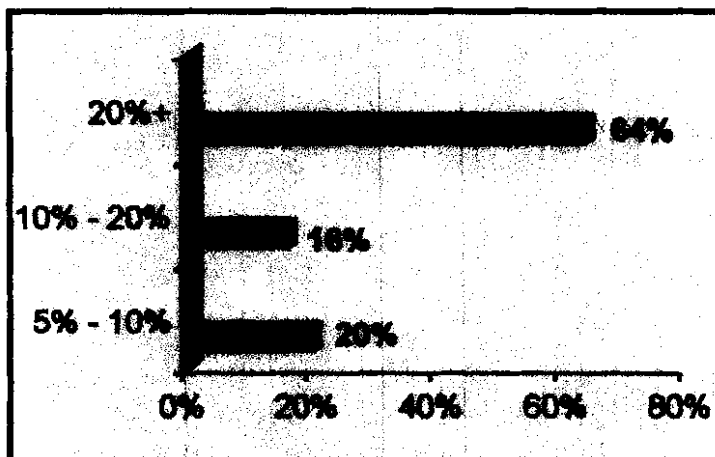


Figure 4.14: Leakages

According to Figure 4.14 the majority of the businesses (64%) buy approximately 20% of their supplies from suppliers outside Potchefstroom. This figure also correlates with the Economic Impact section in this chapter that states that millions of rands are lost because of the leakages, and therefore the community cannot benefit that much from the festival. Businesses in Potchefstroom must give more attention to aspects like these for Potchefstroom to really benefit from the Aardklop National Arts Festival.

### **4.3 Conclusion:**

It was the aim of this chapter to determine the economic impact the Aardklop National Arts Festival has on Potchefstroom and its community. According to the results, 27 600 travelling groups (group consists of 2 – 3 persons) visited Aardklop National Arts Festival, and 95% of these persons will definitely return next year. Therefore, it is clear that the Aardklop National Arts Festival succeeds in attracting visitors to the town to create extra revenue. According to the results the total spending during the festival was calculated at R39 million. The spending in Potchefstroom after the first round leakages, is then R24.3 million. After the second round of leakages, the total that stays in Potchefstroom is only R18.3 million. The latter proves that an economic impact study can only be correctly done when the methodology used includes the demand (visitors) as well as supply aspects (businesses, artists, where leakages can occur). The above also indicates that when leakages can be minimised, the economic injection will be much bigger and the community can benefit more easily from an event such as an Arts Festival.

## Chapter 5: Conclusion and Recommendations

"Change is inevitable but how we handle it  
determines where we will be tomorrow."

Anonymous

### 5.1 Introduction

The aim of this study was to determine the economic impact of tourists visiting the Aardklop National Arts Festival in Potchefstroom. The achievement of the goal relied on the following objectives:

- ✓ To determine the effect that an event has on the supply and demand of goods and services.
- ✓ To determine the size of the leakages that occur at the event, and
- ✓ To determine methodology based on a supply and demand survey.

Firstly, economic aspects were analysed in Chapter 2 with special attention to the supply and demand of tourism products as well as different economic measures to determine the economic performance of a specific festival. Thereafter, Chapter 3 concentrated on the methodology to determine the economic impact on a city and to determine how a community can benefit from an event. Lastly, a survey was done to determine what the visitors spend during the festival and to determine the size of the leakages that occur at the event.

The aim of this chapter is to provide certain conclusions and recommendations for future purposes and future research.

### 5.2 Conclusions

#### 5.2.1 Conclusions with regard to the literature study

- **Tourism can contribute to economic upliftment** in areas where the necessary attractions, amenities and infrastructure exist and are organised to benefit locals.
- **Tourism should be developed together with other economic activities** on the basis of integrated regional planning. When planning a festival for the community to benefit from, the community must be involved in the planning thereof, as well as the authorities to supply basic needs such as the correct infrastructure.
- **The most used method when conducting an economic impact study is the Input-Output Modelling System.** This has been proved in Chapter 3, as well as through the

results of the survey. The latter proved that there is an actual difference between the initial income and the real income.

- **An event is about a Return on Investment (ROI) that was made.** In order for a region or country to benefit from an event, leakages need to be minimised. There are certain tourism strategies that can be used to minimise the leakages and increase the benefits of the community.

### **5.2.2 Conclusions with regard to the visitor survey**

- The strongest **communication medium and marketing tool** is the television, radio, magazines and newspapers.
- **27% of the visitors are professionals** in their different occupations, meaning that the latter will probably earn a higher income, and therefore have more spending power that will result in a greater economic impact and in the long run, benefits for the community as well.
- **69% of the visitors are graduated**, and this correlates with the conclusion above.
- **76% earn less than R200 000 a year.** As stated earlier, the majority of the respondents on the Bult were students or younger than 25 years of age, and therefore it could have an influence on the statistics about income levels. The visitors' profile at the shows, differ significantly from the visitors on the Bult.
- **Visitors are mainly from the North West and Gauteng Provinces.** As Getz stated earlier in Chapter 3, that it takes non-resident visitors to really make an actual economic injection into a community and therefore an economy. Therefore, Aardklop's marketing strategy must focus on Gauteng and other provinces, because local residents and family and friends in and around Potchefstroom will not make use of the accommodation, and will most probably not spend a significant amount on souvenirs and gifts.
- **50% of the visitors attend the festival for 3 – 5 days.** Aardklop must try to target the visitors that will stay for longer, and this also correlates with the previous conclusion.
- **40% of the visitors travel in groups of two.** This indicates that Aardklop must provide more entertainment for the children, because 40% of the visitors came without their

children, and it is usually the children who determine where the parents will go, and parents will most probably spend more when the children are with them.

- **31% of the visitors attended an average of two booked shows.** The statistics showed that it is the people older than 46 years of age that attend these shows, and therefore, their profile and spending patterns differ completely from those on the Bult.
- **95% of the visitors will return to the festival.** Just because of this, the festival can be seen as successful. The 95% satisfied visitors, will be the most valuable marketing tool for the Aardklop National Arts Festival. It is always easier to keep a satisfied visitor, than getting a satisfied visitor from the beginning. Therefore, the most important marketing tool is word of mouth.

### **5.2.3 Conclusions with regard to the business survey**

- **52% of the businesses did not indicate any losses during the festival.** This means that the majority of the businesses benefit from the festival, although a few businesses (11%) argue that they had losses in terms of income, due to a lack of parking in front of their businesses the regular customers could not find parking, and therefore, no sales were made.
- **70% of the businesses income was higher than in a normal week.** These businesses represent coffee shops, restaurants, take away's, liquor stores and some gift shops. Aardklop does not have an effect on the other businesses, although more customers means that more local residents and visitors notice these businesses, and this can lead to an increase in revenue.
- **52% indicated that they employed more workers, and 54% of these businesses employed more than 5 employees. 100% of this employment was part-time.** This employment is mostly at coffee shops and restaurants, and this also correlates with the fact that 12% of the businesses stated that they had losses in terms of theft. Therefore, the community can benefit from the Aardklop National Arts Festival, due to the fact that the community can obtain valuable experience.
- **64% of the businesses import more than 20% of their supplies from outside Potchefstroom.** Because of this, the community does not benefit to the full from Aardklop. The organisers of Aardklop and the businesses must try to make more use of local residents to exhibit at Aardklop or to supply the local businesses with the

necessary goods. As stated earlier, after two rounds of leakages, Potchefstroom lost almost R20 million.

## **5.3 Recommendations**

### **5.3.1 Recommendations with regard to the visitor survey**

**- Attention must be given to the seasonality of tourism:**

Most of the respondents travelled in groups of 2 – 3, therefore it is clear that children do not play a big role in visiting the festival. With this in mind, events can be used to stabilise the seasonality of tourism. Events can be held during the off-peak season, to establish continuity in the tourists visiting the area as well as in generating revenue throughout the year.

**- The target market should be Gauteng and other Provinces, because it is more likely that they will use the accommodation facilities:** Local residents and visitors around Potchefstroom are usually day visitors, and therefore their spending in terms of accommodation ranges between R0 – R50. Whereas visitors from Gauteng and other provinces will probably use the accommodation available in Potchefstroom if they want to visit the festival for more than one day, therefore the chances are bigger that these visitors will be forced to stay, and the latter is probably money that will stay in Potchefstroom's economy.

**- The community must be more involved in the planning and hosting of the event.** According to the results the community has started to benefit by means of part-time employment. But there are still a lot of leakages that can be minimised when the community is more involved in the planning and supplying of goods and services for the event. This also correlates with the first recommendation. If events are used to overcome seasonality, and to establish continuity, then tourism and especially event tourism will start to create more permanent job opportunities and the community will benefit throughout the year.

### **5.3.2 Recommendations with regard to the business survey:**

**- Businesses in Potchefstroom can be more involved with the supply of goods and services for the festival.** The more businesses are involved in the festival, the less the leakages will be and the more the community will benefit from the event.

- **Businesses other than restaurants, coffee shops and liquor stores must benefit more from the festival.** All the other businesses except the above-mentioned stated that their income is lower and that their businesses suffer losses during the festival. This is mainly because the local residents can't reach the businesses. It is recommended to involve the other businesses through the supply of goods and services. For example local butcheries can be used to supply all the meat, required at the Festival.
- **Events can be used to attract sponsorships and investment in the area or destination.** Local businesses especially those that were mentioned in the previous recommendation, can be asked to sponsor a certain part of the festival. In return for the sponsorship, advertising can be offered. The latter is also a good way to start getting the whole destination area involved in the festival. Investment was also mentioned. If the festival is successful, and other businesses in other areas realise it, then investment can take place in the destination area.

### **5.3.3 Recommendations with regard to further research:**

- **How can the infra- and supra-structure of events and festivals be sustainably developed?** Throughout this study, it was clear that events need proper infrastructure and supra-structure. The latter must be developed in such a way that the community can benefit from the infrastructure throughout the year and during the festival. Therefore, events can be used to stabilise the off-peak season and to attract visitors throughout the year to the destination to justify the infra- and supra-structure.
- **What strategies could benefit South Africa economically from event tourism?** A lot of research still needs to be done for South Africa to benefit from Event Tourism. Research can be done to determine strategies to benefit economically from Event Tourism, especially in the Off-season periods.
- **How can events be used to position South Africa as a possible destination in the off-peak season?** This study has shown that events play a powerful role in society. Therefore, research needs to be done to determine the potential events have to stabilise the seasonality of tourism and to determine the saturation point of Event Tourism.
- **How do events influence the socio-cultural aspect of a country and how can it be used to benefit that country?** The socio-cultural aspect of a community must be taken into consideration when hosting an event. Although it can be used to improve the involvement of the community in the festival, one must be careful not to exploit it.

Further research can be done to determine how events influence this aspect, and how it can be turned sometimes from an obstacle to an opportunity.

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