SPORT AND ECONOMIC REGENERATION IN CITIES

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Introduction

The focus of our work (Gratton, Shibli and Coleman, 2005) was the economic regeneration potential for cities from major sports events. The use of sport for urban regeneration first emerged as a policy in the USA in the early 1980s, most notably in Indianapolis. In the late 1980s and early 1990s a few British cities, in particular Sheffield, Birmingham and Glasgow, adopted a similar strategy. In this chapter, we will look at the theoretical rationale behind such strategies and how this has changed in recent years.

Overview: sport and urban regeneration

The study of hallmark events or mega-events became an important part of tourism literature in the 1980s. Since then the economics of sports tourism at major sports events has become an increasing part of this event tourism literature. Many governments around the world have adopted national sports policies specifying that hosting major sports event is a major objective. The justification of such policies was initially the potential that such events had to generate direct economic impact benefits for the host city and host country.

The hosting of major sports events is often justified by the host city in terms of long-term economic consequences, directly or indirectly, resulting from the staging of the event (Mules and Faulkner, 1996). These effects were primarily justified in economic terms, by estimating the additional expenditure generated in the local economy as the result of the event, in terms of the benefits injected from tourism-related activity and the subsequent re-imaging of the city following the success of the event (Roche, 1992). Although economic impact was the main focus of the sports event literature initially, emphasis moved to a broader range of economic benefits that hosting events could generate.

Cities staging major sports events have a unique opportunity to market themselves to the world. Increasing competition between broadcasters to secure broadcasting rights to major sports events has led to a massive escalation in fees for such rights, which in turn means broadcasters give blanket coverage at peak times for such events, enhancing the marketing benefits to the cities that stage them.

Such benefits might include a notional value of exposure achieved from media coverage and the associated place marketing effects related to hosting and broadcasting an event, which might
encourage visitors to return in future. Or there may be related sports development impacts, which may encourage young people to get more involved in sport. Collectively these additional benefits could be monitored using a more holistic Balanced Scorecard approach to event evaluation, as outlined in Figure 30.1.

In theory, then, there is a wide diversity in the range of economic benefits that sports events can generate. Kasimati (2003) summarised the potential long-term benefits to a city of hosting major sports events such as the summer Olympics: newly constructed event facilities and infrastructure, urban revival, enhanced international reputation, increased tourism, improved public welfare, additional employment and increased inward investment. In practice, however, there is also a possible downside to hosting such events including: high construction costs of sporting venues and related other investments in particular in transport infrastructure, temporary congestion problems, displacement of other tourists due to the event, and underutilised elite sporting facilities after the event that are of little use to the local population.

Despite there being a strong theoretical case in favour of urban regeneration benefits from investment in sporting infrastructure in order to host major sports events, there are also strong arguments that the negative impacts of such investment may match or even outweigh these benefits. The evidence of the net balance between the positive and negative economic benefits to cities from hosting sports events has tended to be different in the USA and the rest of the world, in particular in Europe and Australia.

City sports strategies in North America

Over the last two decades many cities in the United States have invested vast amounts of money on sports stadia on the basis of arguments relating to economic benefits to the city from such investment. Most of these strategies have been based on professional team sports; in particular, American football, baseball, ice hockey and basketball. Unlike the situation in Europe, professional teams in North America frequently move from city to city.

Since the late 1980s, cities have offered greater and greater incentives for these professional teams to move by offering to build new stadia to house them, costing hundreds of millions of

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**Figure 30.1** The ‘balanced scorecard’ approach to evaluating events

*Source: Gratton et al., 2005, p. 988.*
dollars. The teams just sit back and let cities bid up the price. They either move to the city offering the best deal or they accept the counter offer invariably put to them by their existing hosts. This normally involves the host city building them a brand new stadium to replace their existing one, which may only be ten or fifteen years old.

Baade (2003) indicates how, since the 1980s, escalating stadium construction costs have increased the size of stadium subsidies:

The number of stadiums that have been built since 1987 to the present is unprecedented. Approximately 80 per cent of the professional sports facilities in the United States will have been replaced or have undergone major renovation during this period of time. The new facilities have cost more than $19 billion in total, and the public has provided $13.6 billion, or 71 per cent, of that amount. In few, if any, instances have professional teams in the United States been required to open their books to justify the need for these subsidies. Rather, teams have convinced cities that to remain competitive on the field they have to be competitive financially, and this, teams claim, cannot be achieved without new playing venues.

(p. 588)

This use of taxpayers’ money to subsidise profit-making professional sports teams seems out of place in the North American context. The justification for such public expenditure is an economic one: the investment of public money is a worthwhile investment as long as the economic impact generated by having a major professional sports team resident in the city is sufficiently great. Economic impact refers to the total amount of additional expenditure generated within a host city (or area), which could be directly attributable to the staging of a particular event. Only visitors to the host economy as a direct result of an event being staged are eligible for inclusion in the economic impact calculations (i.e., the expenditure by people resident in the host area is not included on the basis that they would spend money locally irrespective of whether an event is taking place).

Baade (1996), Noll and Zimbalist (1997), and Coates and Humphreys (1999), however, showed no significant direct economic impact on the host cities from such stadium development. Crompton (1995, 2001) also argues that economic impact arguments in favour of such stadium construction using public subsidies have been substantially exaggerated.

Schimmel (2001) and Davidson (1999) analyse how sport has been used in Indianapolis for economic regeneration of the city. Indianapolis is a mid-western US city that in the mid 1970s was suffering from the decline of its heavy manufacturing base, in particular its car industry. Local politicians were keen to develop a new image of the city. As Schimmel indicates, the problem was not that the city had a bad image, but rather that the city had no image at all. The strategy was to target the expanding service sector economy in an attempt to redevelop the city’s downtown area by using sport as a catalyst for economic regeneration and building a national image. From 1974 to 1984, a total of $1.7 billion USD in public and private resources was invested in inner-city construction (Schimmel, 2001), of which sporting infrastructure played a major role. The strategy included investment in facilities in professional team sports but added to this a strategy of hosting major sports events in the city.

Between 1977 and 1991, 330 sports events were hosted by Indianapolis. Davidson (1999) attempted to measure the economic contribution of sport to the city in 1991. He found that, in 1991, eighteen sport organisations and nine sport facilities in the city employed 526 employees. In addition, thirty-five sports events held in the city in 1991 generated additional spending of $97 million USD. He estimated the total economic contribution of sport...
organisations, facilities and events in Indianapolis in 1991 to be $133 million USD. Although Indianapolis was an early example, the strategy of using sports events as a catalyst for urban regeneration became popular in the UK in the 1980s and 1990s.

**Sport and economic regeneration in cities in the UK**

Several cities in the UK (Sheffield, Birmingham and Glasgow) have used sport as a lead sector in promoting urban regeneration and these three cities were awarded National City of Sport status in 1995 partly because of this. They have all invested heavily in their sports infrastructure so that each has a portfolio of major sporting facilities capable of holding major sports events.

In addition to facilities, each city has a supporting structure of expertise in event bidding and management to ensure quality bids with a high probability of success and to guarantee high-quality event management. Events are a major vehicle for attracting visitors to the city and hence contributing to urban regeneration. However, these cities are also involved with developing sport in the cities through performance and excellence programmes (e.g., training, squad preparation, coaching) and in community sports development, so that the local population benefits from the investment in sports infrastructure.

These and other cities have made a specific commitment to public investment in sport as a vehicle for urban regeneration. However, the quantity and distribution of returns to such public sector investment in sport, predominantly from local government, have been largely under-researched and remain uncertain. Often such investment attracts criticism because of media attention on a specific event, such as the World Student Games in Sheffield in 1991, and there has been little research on the medium- and long-term returns on such investment.

**Sport and economic regeneration in cities in other parts of the world**

One of the first major studies in this area was the study of the impact of the 1985 Adelaide Formula 1 Grand Prix (Burns, Hatch and Mules, 1986). This was followed by Richie’s in-depth study of the 1988 Calgary Winter Olympics (Richie, 1984; Richie and Aitken, 1984, 1985; Richie and Lyons, 1987, 1990; Richie and Smith, 1991). In fact, immediately prior to these studies, it was generally thought that hosting major sports events was a financial liability to host cities following the large debts faced by Montreal after hosting the 1976 Olympics. There was a general change in attitude following the 1984 Los Angeles Olympics, which made a clear profit.

Mules and Faulkner (1996) point out that even with such mega-events as Formula 1 Grand Prix races and the Olympics, it is not always an unequivocal economic benefit to the cities that host the event. They emphasise that, in general, staging major sports events often results in the city authorities losing money even though the city itself benefits greatly in terms of additional spending in the city. Thus the 1994 Brisbane World Masters Games cost the city A$2.8 million to organise but generated a massive A$50.6 million of additional economic activity in the State economy. Mules and Faulkner’s basic point is that it normally requires the public sector to finance the staging of the event and incurring these losses in order to generate the benefits to the local economy. They argue that governments host such events and lose taxpayers’ money in the process in order to generate spillover effects or externalities.

It is not a straightforward job, however, to establish a profit-and-loss account for a specific event. Major sports events require investment in new sports facilities and often this is paid for in part by central government or even international sports bodies. Thus, some of this investment expenditure represents a net addition to the local economy since the money comes in from...
outside. Also such facilities remain after the event has finished, acting as a platform for future activities that can generate additional tourist expenditure (Mules and Faulkner, 1996).

Sports events are increasingly seen as part of a broader tourism strategy aimed at raising the profile of a city and therefore success cannot be judged on simply profit-and-loss basics. Often the attraction of events is linked to a re-imaging process and, in the case of many cities, is invariably linked to strategies of urban regeneration and tourism development (Bianchini and Schwengel, 1991; Bramwell, 1995; Loftman and Spirou, 1996; Roche, 1994). Major events, if successful, have the ability to project a new image and identity for a city. The hosting of major sports events is often justified by the host city in terms of long-term economic and social consequences, directly or indirectly resulting from the staging of the event (Mules and Faulkner, 1996).

**Process**

Our initial interest in the economic impact generated by hosting major sports events came from Sheffield City Council commissioning the Sport Industry Research Centre (SIRC) to estimate the economic impact of the games played in Sheffield as part of the 1996 European Football Championships (EURO 96). Those responsible for organising the EURO 96 tournament were mainly concerned with security issues and economic impact was not something they had really considered. The results from the research indicated that the economic impact in each of the eight host cities was substantial and overseas visitors alone contributed over £120 million additional expenditure to the local economies of the host cities during the tournament.

These results for the EURO 96 football championships generated major interest in the economic impact on host cities from staging sports events. In 1997, UK Sport was set up with one of its priorities to bring major sports events to the UK. This was initially called the World Class Events Programme. The main policy behind this was to give UK elite athletes the opportunity to have top-level competition on their own home soil. However, if bringing such events to the UK could also generate economic benefits then this justified subsiding UK national governing bodies to bring events such as World and European championships to the UK. Consequently, over the following decade UK Sport commissioned research around the international events that came to the UK to assess the economic impact of these events. SIRC won many of these research contracts and the economic impact of major sports events became a major focus for our research programme.

In a report commissioned by UK Sport, *Measuring success 2: The economic impact of major sport events* (UK Sport, 2004), SIRC presented an overview of the findings from sixteen economic impact studies of major sports events undertaken since 1997, many of which took place in Sheffield, Glasgow or Birmingham, the three National Cities of Sport, and all but three (Spar Europa Cup, World Cup Triathlon, World Indoor Athletics) of which were carried out by SIRC. This consolidated piece of research built on the original *Measuring success* (UK Sport, 1999a) document published by UK Sport in 1999, which recognised and demonstrated the potential of major sports events to achieve significant economic impacts for the cities that host them.

These sixteen studies were conducted using essentially the same methodology as those published by UK Sport in 1999 entitled *Major events: The economics – A guide* (UK Sport, 1999b). This therefore provides a dataset in which the events are directly comparable and we concentrated on these comparisons. Key findings from the research are outlined in Table 30.1, commencing with the impact of each event.

Overall, the findings confirm that major sports events can have significant economic impacts on host communities. These impacts ranged from the £0.18m of additional expenditure attributable to the half-day IAAF Grand Prix Athletics staged on a Sunday in Sheffield in June
1997, to the £25.5m attributable to the Flora London Marathon in April 2000. Moreover, other events, most notably the World Cup Triathlon, World Indoor Athletics and Test Cricket, attracted additional expenditure per day in excess of £1m. Junior events (e.g., European Junior Swimming and Junior Boxing) had the least significant daily impacts, mainly because they rarely attract considerable numbers of spectators. It is interesting to note that the two events generating the highest economic impacts, the London Marathon and a cricket Test Match, were domestic events that take place annually, do not need to go through a bidding process and do not require new sporting infrastructure investment.

Economic impact is not UK Sport’s rationale for attracting major events to the UK, but it is a useful device by which to justify funding an event in economic terms. The evidence suggests that, as a general rule, it is the expenditure by visitors to an event that contributes the majority of any additional expenditure, rather than spending by the organisers of an event.

Spectators contributed the majority of the additional expenditure at ten of the sixteen events, and such events are termed spectator driven. Further analyses revealed a strong correlation between the number of spectator admissions and the absolute economic impact of an event, which suggests that the absolute number of spectators is the key driver of economic impact.

### Extensions and applications

The main extension of the theory in recent years has been the broadening out of the benefits beyond simply economic impact. A broad range of benefits has been suggested for both the country and the host city from staging major sports events including: urban regeneration legacy benefits, sporting legacy benefits, tourism and image benefits, and social and cultural benefits. The direct economic impact benefit, however, is the reason most cities have put forward for their desire to host events. It is well known that cities and countries compete fiercely to host

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**Table 30.1 Economic impact of sixteen major sports events**

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
<th>Host city</th>
<th>Event days</th>
<th>Impact (£)</th>
<th>Impact per event day (£)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997</td>
<td>World Badminton</td>
<td>Glasgow</td>
<td>14</td>
<td>2.22m</td>
<td>0.16m</td>
</tr>
<tr>
<td>1997</td>
<td>European Junior Boxing</td>
<td>Birmingham</td>
<td>9</td>
<td>0.51m</td>
<td>0.06m</td>
</tr>
<tr>
<td>1997</td>
<td>1st Ashes Test – Cricket</td>
<td>Birmingham</td>
<td>5</td>
<td>5.06m</td>
<td>1.01m</td>
</tr>
<tr>
<td>1997</td>
<td>IAAF Grand Prix 1 Athletics</td>
<td>Sheffield</td>
<td>1</td>
<td>0.18m</td>
<td>0.18m</td>
</tr>
<tr>
<td>1997</td>
<td>European Junior Swimming</td>
<td>Glasgow</td>
<td>4</td>
<td>0.26m</td>
<td>0.06m</td>
</tr>
<tr>
<td>1997</td>
<td>Women’s British Open Golf</td>
<td>Sunningdale</td>
<td>4</td>
<td>2.07m</td>
<td>0.52m</td>
</tr>
<tr>
<td>1998</td>
<td>European Short Course Swimming</td>
<td>Sheffield</td>
<td>3</td>
<td>0.31m</td>
<td>0.10m</td>
</tr>
<tr>
<td>1999</td>
<td>European Show Jumping</td>
<td>Hickstead</td>
<td>5</td>
<td>2.20m</td>
<td>0.44m</td>
</tr>
<tr>
<td>1999</td>
<td>World Judo</td>
<td>Birmingham</td>
<td>4</td>
<td>1.94m</td>
<td>0.49m</td>
</tr>
<tr>
<td>1999</td>
<td>World Indoor Climbing</td>
<td>Birmingham</td>
<td>3</td>
<td>0.40m</td>
<td>0.13m</td>
</tr>
<tr>
<td>2000</td>
<td>Flora London Marathon</td>
<td>London</td>
<td>1</td>
<td>25.46m</td>
<td>25.46m</td>
</tr>
<tr>
<td>2000</td>
<td>Spar Europa Cup – Athletics</td>
<td>Gateshead</td>
<td>2</td>
<td>0.97m</td>
<td>0.48m</td>
</tr>
<tr>
<td>2001</td>
<td>World Amateur Boxing</td>
<td>Belfast</td>
<td>8</td>
<td>1.49m</td>
<td>0.19m</td>
</tr>
<tr>
<td>2001</td>
<td>World Half Marathon</td>
<td>Bristol</td>
<td>1</td>
<td>0.58m</td>
<td>0.58m</td>
</tr>
<tr>
<td>2003</td>
<td>World Cup Triathlon</td>
<td>Manchester</td>
<td>1</td>
<td>1.67m</td>
<td>1.67m</td>
</tr>
<tr>
<td>2003</td>
<td>World Indoor Athletics</td>
<td>Birmingham</td>
<td>3</td>
<td>3.16m</td>
<td>1.05m</td>
</tr>
</tbody>
</table>

Source: (Gratton et al., 2005, p. 991)
the Olympic Games or the soccer World Cup. However, over recent years there has been increasing competition to host less globally recognised sports events in a wide range of other sports where spectator interest is less assured and where the economic benefits are not so clear cut.

Figure 30.2 outlines the broad range of benefits that hosting an event may generate. In addition to the benefits in Figure 30.1, we have added legacy and the value of the event to residents of the host city. As indicated earlier, economic impact has been the main focus of impact over the recent past but this is now changing to a focus on these two benefits, legacy and the value of the event to residents of the host city.

The argument on why cities bid to host major events in the 1980s and 1990s was based on the economic development paradigm. That is, events will influence people living outside the host city and country to visit or invest in the city or country either during the event itself or in subsequent years because the place marketing effects of seeing the event on television will generate more tourism in the longer term.

The American sport economics literature, however, has argued consistently that no evidence exists to suggest such economic benefits from hosting events ever actually materialise. As Crompton (2004) states:

The prevailing evidence is that substantial measurable economic impact has rarely been demonstrated. This is causing the focus of the argument for public subsidy to be redefined, away from economic impacts and economic development towards the psychic income benefits. This is the new frontier.

\[(p. \ 55)\]
This literature is mainly concerned with the economic impact of teams in the major four American team sports: American football, ice hockey, baseball and basketball. Other economists have shown that major events do generate substantial economic impact. The soccer World Cup in Germany in 2006 generated an economic impact of 2.56 billion euros, with an average of 40 million euros from each match (Preuss, Kurscheidt and Schütte 2009).

There is little evidence to suggest that the Olympics, summer or winter, generate a significant economic impact of the size of the World Cup. During the period July to September 2012 there were 4 per cent less visits to the UK by overseas residents than in the same period in 2011. A similar pattern was observed in Beijing in 2008, Athens in 2004 and Sydney in 2000.

In contrast to the economic argument, which focuses on audiences external to the host city or country, psychic income focuses internally on the host city or host country residents, and refers to the emotional and psychological benefit residents receive from hosting as indicated in Figure 30.3.

Gratton and Preuss (2008) also identified such emotional benefits as an important part of the legacy of major events. In addition, in the last few years, sport economists have adopted the methodology developed in the economics of happiness literature to analyse the effect of hosting major events on national pride and social well-being. Some studies have examined the willingness to pay (WTP) for both hosting sports events and success at sporting events and found that WTP can be substantial. Atkinson, Mourato, Symanski and Oxdemiroglu (2008) explored the willingness of citizens of London, Manchester and Glasgow to host the 2012 London Olympic Games. They found the average WTP was highest among Londoners (£22), about twice as much as in London and Manchester, and was £2 billion for the UK population as a whole. Sussmuth, Heyne and Maennig (2010) found similar levels of WTP for German citizens for the 2006 World Cup. Wicker, Hallman, Breuer and Feiler (2012a) and Wicker, Prinz and von

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![Psychic income paradigm](image)

*Figure 30.3 Psychic income paradigm*

(Adapted from Crompton, 2004)
Hanau (2012b) found significant levels of willingness to pay for both Olympic success and World Cup success among German citizens.

Kavetsos and Szymanski (2010), using Eurobarometer data for twelve European countries, showed that hosting major events had a significant impact on national pride. Kavetsos (2012), using Eurobarometer data for sixteen countries, also found significant effects on national pride from hosting major events. De Nooij, Van den Berg and Koopmans (2013), using a social cost–benefit analysis of the Netherlands World Cup bid, found that a greater sense of happiness, national pride, harmony and national identity were the main economic benefits to the hosts from staging a World Cup rather than economic impact.

Jing (2012) carried out an exploratory study of Chinese young people to estimate the impact of Beijing 2008 on national pride and self-esteem four years on. A sample of 184 university students aged from eighteen to twenty-four were asked whether they agreed or disagreed with the statement: China’s hosting of the Beijing 2008 Olympic Games created a strong sense of national identity; 86.4 per cent either agreed or strongly agreed. Responding to the statement, ‘I am proud at China’s performance in topping the medal table in Beijing’, 90.8 per cent agreed or strongly agreed. This study was carried out four years after the staging of the Beijing Olympics, indicating that psychic income can be an important part of the legacy of hosting major events.

**Future directions**

The previous focus on the direct economic benefits of hosting major sports events has now changed. Most economists in the United States have questioned whether such benefits ever existed. In the rest of the world, most economists would argue that they can exist in the right circumstances. The last two Olympics, in Beijing and London, undoubtedly led to substantial urban regeneration, but this was not the result of visitors spending huge amounts either during the event or through subsequent visits as a result of the Olympics. The urban regeneration came from internal investment from the host nations. The economic paradigm, however, is still relevant as witnessed by the huge economic impact of the World Cup in 2006 in Germany. Also many smaller events generate can generate significant economic impact.

It is the case though that the emphasis now is on the other benefits that hosting major sports events can bring to a city and a country. We have argued in this chapter that perhaps the major benefit is a psychological one: psychic income. This argument also fits with new developments in economics. Over the last few decades, economic studies have shown that increasing wealth as measured by GDP does not lead to increasing happiness. A new area of economics has emerged – the economics of happiness – looking at the factors that make people in a country happy. The future of this area of event economics is to assess how important hosting major sports events is in contributing to the happiness of a nation.

**Note**

1 This chapter is a reflection on Gratton, Shibli and Coleman (2005) and the work related to it.

**References**


Applying the balanced scorecard approach to evaluating events

Larissa Davies

Gratton, Shibli and Coleman (2005) examine the rationale and justification for investments in sport infrastructure to generate wider economic benefits for cities. The authors introduce the theory of using a balanced scorecard approach to evaluating events and use empirical evidence from sixteen major sports events and a case study of the Commonwealth Games in Manchester 2002 to assess the evidence for the success of such strategies. I first became aware of this work when I was teaching undergraduate geography students about sport, leisure and tourism in the mid 2000s. Subsequently, I have used this article with undergraduate and postgraduate sport business management students to illustrate the wider contribution of major events to local communities. The article was of particular interest to me at the time as it was one of the earlier academic articles published in a multidisciplinary journal, which attempted to create and articulate the linkages between sport and wider local economic development.

The article utilises the theory of the balanced scorecard, developed by Kaplan and Norton (1996, 2005) of Harvard Business School. The balanced scorecard was originally presented as a technique for performance management in business organisations and considers performance from four perspectives: financial; internal business process; learning and growth; and customer perspective. Gratton et al. (2005) suggest using an adaptation of the balanced scorecard as an approach to evaluating the wider economic benefits of events, with the four perspectives translating to economic impact; media and sponsor evaluation; place marketing effects; and sports development. I found the article and the theory useful for encouraging students to consider the broader dimensions of event impact and evaluation. The article was one of the earliest contributions in the field to report beyond direct economic impact and to include perspectives such as the media profile of events. The events utilised in the article (for example the 1998 European Short Course Swimming Championships), demonstrate the potential economic value of exposure achieved from media coverage and the associated place marketing effects related to hosting and broadcasting a major event, which might encourage visitors to return or visit in the future. The theory in the article thus helped me to demonstrate to students the potential synergies between sport and economic benefit more widely.
Gratton et al.’s article (2005) continues to serve as an early attempt by scholars to conceptualise the wider benefits of sports events, and I will use the article in future teaching to illustrate how event evaluation has developed historically. I will continue to encourage students to consider holistic evaluation frameworks for measuring event impact in my teaching, and I envisage future applications of the theory presented in the article to include, but not be limited to, testing the validity of the model with more recent empirical data from major events.

Note

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References

