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Economic Value of Sport

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A research proposal submitted to the Gordon Institute of Business Science, University of Pretoria, in partial fulfilment of the requirements for the degree of Master of Business Administration.

10 November 2010

Abstract

This thesis will determine what the variables of an Economic Value model for a sport are, whilst being grounded in academic theory, which contributes to national income or Gross Domestic Product. It also determines what the practical considerations are, both from a theoretical / academic and business / commercial perspective, to applying such a model on a sporting code (for example cricket, soccer and rugby). Finally, using the latest available sport industry data, an attempt will be made to gather financial data per variable with which to determine what a particular sport codes contribution is to South Africa's Gross Domestic Product (GDP) for a particular year. Qualitative data was gathered using semi-structured face-to-face interviews with experts and senior business people from companies that operate in the South African sport industry. A finalised model of Economic Value of Sport is presented, and implications, uses and importance of utilising such a model are also stated.

Key Words

Economic Value; Sports; GDP

Declaration

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

John Chan

10 November 2010

Acknowledgements

To my darling family…

Kirsten – you have been my rock and best friend throughout this journey. You have also managed to pick up where I could not be, and the lonely nights spent patiently waiting for me to finish my study work could not have been easy. I could not have done this without you – I love you always and forever.

Hannah and my unborn son – one day when you are old enough to understand, you will realise that Daddy not only did this for himself, but for you. My wish is for your life to be better than mine, and this is one way for me to achieve this goal – I love you my little monkeys.

Mom and Dad – as you were not afforded opportunities such as this, so you have never wavered from the belief that you would do anything to ensure that I could do whatever I wanted, including what was denied to you. Thank you and this is also dedicated to you – love you always.

To Michael Goldman and the willing participants to my thesis…

Your support, encouragement, guidance and assistance have played a major role in this milestone achievement. Thank you sincerely.

To my fellow MBA crew…

To have gone through this journey without your insight and just as importantly, laughter and memorable moments would have made this achievement less worthwhile. Thank you and I hope the friendships forged endure.

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Chapter 1: Introduction to the Research Problem

"Sport has the power to change the world. It has the power to inspire. It has the power to unite people in a way that little else can. Sport can awaken hope where there was previously only despair" – Nelson Mandela, Laureus World Sports Awards Ceremony 2000

Sport is a major part of the lives and psyche of not only South Africa's citizens, but also that of the business world. As the era of professionalism grows and gains further foothold in more and more sporting codes, so the amounts of money that is being spent is growing as well. Adcroft & Teckman (2009, p. 6) are of the opinion that sport should be taken seriously because it has a significance that goes beyond the pitch or field of play, and that this significance includes, amongst others, the economic sphere. Cornelissen (2007, p. 241) says that the current day significance of sport mega-events should be partially attributed to the wholesome commercialisation that global sport experienced over the past 30 years, tied with the deliberate restructuring of major sports toward the goal of profit maximisation. This commercialisation and link between business and sport is captured in a South African context by the billionaire South African businessman who bought a 49.9% stake in the Gauteng Lions Rugby team. He commented that they "wanted to create a winning culture with business-like cutting-edge management that will ultimately transform the Lions." (Imray, 2010, p. 1).

Humphreys & Ruseski (2009, p. 75) recognise the challenges confronting economists in both defining and measuring the size and scope of the sport industry, but also say that it is an important question because the answer places sport economics research in context and highlights the importance of the field. They go further to urge others to continue to work on this incompletely answered question (Humphreys & Ruseski, 2009, p. 75). Chalip (2006, p. 1) says that the development of the sport management field requires two complementary streams: one that tests the relevance and application of theories derived from other disciplines, and one that is grounded in sport phenomena. The linking of economic theory to the context of the sport industry to try and understand this most popular and universal of activities from an economic perspective is the basis for this study.

1.1 Sport Defined

A definition of sport to provide the scope for this study must first be decided upon. According to Humphreys & Ruseski (2009, p. 61) sport must be clearly distinguished from recreation or exercise because this helps to identify which components of the sports industry are to be measured. Fort (2010, p. 5) asserts that defining sport for the purposes of eventual measurement and then actually measuring economic activity, sports participation, and sports viewing and listening are very relevant issues.

The Department of Sports and Recreation of South Africa (SRSA) (2009, p. 2) define sport as “any activity that requires a significant level of physical involvement in which

participants engage in either structured or unstructured environment for the purpose of declaring a winner, though not solely so; or purely for relaxation, personal satisfaction, physical health, emotional growth and development." Recreation on the other hand is defined, also by the SRSA (2009, p. 2) as a guiding process of voluntary participation in any activity which contributes to the improvement of general health, well-being and the skills of both the individual and society. Humphreys & Ruseski (2009, p. 62) go on however to say participation, regardless of whether it is for elite-level competition or for recreation or exercise, generates economic activity and thus could be included in measurement of the sport industry.

The definitions above focus exclusively on the physical participation-side of sport. As Dejonghe (2006, p. 2) pointed out, a definition of sport which only focuses on the physical activity of participation is too narrow for an economic value study for sport. For the purposes of this study, passive contributors to a sport economy such as broadcasting rights, sponsoring, merchandising and sports betting (Dejonghe, 2006, p. 3), amongst other contributors which need to be further explored and uncovered, and in addition to the economic activity generated by all participants to the sport industry in South Africa, will also need to be included into a definition of sport.

1.2 Importance, Relevance and Challenges of Sport as an Area of Study

Shannon (1999, p. 518) says that the growing interest in professional sport has ensured focus on the sport industry as big business, and that there can be no doubting that sports is truly a business venture. He goes on to further state that how one defines the sport industry will have a dramatic effect on the size of that industry, but that there can be no question that the size of this industry is large and its impact substantial (Shannon, 1999, p. 518).

Estimating the size of the sports industry is an important exercise, and unlike other industries, the sports industry extends across the usual classifications of economic activity included in national income and product accounts (Humphreys & Ruseski, 2009, p. 60). It includes mass participation in sport and watching, listening, and following sports competitions on various media. Data from each of these areas have problems that make it difficult to accurately estimate the size of the sports industry (Humphreys & Ruseski, 2009, p. 60). Johnson, Groothuis & Whitehead (2001, p. 6) also share the view that even though the economic value of sports public goods may be large, economists have rarely attempted to measure them.

Von Allmen (2005, p. 326) says that studying the economics of sport can be a further incentive to study further in the field of economics. He goes on to further state that seeing economic theory explained and tested in such an inherently interesting context

can stir interest in motivated students to continue as students of economics, not only as students of sports (Von Allmen, 2005, p. 326).

Humphreys & Ruseski (2009, p. 67) state that the measurement of the total economic activity in the sports industry is a difficult task, and is supported by Fort (2009, p. 4) who says that there are issues of data integrity. Chalip (2006, p. 1) opined that sport management is relatively young as an academic discipline. He states that the most potent advantage of this is that those who study sport management or who have an interest in the field have an opportunity to build the discipline's foundation and shape its future. The biggest disadvantage is growing pains (and sometimes the self doubt) that accompanies such an effort (Chalip, 2006, p. 1).

The SRSA (2008, p. 20) state that the ability of the overall sport system, together with its component parts, to design and establish a sport system that produces both social and economic values - differing in magnitude from country to country – is vital to any country, and agree that there is no sport system in the world that does not have measurable social and/or economic values. The SRSA (2008, p. 23) also go on further to state that in many ways sport has become a big business. They also attest that sport is an investment with far reaching impact (SRSA, 2009, p. 1).

1.3 Study Objectives

The literature reviewed on Economic Value (EV), which is the preferred principle to measure this economic impact, reveals that there is no one model of EV that is applicable to all contexts and industries. Given the documented significance, and challenges, of defining and measuring the sports industry, how exactly can its commercial significance be measured? How can this method of measurement be practically applied and what, in tangible financial terms, is the size of this measurement?

This thesis will determine what the variables of an EV model for the sporting industry are, whilst being grounded in theory, which contributes to economic growth. It will then also determine what the practical considerations are, both from a theoretical / academic and business / commercial perspective, to applying such a model on a sporting code (for example cricket, soccer and rugby). Finally, using the latest available sport industry data, an attempt will be made to gather financial data per variable with which to determine what a particular sport codes contribution is to South Africa's Gross Domestic Product (GDP) for a particular year.

As will be highlighted, the majority of existing sport EV models are solely focused on a sporting event, and not on the entire financial years-worth of economic value that is created. In order then to fully understand the economic value of a sport, a model must be created that can capture all the expenditures (and in some instances the incomes)

that happen within a specific sport, for an entire fiscal year, as opposed to the current methods of only at a point in time (such as when a sporting event occurs).

Chapter 2: Literature Review

The headings for the research report and the subsequent literature for these headings are set out and explored in the sections that follow.

2.1 Economic Value Theory and Important Concepts and Considerations

2.1.1 Economic Value Defined

EV is one of many possible ways to define and measure value and this is often the amount that a person is willing to pay for something (King & Mazzotta, 2000, p. 1). This is often referred to as "willingness to pay" (WTP) (King & Mazzotta, 2000 p. 1; Dziegielewska, 2009, p. 4). King & Mazzotta (2000, p. 1) also go on to state that in a market economy, a currency value is the universally accepted measure of economic value. WTP therefore is the amount someone is willing to spend [expenditure] because how much someone is willing to pay for something tells how much of all other goods and services they are willing to give up to get that item (King & Mazzotta, 2000, p. 1).

Oh, Ditton & Stoll (2008, p. 455) also state that a common, usually monetary measure, allows us to better understand and predict potential gains in overall utility. They also go on to say that studies to measure WTP are usually designed to measure some mix of use, option and existence value, where use value measures the direct benefit of use,

option value reflects the values of the deferred benefits from future use, and existence values derives from non-use motivations (Oh et al., 2008, p. 457).

2.1.2 Measurement Justifications and Rationale

Of the current literature reviewed which measured EV of a sports industry, much of the main focus of the research was on one particular aspect or rationale, as opposed to a more comprehensive and all-inclusive measure of total EV (for example, only measuring the EV of an isolated sporting event). Rationale to measure EV included justification of Government spending on subsidies of sports buildings (Johnson et al., 2001, p. 7; Baade & Matheson, 2001, p. 307; Siegfried & Zimbalist, 2002, p. 361), and that sport is a private good which is an industry in its own right and should thus comply with the laws of the market (Barget & Gouguet, 2007, p. 165).

Barget & Gouguet (2007, p. 169), in their study of the Total Economic Value of a sporting event, use the facets or variables of frequency (how often the event takes place), economic weight of an event (measured via turnover, number of spectators and television audience), and ownership of the event (sport federation owned or major private groups). These same authors also go on to attempt to measure the level of external diseconomies such as loss of social cohesion, deterioration of the public image of the area, and the deterioration in the quality of life of the area surrounding where the sport event takes place (Barget & Gouguet, 2007, p. 168).

In their White Paper publication entitled “A Case for Sport and Recreation”, the SRSA also make reference to the EV of staging a major sporting event (SRSA, 2009, p. 19), as is the case with the researchers above. The SRSA (2009, p. 19) also go on to state that in part some of the rationale for doing such an EV study in South Africa is to justify the public sectors involvement in this sector in terms of monitoring where such funds are put, and evaluating the return on this investment.

2.1.3 EV in Practice

There are a multitude of contexts to which EV models have been applied and in each one the model of EV used varied. This is evidenced by the vast array of studies carried out to measure EV, such as that of Japanese Longevity (Kawagoe, 2009), which used an estimate of WTP to measure the economic effect of increased Japanese longevity to their society; Investing in Regenerative Medicine (Hussain & Rivers, 2009), which used a simple cost-benefit analysis to show how the initial investment by the United States Government in regenerative medicine is far below the benefit of alleviating the future national health care bill with more advances in the regenerative medicine field; and Pre-MBA Work Experience (Yeaple, Johnston & Whittingham, 2010), which had as variables and compared the post-MBA starting salary of those graduates with five years or less pre-MBA working experience, to the post-MBA starting salary of those graduates who had greater than five years pre-MBA working experience. Medical Research by Murphy & Topel (1999) measured the economic value of advances in medical research as it improves life expectancy and longevity, and used health and social value as its key variables; Glied & Neidell (2008) measured the economic value

of teeth, and they postulated that access to fluoridated water as a child can lead to a better earning potential as an adult.

As can be seen, these research papers varied in the variables which they utilised to determine EV, which is to be understood as the contexts were different, but they also demonstrated a commonality in that the end result was the contexts / variables impact on Gross Domestic Product (GDP), or national income (Kawagoe, 2009; Hussain & Rivers, 2009; Murphy & Topel, 1999).

2.1.4 Ex Ante and Ex Post

It is pertinent to introduce the definitions of “ex ante” and “ex post” studies or measurement models. Kamin & Rachlinski (1995, p. 90) define ex ante as before the fact, and ex post as after the fact. Ex post studies are better in theory (Oulton 2007, p. 296), as changes in local spending and value added are observed well after the event because of data availability (Mondello & Rishe, 2004, p. 335). These studies may also be more precise in measuring long-run economic impact (Mondello & Rishe, 2004, p. 335).

2.2 Review of Popular EV Models and Techniques

2.2.1 Contingent Valuation Method (CVM)

CVM is increasingly used to estimate the intrinsic value or potential value of environmental goods, and is called a direct method because people's preferences and willingness to pay are sought directly, using questionnaires and interviews (Barget & Gouget, 2007, p. 170). CVM has been widely used to measure economic value (Martin-Lopez, Montes & Benayas, 2007, p. 625). Shulenkorf (2009) developed an ex ante CVM framework which measured the social utility of sport events. This framework measured the social utility that sport event had on communities, in terms of both negative and positive outcomes (Shulenkorf, 2009, p. 126).

As the CVM approach is an ex ante approach, it is not best suited to determining actual (as opposed to estimated) values for EV of the sports industry, which is the aim of this research. Indeed there are also many concerns of the biases present when using this approach (Martin-Lopez et al., 2007, p. 625; Barget & Gouget, 2007, p. 172).

2.2.2 Input – Output Analysis (IOA)

One of the more popular models to be used, IOA describes financial flows and more specifically money that flows into an economy is a positive flow, and money that flows out is a negative flow (Andersson, Armbrecht & Lundberg, 2008, p. 164). The negative flow of money is known as a leakage, and this occurs when money moves out of the cycle where industries produce goods and services for final demand and purchase raw

material from producers, and producers in turn purchase goods and services from other industries (Perez-Verdin, Grebner, Munn, Sun & Grado, 2008, p. 77). IOA typically is restricted to financial measures based on market values and national accounts, and it describes not only the direct effects of an economic activity, but also indirect activities (Andersson et al., 2008, p. 165). These indirect effects can be described by the concept of multipliers, which this method utilises, and which is elaborated upon later in this chapter.

Despite the fact that this method is known as being easy to use, it is often criticised in literature as it tends to ignore key relationships that exist between economic variables as well as their constraints, and they therefore tend to overestimate the associated benefits (Deloitte, 2010, p.58). The IOA model is also primarily an ex ante method.

2.2.3 Computable – General – Equilibrium Model (CGE)

CGE models may be seen as a further development of IOA models and specifically the claim is that they confront the critical issues that have been levelled against them (Andersson et al., 2008, p. 167). These models consist of several sub-models which describe various markets and economies, and a fundamental principle of this model is that these markets and economies are treated as interdependent (Andersson et al., 2008, p. 168). This facet is important in contrast to IOA as this allows CGE to take into account any displacement of monetary flows as a result of economic activity.

Another stated advantage of CGE models is that they are versatile and easily configured to answer many questions (Deloitte, 2010, p. 57). This versatility can be seen in the vastly different array of contexts to which it has been applied, which include measuring the economic impact of a new dam (Wittwer, 2009), determining the economic impact of migrant skilled medical personnel (Rutten, 2009), and assessing the economic impact of HIV / AIDS (Johnson, 2008).

Criticism of CGE modelling typically rests on the presumptions that CGE models contain a large number of variables and parameters and are structurally complex, both of which allow questionable assumptions to be hidden within them that end up driving their results (Sue Wing, 2004, p. 2). This too is an ex ante approach (Rincon, 2010, p. 12)

2.2.4 Gross Domestic Product (GDP) Models

Despite the fact that there are a number of different types of macroeconomic effects and models to measure them, one of the most important is contribution to GDP, which is clearly a very important measure (Standish & Boting, 2009, p. 5). At a high level, economic impact / value studies aim to measure the economic activity surrounding an event, which eventually all flow through the local economy to increase total regional and national GDP (Deloitte, 2008, p. 14).

GDP is a measure of the total output produced by an economy in a given year (Begg & Ward, 2004, p. 209). GDP can be calculated using two methods: 1) production GDP (measured as income earned by productive resources), and 2) expenditure GDP (measured as expenditure on goods and services) (SRSA, 2009, p. 20). The income method focuses on the sum of wages and salaries, rents and corporate profits; the expenditure method adds up all spending on final goods and services (McAleese, 2004, 249). The five components of the GDP are Consumption (C), Investment (I), Government Spending / Public Expenditure (G), Exports (X) and Imports (M). The GDP equation is then thus: GDP = C + I + G + X – M (McAleese, 2004, p. 251).

A benchmark value for the direct contribution of sport to GDP varies from country to country, but generally the available studies suggest contributions ranging from 1% to 2% of GDP (SRSA, 2009, p. 20).

2.3 Building a Model of Economic Value for Sports

2.3.1 Methods and Variables

Baade & Matheson (2001, p. 309), decided that working out an estimate of direct expenditure was their best method of working out the EV of a sporting event, which in this case was the Major League of Baseball's All-Star Game. The facets or variables for their EV model that they chose to focus on include estimations of ***consumer spending***, ***employment***, ***wages***, and ***taxable sales*** accruing to the host city in the time period of the event (Baade & Matheson, 2001, p. 309).

In a study commissioned by the Professional Golf Association of South Africa (PGA of SA), the IFM Sports Marketing Survey's study of the economic impact of golf in South Africa identified and focused on the following facets or variables: ***existing facilities***, ***new golf course development***, ***equipment*** (including both wholesalers and retailers), ***events*** (including both professional and amateur events), ***advertising*** and ***media***, ***charities***, ***tourism***, and ***golf estate property*** (IFM Sports Marketing Surveys, 2009). The SRSA (2009) identified the variables of ***sports goods and services*** [which include equipment and tuition and subscriptions], ***employment***, ***household [consumer] expenditure on sport***, ***sponsorship*** and ***sports tourism***.

2.3.2 Multipliers

When working out an EV value using a sales or output measure [such as GDP], one must consider the direct, indirect and induced effects (Crompton, 2006, p. 74). The concept of multipliers is based on the work of economists, and they describe what happens with a financial flow once it enters an economy (Andersson et al., 2008, p. 167). The initial increase in spending will have additional effects on income and spending in the economy, and this is referred to as the multiplier effect to emphasise the reverberative consequences of any increase of decrease in spending (Worthington, Britton & Rees, 2001, p. 373).

Perhaps the most important concept to understand is that one form of economic activity almost always leads to others (Government of Ontario, 2006, p. 1), which

refers to direct, indirect and induced impacts. Direct impacts are the initial, immediate economic activities (jobs and income) generated by a project or development, and these are impacts associated with the first round of spending in the economy (Government of Ontario, 2006, p. 1). A common method of establishing direct impact parameters is to use available industry averages (Government of Ontario, 2006, p. 1).

Indirect impacts are the production, employment and income changes occurring in other businesses / industries in the community that supply inputs to the project industry (Government of Ontario, 2006, p. 1). Induced impacts are the effects of spending by the households in the local economy as the result of direct and indirect effects from an economic activity (Government of Ontario, 2006, p. 1). The induced effects arise when employees who are working for the project (e.g. new manufacturing plant or the local festival) spend their new income in the community (Government of Ontario, 2006, p. 1).

The multiplier is an estimate of how much additional economic activity will result from an investment in the economy, and it is called the multiplier because total impacts are larger than the initial, direct impacts (Government of Ontario, 2006, p. 1). A multiplier allows a researcher to calculate the follow-on effects of such economic activities to estimate total economic output (IFM Sports Marketing Surveys, 2009, p. 5). Ideally, multipliers should be used to estimate direct and indirect effects in terms of value-

added and this estimate should be less than direct turnover effects, that is, the total value-added in the regional economy can never be more than the amount of money entering the economy (Andersson et al., 2008, p. 167).

IFM, using their own prior research, used a multiplier of two (2) for their study of the golf industry in South Africa (IFM Sports Marketing Surveys, 2009, p. 6). In the Business and Economic Research Limited (BERL) report to the Hong Kong Sports Development Board on the economic impact of sport in Hong Kong, a range of multipliers per industry or activity was used as the data available to them was very granular. BERL have attempted to quantify at a very detailed level the "leakages" in the economy under study, and thus they have presented a wide range of multipliers. These multipliers ranged from 1.0394 to 1.4728. (BERL, 2002, p. 16). Deloitte, in their study of the potential impact of the Rugby World Cup on a host nation, had indirect multipliers in the range of 0.3 to 3.0 (Deloitte, 2008, p. 19).

This value, for the purposes of this study, will have to be estimated, which can lead to inaccurate, exaggerated, and spurious inferences (Crompton, 2006, p. 74). Unfortunately, there is widespread misuse of the concept in terms of "turnover multipliers", which inflates direct turnover effects to 10 – 90 percent higher than the original direct effects (Andersson et al., 2008, p. 167).

2.3.3 Limitations of Existing Studies

IFM mention that in their model they excluded expenditures such as ***gambling [sports betting]***, ***consumer expenditure*** on golf merchandise purchased from non-golf outlets, the business of golf ***art and memorabilia***, golf ***books***, and also the sale of ***television broadcasting rights*** (IFM Sports Marketing Surveys, 2009, p. 6). The SRSA state that in order to make the EV of sport exercise even wider, the model should include services like ***ground and facility maintenance***, the ***support that athletes receive from sports science and medicine***, and the ***growing sports gambling [betting] market*** (SRSA, 2009, p. 19). By their own admission, the SRSA postulate that while it is possible to estimate the sales and purchases of the sports sector through detailed investigations of all the industries involved, few countries have carried out the work to necessary to estimate the economic impact of its sports industry, and as such the result is that most countries are not aware of the full extent of the benefits and costs of sport (SRSA. 2009, p. 19).

2.3.4 Model Estimates for South Africa

IFM estimate that the size of the national golf market in 2008 was approximately R29.2bn (IFM Sport Marketing Surveys, 2009, p. 7). The SRSA, using their model, estimate the South African sport industry contributed approximately R41bn to the economy in 2007, or about 2% of GDP for that year (SRSA, 2009, p. 21). While one cannot really compare the two estimates as they relate to different years, it is hard to see how golf, which is the fifth most popular sport in South Africa in terms of spend (SRSA, 2009, p. 24) contributes to approximately 71% of the total sports industry

contribution to GDP, if comparing the figures. This highlights the contentiousness of the availability of the data and classification of the sports industry making it difficult to accurately estimate the size of the sports industry (Humphreys & Ruseski, 2009, p. 60)

2.3.5 Composite EV Model for Sports for South Africa

Subsequent to the above review of literature on sports industry EV models, the ex post method of impact on GDP will be selected as the EV model principle for this research as ex post methods provide a more accurate measure of economic impact or value (Mondello & Rishe, 2004, p. 341).

The following variables/elements have been identified as possible areas to consider and to be tested when determining an EV of Sports model in South Africa:

- Manufacturing.
- Consumer Spending.
- Corporate Activity.
- Events.
- Government Grants / Spending.
- Broadcasting / TV rights.
- Employment / Jobs / Salaries.
- Sports Betting.
- Tourism.
- International Funding.

- Tax.

In particular, it is envisaged that the model will be tested on specific sporting codes, rather than the entire sport industry of South Africa, for the purpose of this study. Ex-post, audited data will be sought.

Chapter 3: Research Questions

The following research questions have been identified for further exploration:

1. What are the relevant, practical and measurable variables, from a GDP perspective for the South African sports industry, which can be used in an Economic Value model?
2. What are the relevant practical implications that must be considered when applying an Economic Value model, from a GDP perspective?
3. Considering each relevant measurable variable where data is available, what is the associated value for this variable?

Chapter 4: Research Methodology

4.1 Rationale

The approach of this study in terms of research methodology is to seek out and conduct face-to-face interviews with the relevant Subject Matter Experts (SMEs) in the sport industry. In this way, by talking with knowledgeable individuals, and by informally investigating the situation, the researcher can progressively sharpen the concepts. (Zikmund, 2003, p. 62).

This research has two outcomes to it and as such, will be carried out in two phases. Phase One will be Qualitative Exploratory, and Phase Two will be Quantitative Descriptive. The objectives of a two phased approach is to firstly ensure that through an inductive reasoning process qualitative data (primary research) together with secondary data (existing literature and literature review) a relevant model of EV will be constructed for the sports industry. It is envisaged that during this first phase the variables / elements of the Economic Value model for sport that were identified during the literature view phase of this research (secondary research) will be further explored and examined by the identified industry experts (primary research). Their independent views will first be sought to try and minimise any bias that the author's research findings may introduce. During this phase the opinions of the practical implications of how to apply such a model will also be explored. Once this open ended discussion has been exhausted, more direct questions on the expert's opinions on the research

findings will be uncovered. At the end of Phase One a subjective summary of all findings / opinions will be made in order to arrive at a conclusive Economic Value model for Sport, as well as highlighting the practical considerations that must be overcome, both from an academic, practical and commercial perspective.

Phase two will aim to gather quantitative financial data, where available, with which to apply to the model and to achieve the third research objective. In the cases where financial data is not available for all the variables of the model, the financial data that is available will be examined and will be inputted in isolation in any event to give depth and a directional view of EV for a particular variable to this study. In some cases the industry experts utilised in Phase One will also be able to provide quantitative data. Further interviewees for Phase Two have been identified and the primary aim for these interviews is to gather data to insert into the Economic Value model for Sport. Obviously the quantitative data per variable / element of the model must all be for the same year under review. It is envisaged that the year for which data will be sought will be 2008.

Much of the literature reviewed to date on the EV of the Sports Industry is biased toward the American and European sports market. The challenge for this research design is not so much as to find the commonalities of the work that has already been carried out and relate it back to a South African context, as some of the work will transcend geographical boundaries, but instead it will be to find the applicable data

from a South African point of view with which to populate the model which is dispersed amongst the many stakeholders, and is not publically available from a single source.

4.2 Phase One – Qualitative Exploratory

Zikmund (2003) states that an exploratory study is a useful preliminary step that can help to ensure that a future, more rigorous study will not begin with an inadequate understanding of the nature of the management problem. Zikmund (2003) also goes on to state that most of exploratory research provides qualitative data, which provides a greater understanding of a concept or crystallises a problem, rather than providing precise measurement or quantification.

4.2.1 Proposed Unit of Analysis and Population

The proposed unit of analysis are the views and opinions of the interviewees. The population are those identified experts within the various variables identified (as these can be linked back to business industries), as well as senior members of the various relevant public and private entities which operate in the South African sports industry.

The experts identified are representatives from the Department of Sports and Recreation (for their connection with the business of sport and previous academic research), Grant Thornton and Deloitte (for their previously conducted academic work and investigation in the field of Sport Management), sport agencies, sport federations

or rights holders, as well as relevant retailers and manufacturers of sporting goods and apparel.

4.2.2 Sampling Method and Size

The sampling method to be used is non-probability sampling which is defined by Zikmund (2003) as where units of the sample are selected on the basis of convenience or personal judgement. More specifically, convenience, judgement and snowball sampling will be used.

Zikmund (2003) refers to convenience sampling as obtaining units or people who are most conveniently available. As some of the sample population are multi-national companies, with offices and employees all over the country, only those offices which are in the Gauteng area will be considered. Judgement sampling is defined as a technique where an experienced individual selects the sample based upon some appropriate characteristic of the sample members (Zikmund, 2003). In the case of some of the consulting houses or market survey companies, only those individuals or groups of individuals who have some expertise in, or have conducted research on the sports industry, will be considered. Snowball sampling refers to a procedure by which initial respondents are selected and additional respondents are obtained from information provided by the initial respondents (Zikmund, 2003). It is envisaged that during the course of an interview, the interviewee will provide the details of another expert in the field which was not originally thought of by the researcher.

It is envisaged that the sample size of the interviews will be with at least one of those individuals who were directly involved in specific, relevant literature and reports to this research. Interviews will also be held with at least one senior member of the various public and private entities which are relevant to this research. More specifically, at least ten interviews will be held.

4.2.3 Data Gathering Process and Analysis Approach

Expert interviews and experience surveys will be utilised. These are considered to be appropriate as the knowledge required to complete this research is held with individuals in some corporations and governmental departments. These two methods suite the exploratory nature of this research as the intention is to select knowledgeable people for their ability to articulate information (Zikmund, 2003).

The primary research component mentioned above will follow the desktop research (secondary data) component. The expert interviews and experience surveys will firstly aim to determine what variables of EV of the sports industry should be included in the research mode. Secondly, the practical aspects that need to be considered, both from a theoretical (in other words as it applies to GDP) and business aspect, will also need to be clarified to assist future research. Thirdly, and finally, as some of the data which is needed to populate the model for a particular sport for a particular year is not publically available and from one source, the interviews and surveys will also serve to gather financial data for the variables indentified.

Case studies applicable to this research, as well as other secondary data outputs from sources such as the International Journal of Sports Marketing, Journal of Sports Economics, and the Journal of Sports Management will be will be consulted. Further sources of data include existing economic studies conducted by the likes of IFM Sport Marketing Surveys, BMI Sport Info, Barnard Jacobs Mellet (BJM), Grant Thornton and Deloitte.

Opinion and critique of a proposed EV model, based on available literature and compiled by the researcher, will be sought from the expert interviewees. The responses and opinions of this sample will then be assessed subjectively to determine relevance, appropriateness and amendments to the proposed EV model. This is consistent with the output of an experience survey, since exploratory information from this data gathering technique is not expected to be conclusive (Zikmund, 2003).

4.3 Phase Two – Quantitative Descriptive

Descriptive research's main purpose, as described by Zikmund (2003), is to describe characteristics of a population or a phenomenon, and is based on some previous understanding of the nature of the research problem. As such this is the reason why the quantitative descriptive phase follows the qualitative exploratory phase. The EV model will be refined and finalised in Phase One, and in Phase Two financial data for the variables of the model will be sought for a specific sporting code within South Africa in order to satisfy the objectives of this research.

4.3.1 Proposed Unit of Analysis and Population

The proposed unit of analysis is the unit of financial data supplied per variable of the EV model. The population for this phase of the research are all the relevant private and public enterprises in the cricket sporting code. Examples of these include major retailers and manufacturers (for example Nike), broadcasters (for example SuperSport), and marketing survey companies (for example IFM and BMI).

4.3.2 Sampling Method and Size

In this phase, expert interviews and face-to-face interaction will again be utilised. Again, as in Phase One, convenience, judgement and snowball sampling will be used. The size of the sample is dependent on the availability and completeness of the relevant data. Every effort will be made to ensure that there is valid and accurate data for every variable in the EV model.

4.3.3 Data Gathering Process and Analysis Approach

As part of the aim of this research proposal is to also test the model with applicable relevant data from a sporting code in South Africa, the relevant over-arching sport bodies who administer a specific sporting code, for example Cricket South Africa (CSA), must be consulted first not only for their insights into what elements of EV drive their sporting code, but also to ascertain whether they can be the primary source of financial data with which to populate the model.

Some of the expert and experience interviews scheduled for Phase One will overlap with Phase Two in that the respondents may also hold the financial data to populate the EV model. In this case, they will participate in both phases of the research. Once the financial data for all the variables of the EV model has been obtained and inputted, analysis and comparisons can be made on the outputs of the model. It is obviously important that the data collected is for the same period.

4.4 Interview and Questionnaire

Open-ended response questions, according to Zikmund (2003), are questions that pose some sort of problem and ask the respondent to answer in their own words, and these types of questions are most beneficial when the researcher is conducting exploratory research. The responses to these open-ended questions will be recorded for later transcribing. This will assist in the subjective assessment of the EV model in Phase One. As is common with an exploratory-type research design, the discussions or interviews will be quite informal, and discussions with knowledgeable people may not be much more than conversations, and while some formal questions may be asked, all the respondents will generally be allowed to discuss the questions with few constraints (Zikmund, 2003). See Appendix C for a sample questionnaire.

4.5 Limitations of the Research Design

Besides availability of data and the willingness to share this information with the researcher, there may be a number of response errors and some unconscious

misrepresentation. These include Auspices Bias, whereby the respondents may be influenced by the fact that the researcher represents the Gordon Institute of Business Science (GIBS), and Interviewer Bias, which is a common problem with open-ended questions (Zikmund, 2003), whereby the respondents may be influenced by the influence of the interviewer and in terms of the work that the interviewer is carrying out. To a lesser extent there may also be Acquiescence Bias, where the respondents agree to whatever the interviewer asks, and Extremity Bias, where respondents use extremes when answering. The latter two are listed as slightly less probable as the nature of the questioning will not be leading or seek a conclusive answer.

As mentioned above with regards to the availability of accurate data, some assumptions may also have to be made. In particular this would be applicable to the multiplier effect, and some estimates of salaries and levels of employment.

Chapter 5: Results

This chapter will present the raw data, structured in a relevant and coherent manner, for analysis in Chapter 6. The questions in the questionnaire were mainly used to direct the interview though careful consideration was paid to ensure that the Research Questions were addressed and data integrity was preserved by making every effort to reduce the possibility and potential impacts of any biases identified previously.

5.1 Sample Description

A total of 12 (twelve) face-to-face interviews were conducted. Careful consideration was given to select different respondents from across the sports industry in order to gather diverse and unique viewpoints. As confidentiality was guaranteed, only a brief description of each respondent, without mentioning their names or the company / sports body they represent, will be given below. The terms “interviewee” and “respondent” will be used interchangeably to refer to these 12 people who were interviewed.

- **Respondent 1**: Economic Value / Impact researcher and owner of a company who recently completed a Sport Economic Impact model for the Department of Sports and Recreation of South Africa.
- **Respondent 2**: Chief Executive Officer (CEO) of a leading South African sports agency.

- **Respondent 3**: Principal of "Big 4" global auditing firm who have in the past produced Economic Impact studies; particular expertise in Tourism.
- **Respondent 4**: Brand / Sponsorship Director of another leading South African sports agency.
- **Respondent 5**: Part-owner of a sports merchandise distribution company.
- **Respondent 6**: Director of another "Big 4" global auditing firm who also have in the past produced Economic Value / Impact studies.
- **Respondent 7**: Chief Operating Officer (COO) of a sports rights holder.
- **Respondent 8**: Co-owner of an online sports betting company.
- **Respondent 9**: Chief Researcher of a government department, part of whose role includes sport.
- **Respondent 10**: South African Brand / Sponsorship Director of a major global sports apparel maker and distributor.
- **Respondent 11**: Head of Sponsorship for "Big 4" financial services firm who are very active in the sports sponsorship arena.
- **Respondent 12**: Owner of a sports publication to the South African sport retail market.

5.2 Presentation of Results

The format that the presentation of results will follow will be a listing of the responses of the interviewees for selected questions of the Questionnaire, structured according to the Research Questions. A brief summary of the responses to highlight the key themes and messages will follow. This synopsis is intentionally brief as a deeper

analysis will be done in the Chapter 6. All responses unless otherwise stated will be assumed to be verbatim.

The interviewees were firstly asked to state their own opinions as to what they thought were variables that should be included into an Economic Value of Sport model. They were then asked to state their opinion on the variables which were identified during the secondary data or literature review portion of this thesis (Chapter 2). During the interview the conversation would also be steered towards practical considerations to be considered when applying an EV model. Another pertinent question asked, which was to further the aim of resolving Research Question 3, was if the interviewees could provide or knew of an organisation or individuals who could assist in providing financial numbers for the variables indentified, for the cricket sporting code. The final section captures the responses to other relevant questions, as well as the open-ended responses which help to further the research objectives.

5.3 **Research Question 1:** What are the relevant, practical and measurable variables, from a GDP perspective for the South African sports industry, which can be used in an Economic Value model?

AND:

Research Question 2: What are the relevant practical implications that must be considered when applying an Economic Value model, from a GDP perspective?

I. The following list shows the interviewee's responses to the question of: "***What variables for measurement would you say add value to GDP from the Sports Industry?***"

The intention of this question was determine, unprompted, what the interviewees thought would be possible variables for inclusion into an Economic Value of Sport model.

Respondent	Response
1	Look at from both a Capital Expenditure (CAPEX) and an Operating Expenditure (OPEX) point of view. Don't "double count".
2	Events - so many secondary effects. Manufacturing. Tourism. Consumer Spending.
3	Retail and merchandising, CAPEX spending, sponsorships, TV rights, club subscriptions, management of stadia, participation revenue and spectator fees, advertising and marketing (activation and leveraging), betting and tourism.
4	TV revenue, quality of the participant, merchandising, consumer spending.
5	Locally produced merchandise.
6	Look at it from the Expenditure side. CAPEX, government spending, consumer spending, sponsorships, merchandising, events (infrastructure spend), and exports of players abroad.
7	Broadcasting, sponsorships, ticket prices, hosting major events, merchandising, digital media, and franchising. Ticketing is untapped and can grow, but the current structure of sports bodies and rights holders (structured along small business lines) hinders growth.
8	TV tights, advertising, merchandising, consumer spending, secondary effects (people getting together and spending for example in bars watching games), wages, sport development (government spending).
9	CAPEX and OPEX spending.
10	Sponsorships, tax, jobs, exports and imports, manufacturing.
11	Sponsorships (including leverage and activation).
12	Merchandising, sponsorships, advertising, employment / jobs / salaries, tax, consumer spending, TV rights.

List 1: Interviewees Own Opinion on EV Model Variables for Inclusion

Synopsis: A number of variables including merchandising, consumer spending, broadcasting, sponsorships, tax, CAPEX and OPEX and jobs are mentioned. Respondent 6 begins to move towards the broad categories of GDP when he mentions government spending, consumer spending and exports. Respondent 7 highlights the issue that sports bodies and rights holders are not currently structured in an optimal way to take advantage of the obvious financial benefit that exists in sports. The key insight however from this section is the principle of "double counting" – a financial and economic principle which must not be ignored when applying the EV model.

II. The following list shows the interviewee's responses to the question of what their opinion was of the variables, as identified in section 2.3.5, and should they be included into a potential Economic Value of Sport model:

a. Manufacturing:

Respondent	Response
1	Yes must be included, but from either an Expenditure or Income point of view.
2	Yes include, massive.
3	Yes include.
4	Yes include.
5	Yes include.
6	Yes include. It is in the "Investment" category of the GDP expenditure equation as the private sector will invest in it's manufacturing capability.
7	Yes include. Not the biggest value driver because some sporting organisations realise that this more about brand exposure rather than a revenue generator.
8	Yes include.
9	Yes include, but most of the merchandise is imported, and thus the expenses to produce are not in the local economy.
10	Yes include.
11	Yes include, huge.
12	Yes include.

List 2: Interviewees Opinion on Secondary Researched Variable (Manufacturing) for Inclusion into EV Model

Synopsis: All respondents agree that this must be included as a variable in an EV model of sport. Respondent 1 again mentions that either an Expenditure or Income view must be taken, but not both. Respondents 2 and 11 are of the opinion that this variable potentially has a very big economic value, though Respondent 9 highlights the fact that most manufacturing (and thus the associated expenditure thereon) occurs outside of South Africa and thus this probably, in the South African context, is not very large.

b. Consumer Spending:

Respondent	Response
1	Yes must be included, but from either an Expenditure or Income point of view.
2	Yes include. There are many facets to this, and a large part of this is spend as a result of sports tourism.
3	Yes, but there are a couple of dimensions to this.
4	Yes include.
5	Yes include. Can be further subdivided into other categories.
6	Yes include. It is in the "Consumption" category of the GDP expenditure equation.
7	Yes include. Includes ticket revenue.
8	Yes include.
9	Yes include. The bulk of this is in the retail sector.
10	Yes include.
11	Yes include. A per capita spend per event comparison, which has not been done, will be useful to compare the success of events from an economic / financial point of view.
12	Yes include.

List 3: Interviewees Opinion on Secondary Researched Variable (Consumer Spending) for Inclusion into EV Model

Synopsis: All respondents agree that this must be included as a variable in an EV model of sport. Respondents 2, 3, and 5 feel that this can be further subdivided into other sub-categories, which increases its complexity.

c. Corporate Activity / Sponsorship:

Respondent	Response
1	Yes include, but again from an Expenditure or Income point of view. If it's in the form of prize money then the spend of that money will be captured under consumer spending.
2	Yes include. Massive aspect (R4bn in 2009).
3	Yes include.
4	Yes include.
5	Yes include.
6	Yes include. It is in the "Investment" category of the GDP expenditure equation.
7	Yes include. Including corporate hospitality, of which the "boxes" at stadiums are just a part of. There is more to it to create a premium package.
8	Yes include.
9	Yes include.
10	Yes include. Sport sponsorships (of teams and / or individuals) can be broken down into a Main Sponsor, a Technical Sponsor, and "Other" Sponsors.
11	Yes include.
12	Yes include.

List 4: Interviewees Opinion on Secondary Researched Variable (Corporate Activity / Sponsorship) for Inclusion into EV Model

Synopsis: All respondents agree that this must be included as a variable in an EV model of sport. Respondent 2, who is involved in this industry, highlights that this is a massive variable in terms of financial value. Respondent 1 mentions that consideration must be given to the type of sponsorship, which may include prize money, in which case the spend of this money will be captured under Consumer Spending.

d. Events:

Respondent	Response
1	Yes, but remember that this must either be from an Expenditure or Income point of view. Perhaps it should be from an Event Hosting point of view to capture the Expenditure point of view.
2	Yes include. Another big spend area.
3	Yes include.
4	Yes include.
5	Yes include.
6	Yes include. It is in the "Investment" and "Public Expenditure" categories of the GDP expenditure equation as both the public and private sector will have expenditures for events.
7	Yes include.
8	Yes include.
9	Yes include. Big expenditure item. Accommodation, transport.
10	Yes include, but can also be included as a sub-variable of Consumer Spending.
11	Yes include, and the top three sports dominate this. There are many other sport federations or rights holders outside of the top three who would like to host a major event (as it can bring much needed exposure to the sport code) but when it comes to looking at financial resources and feasability it is not possible.
12	Yes include.

List 5: Interviewees Opinion on Secondary Researched Variable (Events) for Inclusion into EV Model

Synopsis: All respondents agree that this must be included as a variable in an EV model of sport. Respondent 1 mentions that if an expenditure view is taken then this must only include the cost to host an event. Respondent 10 is of the opinion that this could be a sub-variable of Consumer Spending which then would require further exploration. Respondent 11 highlights that this is a key economic driver for only the largest and most popular sports, due to the financial outlay that is required to host an event.

e. Government Grants / Spending:

Respondent	Response
1	Yes must be included, but from either an Expenditure or Income point of view.
2	Yes, but mostly to those sports which aren't mainstream and which aren't well supported, and is more about grassroots development.
3	Yes include.
4	Yes include, but it is small, and not nearly impactful enough.
5	Yes include. It is more however about grassroots development of the game.
6	Yes include. It is in the "Public Expenditure" category of the GDP expenditure equation.
7	Yes include. Very important for smaller sport bodies and rights holders.
8	Yes include.
9	Yes include, but the Lotto is a bigger contributor, which is not an arm of government.
10	Yes include, though main sports do not get a lot.
11	Yes include, but this is either not effectively carried out or they do not do enough.
12	Yes include.

List 6: Interviewees Opinion on Secondary Researched Variable (Government Grants / Spending) for Inclusion into EV Model

Synopsis: All respondents agree that this must be included as a variable in an EV model of sport. Respondents 2, 5, 7 and 10 points out that this is mostly for only the smaller sport federations and is more about the development of a sport at a grassroots level. The size of the grant is not substantial enough to meaningfully impact the larger sport rights holders. Respondents 4 and 11 are of the opinion that these grants are not impactful enough. This could be as a result of the size (financial) of the grant, or the manner in which the grant is implemented does not match the intention for why the grant was awarded in the first place.

f. Broadcasting / TV rights:

Respondent	Response
1	Yes must be included, but from either an Expenditure or Income point of view.
2	Yes, huge infrastructure spend.
3	Yes include.
4	Yes include. Three main areas - producing, paying for exclusive coverage rights, and activation.
5	Yes include.
6	Yes include. It is in the "Investment" and "Exports and Imports" categories of the GDP expenditure equation. This is because if a broadcaster has to buy TV rights for a sport event from overseas it is an import, or is an export if the rights holder sells local TV rights to an international broadcaster.
7	Yes include. Most crucial.
8	Yes include.
9	Yes include.
10	Yes include, but do not double count with Sponsorship as some of this money gets locked up with sponsorships in a package deal.
11	Yes include.
12	Yes include, but not as large as the US and UK markets.

List 7: Interviewees Opinion on Secondary Researched Variable (Broadcasting / TV rights) for Inclusion into EV Model

Synopsis: All respondents agree that this must be included as a variable in an EV model of sport. Respondent 10 mentions that this must also be carefully considered and examined as sometimes sponsorships include broadcasting rights, in which case this money would be tied up in another variable and should not be double counted. Respondent 12 was of the opinion that this variable is not as large as the United States (US) and United Kingdom (UK) markets which have a more advanced sport industry in terms of revenue generation.

g. Employment / Jobs / Salaries:

Respondent	Response
1	Yes must be included, but from either an Expenditure or Income point of view.
2	Yes include. From a cricket perspective, look at the jobs from a rights holder and provincial unions perspective.
3	Yes include. Could very well be included within other variables mentioned already.
4	Yes include.
5	Yes include. Think about manufacturers, distributors, retailers and the professional athletes.
6	Yes include. It is in the "Consumption" and "Investment" and "Public Expenditure" categories of the GDP expenditure equation.
7	Yes include, but there are only a small number of people who have jobs and earn a salary from sports. The main thing are the jobs created, albeit temporary jobs, from events.
8	Yes include.
9	Yes include, but on average in South Africa this is small because sport is run mainly by volunteers.
10	Yes include, but this is not easy to determine or get data on. Commercial sport organisations who have interests in a variety of sport codes will generally focus their efforts, and thus the efforts of their staff, on the main sports which earn the most revenue.
11	Yes include.
12	Yes include.

List 8: Interviewees Opinion on Secondary Researched Variable (Employment / Jobs / Salaries) for Inclusion into EV Model

Synopsis: All respondents agree that this must be included as a variable in an EV model of sport. Respondent 5 is of the opinion that the key employers in the sports industry are the manufacturers, distributors, retailers and sports which have athletes who are classified as “professionals”. Respondents 7 and 9 however state that this is small as there are not many people who directly earn an income from the sports industry. This highlights the need to clearly define what constitutes the sport industry from an economic point of view. Respondent 10 mentions that to get data on this is not very easy to do. This again may be due to the fact that there are not any clear boundaries of what qualifies as a job in the sports industry

h. Sports Betting:

Respondent	Response
1	Exclude. If the winners do not spend the money they have won, then the value added is zero. Include if it's measuring the CAPEX and OPEX expenditure of the sports betting organisation.
2	Yes, huge revenue potential. Two new online licenses have recently been awarded in South Africa and the impact of this is going to be felt shortly.
3	Yes include.
4	Yes include.
5	Yes include.
6	Yes include. It is in the "Exports and Imports" and "Consumption" categories of the GDP expenditure equation.
7	Yes include. Big value in this.
8	Yes include.
9	Yes include.
10	Yes include, but could be included in Consumer Spending. Shows how sport has been commercialised.
11	Yes include, but this is something which can influence the "darker side" like match fixing, which is obviously a negative.
12	Yes include, but is probably not big.

List 9: Interviewees Opinion on Secondary Researched Variable (Sports Betting) for Inclusion into EV Model

Synopsis: All except Respondent 1 agree that this must be included as a variable in an EV model of sport. The main reason for his opinion was that if not all the money won is spent, then the value-add is zero. This again highlights how careful consideration must be taken when analysing the financial data to ensure that the correct expenditure (or income, depending on which view is taken to run the model) is accounted for. Respondent 10 supports this when he says that this can be accounted for in Consumer Spending. Respondent 2 highlights how this facet of the sports industry is posed to grow as two new betting licenses were recently awarded.

i. Tourism:

Respondent	Response
1	Maybe not a variable on its own. If a person arrives as a sports tourist, any spend is a value to the sport, and it will be catered for in the other variables.
2	Yes include.
3	Yes include. Tourism recognises that Sport is very important.
4	Yes include.
5	Yes include.
6	Yes include. It is in the "Exports" and "Consumption" categories of the GDP expenditure equation.
7	Yes include. From the perspective of this rights holder, the biggest sports tourists are from England and Australia.
8	Yes include.
9	Yes include. About 5% of tourists are sports tourists.
10	Yes include.
11	Yes include.
12	Yes include.

List 10: Interviewees Opinion on Secondary Researched Variable (Tourism) for Inclusion into EV Model

Synopsis: All respondents agree that this must be included as a variable in an EV model of sport. Respondent 1 however is of the opinion that this spend can be captured in other variables and so may not justify it being a variable on its own.

j. International Funding:

Respondent	Response
1	Yes must be included, but from either an Expenditure or Income point of view. All funding which is budgeted for must be spent, for the good of the games!
2	Yes, but rare. Potentially huge injection.
3	Yes, but is linked to an event (net flow).
4	Yes include.
5	Yes include. The net effect could however be negative because there are also flows going out.
6	Yes include. It is in the "Public Expenditure" category of the GDP expenditure equation as typically the injection of international funding is given to the local organising committee or local municipality and they then decide how this is to be distributed.
7	Yes include. The International Cricket Council give an annual, albeit small, funding amount.
8	Yes include.
9	Yes include. The net effect could however be negative because there are also flows going out.
10	Yes include.
11	Yes include.
12	Yes include, but would not have thought so.

List 11: Interviewees Opinion on Secondary Researched Variable (International Funding) for Inclusion into EV Model

Synopsis: All respondents agree that this must be included as a variable in an EV model of sport. Respondent 5 and 9 highlight the fact that the net effect of this could be negative, since there are also leakages that occur when there is an injection of international funding (as was the case with the FIFA 2010 World Cup).

k. Tax:

Respondent	Response
1	Exclude. It is a leakage.
2	Yes include.
3	Yes, but is circulated throughout the cycle.
4	Yes include, but it's hard to measure on all elements.
5	Yes include.
6	Can include, but it is an income for Government.
7	Yes include. Tax hurdles are lower for sports - the Government is very "friendly" to hosting events.
8	Yes include. There is no tax on sports betting winnings (for the consumer as opposed to the sports betting house), except on horse racing.
9	Yes include.
10	Yes include.
11	Yes include.
12	Yes include.

List 12: Interviewees Opinion on Secondary Researched Variable (Tax) for Inclusion into EV Model

Synopsis: All except Respondent 1 agree that this must be included as a variable in an EV model of sport. Respondent 1 states that this is a leakage to an economy, though Respondent 3 is of the opinion that this would eventually be re-circulated throughout the economy. The view of Respondent 7 is that generally the South African government is supportive of the sports industry hosting events as the tax hurdles are generally lower. Respondent 8 also mentions that there is no tax levied on sports betting winnings.

5.4 **Research Question 3:** Considering each relevant measurable variable where data is available, what is the associated value for this variable?

I. The following list shows the interviewee's responses to the question of: "***Where would you suggest is the best place to obtain data for the variables mentioned above? Are you able to assist in this regard? What is the best way to get hold of this data?***"

The purpose of asking this question was to determine if any of the interviewees could provide financial data for the variables identified, or if they could provide a reference or contact person / organisation that could provide this information.

Respondent	Response
1	Go to rights holders. Separate CAPEX and OPEX. Talk to spectators. Understand and expand expenditure of foreigners. Survey people.
2	Cannot assist, but maybe get hold of BMI, SportTrack, MediaTrack and SponsorTrack data.
3	Very little data is available per sport code. Not very well organised. Go to see BMI, associations and rights holders.
4	Cannot assist.
5	Can provide some high level, industry aggregated merchandising figures.
6	Cannot assist.
7	Should be able to get data on most of the variables mentioned.
8	May be able to speak to some other people in the industry, but the data is not well organised.
9	Contact another government department, and use the numbers as per the Case for Sport publication. Also look at SportsTrader, the rights holders Annual Reports, as well as BMI.
10	Cannot assist.
11	Cannot assist.
12	Speak to the major apparel manufacturers / distributors.

List 13: Interviewees Response on Providing Financial Data for Variables

Synopsis: Generally the respondents are not able to assist with financial data for the variables explored. Respondent 1 states that the rights holders should be in a position to provide the data. Respondent 7 (the rights holder) said that he would be able to provide data for most of the variables identified, which unfortunately did not materialise.

5.5 Open-Ended Responses

These responses (on the following page) are captured as they further inform and give a richness of understanding to Research Questions 1 and 2.

Respondent	Response
1	Must only look at Economic Value from either an Expenditure side or an Income side, but not both. This is to prevent a situation of "double counting". It is easier to look at it from an Expenditure side of view in terms of gathering data, as a lot of organisations are not always forthcoming with revenue figures. If you do a Financial Feasibility study then Income is important. For an Economic Value study, then Expenditure is important.
2	Rugby seems to attract the most spend. The Lotto is a major contributor, but it isn't a government institution. Cricket is a small market.
3	School sport in South Africa is not as well developed as it is in the United States, which hinders the development of tomorrow's stars.
4	Training academies have a cascading effect on increasing the professionalism of sports, which then has a cascading effect on revenue. TV revenue is a major driver of revenue in sport. Consumer spending drives the conversion rate of a brand. Government spending is not really an investment into sport as the application is not good as it is not targeted or focused enough. Is not geared to achieving meaningful results. It is given mainly for sport administration, and so the question is does this add value? For some sport codes its a year-on-year bail out, which means every year the sport is back in the same perilous position. Tax exemptions can be good in terms of the trade-off benefits, as was the case with FIFA and the World Cup.
5	The majority, including cricket equipment, of all merchandise and apparel is manufactured overseas and is then imported into South Africa.
6	Tourism competes with Broadcasting for the spectator. Need big crowds at stadiums.
7	Sport events have a positive short term effect, but longer term if there are too many of the same types of events there are diminishing returns - there is real value in scarcity.
8	Sports betting is a new form of investing. Instead of putting money into the stock market, where it can take a while to see some returns, a large number of people are now preferring to use sports betting, and in particular spread betting, as form of investing because of it's more immediate returns, and as it is easier to understand and in some cases, more interesting.
9	The private sector needs to play more of an active role in the upliftment of communities through sport. Sport equals entertainment. Stadiums should be treated as more of an economic hub and a tourist venue, and should be marketed as such.
10	15% of merchandise is manufactured locally (sport apparel), as per governmental regulation.
11	The recognised norm in government grants is 20% to be spent on "Sports Administration" (salaries). Government however do not allow this spend to spent on training, leaving some sports bodies and rights holders without key business skills.
12	Manufacturing of merchandise, equipment and apparel is import driven, so a lot of the costs to produce are outside of South Africa.

List 14: Interviewees Open Ended Responses

5.6 Other Questionnaire Responses

These questions were asked in order to gather further opinion on the rationale for this thesis, as well as for the methods employed.

i. The following list shows the interviewee's responses to the question of: "***Do you think the Sport Industry is important to business? Why or why not?***"

Respondent	Response
1	Yes. Cannot be viewed in isolation as there a combination of a number of activities that make it important. Economists don't categorise it as separate. Benefits so many, and creates wealth for surrounding areas. It is a very efficient expenditure facilitator.
2	Yes. Very important. Used extensively as a marketing tool to build brands. Commercially viable. Huge business in itself.
3	Yes, there is definitely a business of sport. Often related to sponsorships, managing players, spectators and stadia. Often when it is in the public sector it isn't seen as a business. This sector in South Africa however isn't that big. It's potential however is such that it can have massive value.
4	Yes. Multi-million rand industry. The FIFA World Cup demonstrated the value of sport in business as it drove the economy and helped protect South Africa during the recession and ensured continued growth. It forced the country to invest in infrastructure while the world was shrinking.
5	Yes, very important. Major factor in the economy. Taps into the needs of the individuals.
6	Yes, is a business in its own right, but it is also a business which relies heavily on support from other businesses and industries. Professional sports started with being supported by supporters / spectators. Now it is being supported by businesses.
7	Completely different industries (sport and business), each with their own rules. Traditionally businesses try to maximise shareholder value and are concerned with profit and loss. Sports clubs on the other hand are more worried about maximising sport success, and not necessarily profit and loss - it is more about the optimisation of team success.
8	Yes definitely. There are many people who make good money from sport. There are also many secondary effects (multipliers). The growth has mirrored the growth of professionalism in sport.
9	In terms of business opportunities, key is entrepreneurship (job opportunities). Otherwise relatively small, and the top three sports (rugby, cricket and soccer) dominate the industry. A growing area is Sport Corporate Social Responsibility (CSR). There are opportunities here for Public - Private Partnerships (PPP).
10	Yes, there is a lot of money in sport.
11	Yes it is. Sponsors use sport as a platform to extend brand to a targeted audience. South Africa has a strong, dynamic and inherent sporting culture. It is "do or die" for many here who watch sport, and it is about national pride and having a memorable experience.
12	Yes, sports is a business. It is also a fantastic and effective marketing tool.

List 15: Interviewees Opinion on the Importance of the Sports Industry

Synopsis: Respondents agree that the sports industry is in fact very important to the business world. Responses range from that it is an efficient way to deliver a corporate brand to its target market, to the fact that there are many businesses that make good money from the sport industry.

ii. The following list shows the interviewee's responses to the question of: "***If it is important, how have you seen its increasing importance influence your business/industry?***"

Respondent	Response
1	It is. Creates new avenues for business. This however depends on your industry, and thus it isn't important to all. Has important nation building benefits.
2	Grown substantially. 17% compound growth over the last five years (through recession). Value of rights, new rights acquired (new stadiums), increase in popularity of new sports such as extreme sports all have contributed to the growth of business.
3	Not much really. Have done mainly some sport HR type activities. Not really involved in any sponsorship work, or don't do much sport sponsorship / advertising. Have done some mega event work, and the tourism consulting side of the business has seen a slight increase in work assignments.
4	Business has continued to grow especially in the last four years. The growth of professionalism in sport has helped to fuel this. Rights holders need to continue to understand this and the value of their property rights.
5	Goods and products expanding every year. New technologies influence new product development, which then influence demand. Without products there will not be any industry or market.
6	Already provide services regardless of industry, but looking to do more business development into this industry. The scale of this industry is not as large as overseas however.
7	Rights holders are like Not for Profit Organisations. The spectators and fans need to be respected and treasured, so it is not always possible to make hard commercial decisions, especially when it affects the pocket of the customer (for example with ticket prices).
8	Sports betting was illegal pre-1994. Because of the opening of legislation, as well as the growth of sports as a business, sports betting now has a presence online, which has helped to open new markets and expose more people, particularly the more educated gambler.
9	Becomes clearer when talking about events. If business didn't come to the party then the World Cup would not have been a big success, which the government deems it be.
10	There would not be any major consumer brands if it was not for sport. It can be a businesses entry into credibility.
11	Influences it definitely because it allows a business to showcase it's brand. Sports can also allow a company to segment a market, for example golf targeting the elite, and soccer appealing more to the mass market. Sports enables a business to activate it's brand around a sponsored event, and can have secondary effects like selling some of the businesses products or services at this event.
12	Growth in sport has increased the amount of business being done.

List 16: Interviewees Responses to the Sports Industry's Influence on their own Businesses

Synopsis: Again the respondents agree that in general the growth of professionalism and popularity of sports has had an associated effect on business. In the consulting businesses (Respondents 3 and 6) statements are made that while they did not specifically focus on the sports industry as a specific industry to focus on, since for them consulting work is consulting work regardless of where it comes from, from the

South African business perspective it is not as large as the overseas markets. Respondent 9 is of the opinion that if the private sector did not do as much as it did during the FIFA 2010 World Cup then it would not have been as much of a success as it has been deemed to be.

iii. The following list shows the interviewee's responses to the question of: "***What is your idea or definition of Economic Value? Does it differ to the definition of Economic Impact?***"

Respondent	Response
1	Totally different concepts. Can use Economic Impact to measure Economic Value. Economic Value is more about a monetary value; Economic Impact measures so much more - includes secondary impacts.
2	Economic Value is the same as profit.
3	Yes, do differ. Economic Value in the private sector refers to financial value. In the public sector Economic Impact is probably more appropriate as it they do not only want to measure financial value.
4	Yes. Impact measures what ever your objectives are (be it profit, environmental impact - as long as it is defined it can be measured. Economic Value measures a smaller and narrower scope. Economic Impact is more encompassing. Understand your objectives and what outcome you want, then include it in a model.
5	Cannot comment.
6	Economic Value is tangible and measurable . Economic Impact is more about the intangibles.
7	Cannot comment.
8	Yes. Economic Impact implies a positive or a negative. Economic Value implies a positive.
9	For the government, Economic Value is about jobs created and addition to GDP (economic activity). For a business this is Return on Investment (ROI). The government uses benchmarks to determine Economic Impact, and businesses can also use this approach.
10	Yes. Economic Impact also measures the social impacts of sport. This is important, even if it is hard, as there can be negative aspects which must be surfaced.
11	Yes, and it is important that sponsorships are about a mutual benefit. If there is not a mutual benefit then there is a negative impact.
12	Cannot comment.

List 17: Interviewees Opinion on Economic Value and Economic Impact

Synopsis: Most respondents agree that the two concepts are different, with the main difference being that Economic Impact takes into account more factors, including social benefits.

iv. The following list shows the interviewee's responses to the question of: "***Which is the best methodology to use to determine Economic Value? Why?***"

v.

Respondent	Response
1	Willingness to Pay (WTP). Supply and Demand. No single best method however, and it is very contentious.
2	Opportunity cost of capital.
3	Work out every category of spending, and use multipliers. Can buy and refresh your multipliers every five years, but it is a costly and time consuming exercise. Don't double count. Can also use complex econometric models (Global Insights, Conan Garth). Can also use input - output models. CGE models considered the best.
4	Cannot comment.
5	Cannot comment.
6	Many methods. Mainly use an Expenditure approach.
7	Cannot comment.
8	Cannot comment.
9	Cannot comment.
10	Cannot comment.
11	Cannot comment.
12	Cannot comment.

List 18: Interviewees Opinion on the Best Methodology to Use to Determine Economic Value

Synopsis: Not many respondents are of the opinion that they are qualified to answer this question. Of those that did, the main themes are using a WTP-based method, as well as the use of multipliers. The most popular models such as Input – Output and CGE models, as explored earlier in Chapter 2, are also mentioned. The suggestion to focus on an Expenditure based view is again highlighted, this time by Respondent 6.

vi. The following list shows the interviewee's responses to the question of: "***How would you suggest / do you currently measure this value in your business / based on your past experience / research?***"

Respondent	Response
1	Value is measured by impact / value add on Gross Domestic Product (GDP).
2	Cannot comment.
3	Assessing spend by category, as well as multipliers.
4	Media exposure or number of eyes that see the brand. Use standard measures in TV, print and radio. Can be divided up by LSM as well. Try to measure intangibles as well like Public Relations value, brand association, but cannot always put a monetary value to these.
5	Cannot comment.
6	Many approaches but mostly use value-based models.
7	Sports bodies and rights holders are commercially unsophisticated, and this is definitely an area which is underdeveloped and requires some dedicated focus.
8	Do not really measure this. This however means that it must be done particularly as it means that betting would be able to come more into the mainstream if it can be proven that it does add value.
9	Currently use own propriety model.
10	Cannot comment.
11	Currently use a reputational-risk based approach (how much "mileage" in terms of positive/negative coverage
12	Cannot comment.

List 19: Interviewees Response to How EV is Currently Measured in their Businesses

Synopsis: The responses here range from GDP to company-propriety models to value-based models (such as EV). The assumption is that the companies surveyed were in the sports industry and that they measure such value. A key finding here is that the only sports body interviewed (Respondent 7) does not measure the EV of its sport. His honest assessment is that generally sports bodies were commercially unsophisticated.

vii. The following list shows the interviewee's responses to the question of: "***How would you suggest you measure and track the variables mentioned? What would be the key variables be in terms of value?***"

Respondent	Response
1	Economic Impact assessment, but it depends on the sport event and the nature of the event.
2	Cannot comment.
3	Go to see BMI, associations and rights holders. Key variables in terms of value are Corporate Activity / Sponsorship, Broadcasting / TV rights and Consumer Spending, which is probably under-estimated.
4	Key variables in terms of value are Corporate Activity / Sponsorship, Events, and Broadcasting / TV rights.
5	Key variables in terms of value are Consumer Spending, Events, and Broadcasting / TV rights.
6	Key variables in terms of value are Manufacturing, Events, and Broadcasting / TV rights.
7	Cannot comment.
8	Key variables in terms of value are Consumer Spending, Sponsorships, and Broadcasting / TV rights.
9	Key variables in terms of value are Consumer Spending, Sponsorships, and Broadcasting / TV rights.
10	Key variables in terms of value are Corporate Activity / Sponsorship, Manufacturing, and Broadcasting / TV rights.
11	Cannot comment.
12	Key variables in terms of value are Consumer Spending, Employment / Jobs / Salaries, and Broadcasting / TV rights.

List 20: Interviewees Opinion on the Key Variables in Terms of Value

Synopsis: When posed with the question of what they thought were the top variables in terms of value, the most common response by the respondents are Consumer Spending, Sponsorships and Broadcasting / TV Rights.

viii. The following list shows the interviewee's responses to the question of: "***What is your opinion on the use of multipliers in EV studies? What would you suggest is a fair way to calculate an appropriate multiplier?***"

Respondent	Response
1	Must use multipliers, but to calculate them accurately is almost impossible. Use an Input - Output table to work out a multiplier, or can use the Social Accounting Matrix (SAM). This is the most accurate, but it will not be available to the researcher and is very complex. Will take a team of researchers many months.
2	Cannot comment.
3	Very important, and can buy multipliers from specialist companies who use complex models to work this out.
4	Cannot comment.
5	Cannot comment.
6	Multipliers are very contentious but must be attempted in order to work out secondary effects.
7	Cannot comment.
8	Very important as the secondary effects are massive.
9	There is no definitive answer to the issues of multipliers.
10	Cannot comment.
11	Cannot comment.
12	Is important, but must use the correct and most relevant multipliers for a study.

List 21: Interviewees Opinion on Use of Multipliers and on a Fair Way to Calculate Multipliers

Synopsis: Again not all respondents are of the opinion that they are qualified to answer this question, but of those that do respond the opinion is that it is important to measure the secondary effects using multipliers. A view is also expressed that it is almost impossible to do this accurately (Respondent 1), and by implication, multipliers are very contentious (Respondent 6).

Chapter 6: Discussion of Results

This chapter will discuss the findings of the primary data search, as laid out in the previous chapter, in more detail. It will also provide the link between the primary and secondary data, and will show how the Research Questions, and thus by implication the objectives of this thesis, have been satisfied. Any concerns with the study will also be highlighted in this chapter. Open-ended and otherwise relevant and interesting findings will be interwoven into the paragraphs that follow.

The first section, or the section which is related to the first Research Question, is specifically concerned with the ***development*** of the Economic Value of Sport model. The process which has been followed is that the base of the model, which was originally informed through secondary data or the literature review, is tested against the opinions and views of the experts who were interviewed (primary data). The frequency of the interviewee's responses, with respect to being in favour or not for a variable's inclusion or exclusion into the final model, is one of the criteria of adjudicating, but more important is the academic and business logic of the case for inclusion of each variable. This again would be informed, in part, by the interviewee's response.

The second section, or the section which is related to the second and third Research Questions, is specifically concerned with the ***application*** of the Economic Value of Sport model. Specifically for this study the sporting code of cricket was chosen for the

year 2008 / 2009. It must be stated here, as it was during the literature review, that data for the sports industry is neither well organised nor readily available. It is a researcher's frustration that what should be logically available is not so. It proved to be the case in this instance where not all data for all the variables was available. This however did not detract from understanding the practical aspects that must be considered when applying such a model.

Another important point to note here is that this model must either take into account economic values from Expenditure or Income point of view, but not both. This is to prevent any issues of double counting. This will be explored further later in this chapter, but it is a very fundamental principle to be cognisant of. The preferred way for this Economic Value of Sport model is to view value from an Expenditure side, and thus utilise the Expenditure GDP equation of: GDP = Consumption + Investment + Public Expenditure + (Exports – Imports).

6.1 **Research Question 1:** What are the relevant, practical and measurable variables, from a GDP perspective for the South African sports industry, which can be used in an Economic Value model?

The first section that will be examined is the responses by the interviewees to what they thought, unprompted, of what variables could be considered for inclusion into

the Economic Value of Sport model. The sections thereafter are the specific insights into the variables identified through the literature review (secondary data).

6.1.1 Interviewees Opinions on Possible Variables for Inclusion

The list below (sorted in ascending order) shows the different variables that were mentioned by the interviewees and the frequency with which these variables were mentioned (unique number of times).

Item #	Variable Mentioned	Number of Unique Responses
1	Manufacturing / Merchandising	9
2	Sponsorships / Advertising	7
3	Broadcasting / TV Rights	5
4	Consumer Spending	5
5	CAPEX	4
6	Events (infrastructure spend)	3
7	Government Spending	2
8	Marketing (activation and leveraging spend)	2
9	OPEX	2
10	Tax	2
11	Tourism	2
12	Wages / Jobs	2
13	Betting	1
14	Club Subscriptions	1
15	Exports and Imports	1
16	Management of Stadia	1
17	Player Exports	1
18	Spectator Revenue	1
19	Sport Participation Revenue	1
20	Ticket Revenue	1

Table 1: Frequency of Responses

The following variables are a direct correlation to the variables uncovered during the literature review / secondary data research: Manufacturing / Merchandising, Sponsorships / Advertising, Broadcasting / TV Rights, Consumer Spending, Events, Government Spending, Tax, Tourism, Wages / Jobs and Betting. These will be excluded for now for further explanation as they will be covered more in-depth in the sections that follow. It is however encouraging to note that these variables surfaced un-prompted from the interviewees. The remaining variables to discuss therefore are: CAPEX (Capital Expenditure), Marketing (activation and leveraging spend), OPEX (Operating Expenditure), Club Subscriptions, Exports and Imports, Management of Stadia, Player Exports, Spectator Revenue, Sport Participation Revenue and Ticket Revenue. Each variable will be dealt with below.

CAPEX: This refers to any Capital Expenditure (CAPEX) spent to purchase new or upgrade existing physical assets such as equipment or property (infrastructure). This then will not be considered as a variable on its own for the Economic Value model as it refers to spending at a higher, more aggregated, and thus by implication less granular level. For example, expenditure on fixed assets can be incorporated in the variables Events (if they are for infrastructure purposes) and also Manufacturing / Merchandising.

Marketing (activation and leveraging spend): This refers to the spending over and above what a corporate would spend on Sponsorships / Advertising. This is not a variable on its own, but rather a sub-element of Sponsorships / Advertising.

OPEX and Management of Stadia: Operational Expenditure (OPEX) refers to the ongoing cost for running a product, business, or system, and the Management of Stadia is an example of OPEX spending. Again, these refer more to a higher level of expenditures and will be covered in other variables in the model. Some examples of this include Manufacturing / Merchandising, Events and Wages / Jobs.

Exports and Imports and Player Exports: Exports and Imports are an element of the GDP equation, but will not be treated as variables on their own. Player Exports is a further sub-element of Exports. The net effect of Exports and Imports will be covered in other variables, examples of which include Manufacturing / Merchandising and Events.

Club Subscriptions, Spectator Revenue, Sport Participation Revenue and Ticket Revenue: Not variables on their own. These are sub-elements of Consumer Spending.

6.1.2 Manufacturing

This variable refers to the manufacturing of merchandise and apparel that is related to a sporting code and it was easily the most cited variable (nine times) when the interviewees were asked which variable they thought should be included in an Economic Value of Sport model. It was also a unanimous selection when the interviewees were asked directly if this is a value added element and thus should be included into the model. Some respondents felt that this variable would be a massive contributor in the Economic Value model, but Respondents 5, 9 and 10 were correct in pointing out that in both the general sporting goods market and in the cricket market specifically, the majority of manufacturing takes place overseas, thus the expenditure to produce is not in the local economy, and thus it may be that this will be a small contributor to South Africa's GDP.

Respondent 7 said that this element, while it should be included, is not the biggest value driver as most organisations in South Africa realise that merchandising, and the manufacturing thereof, is less about the revenue that it can generate, but more about the opportunity to bring a brand out into the mainstream and create more awareness.

Economic Value of Sport model decision: Include in model, and rename "Manufacturing / Merchandising" for greater accuracy. In terms of the Expenditure GDP equation, this variable is covered in the "Investment" and "Imports" variables.

6.1.3 Consumer Spending

This variable refers to the expenditure incurred by consumers either in the participation or viewing of a sport. A number of respondents (five) mentioned this as a variable to include in the model when they were asked for their own opinion. Respondent 11 felt that this variable, when broken-down into a per capita spend per event basis, was a valuable measure of the financial success of an event. He also mentioned however that he is yet to see a model which shows this. Respondent 4 felt that consumer spending was a way in which companies can view the conversion rate, or success in the consumers mind, of their brand. The higher the consumer spend, the more successful a brand.

Economic Value of Sport model decision: Include in model. In terms of the Expenditure GDP equation, this variable is covered in the "Consumption" variable.

6.1.4 Corporate Activity / Sponsorship

This variable refers to the spending of companies in the sports market through sponsorships or even through the funding of academies, for example, which may not always be classified as a sponsorship. It was also another variable where the majority of interviewees (seven) mentioned it as a value-add variable for inclusion into a possible EV model. It was also felt by Respondents 2 and 3 that this variable must also include the expenditures to activate and leverage a sponsorship, and not just the cost to buy / own a sports sponsorship right. Activation and leverage will be treated as sub-

elements of this variable. Respondent 7 felt that there was more value to be extracted from this, especially at the sports stadia in terms of the hospitality packages offered. More can be done to offer a more premium package, and thus increase sales. This variable also includes the company's expenditure on sponsoring individual professional sportspeople.

Economic Value of Sport model decision: Include in model. In terms of the Expenditure GDP equation, this variable is covered in the "Investment" variable.

6.1.5 Events

This variable was originally referring to events which happen during the year for a sporting code (in the case of cricket, this could be the Indian Premier League (IPL) or any other domestic or international cricket tournament), and in particular included the full gambit of spending including consumer spending, cost for broadcasting rights, wages and salaries for those employed during the event (both permanent and temporary), marketing and sponsorship spend, as well as any betting around the event.

After consultation with Respondent 1, where the focus and application of the model was narrowed to include either expenditure or income, but not both, this variable in this instance is about the expenditure to host an event. The spend categories mentioned in the previous paragraph are separate variables and thus the spending on

these variables, regardless of whether they happen at an event or not, will be captured in the model.

It is interesting to note the response of Respondent 11 who states that events are largely in the domain of the big three sporting codes (rugby, cricket and soccer). This of course makes perfect sense since these sporting codes are the top three because largely of spectator and participant following, and by implication, possibility to make a profit for those who are involved. Respondent 7 was of the opinion that sport events have a positive short term benefit (both economically and socially), but have a less of a long term benefit as there is a value in scarcity – too many events and there will be diminishing returns to both the consumers and businesses.

Economic Value of Sport model decision: Include in model, and rename to “Event Hosting”. In terms of the Expenditure GDP equation, this variable is covered in the "Investment" and "Public Expenditure" variables as both the public and private sector will have expenditures for events.

6.1.6 Government Grants / Spending

This variable makes reference to the public sector spending that is specific to a sporting code. Respondents 2, 5, 7 and 10 make the claim that this budget is more for smaller sport federations and rights holders, who do not have large followings, as well to further the grassroots development agenda of the government.

Initially it was thought that the only public sector spender was the government, but as Respondent 9 said, the National Lottery of South Africa actually are very big contributors to sports in terms of the amounts of money to which they are willing to grant to any sporting federations or rights holders who can prove that they require the money. The National Lottery of South Africa is not a government institution, but is in the public sector.

Respondents 4 and 11 were highly critical of the government's intention and execution in the way in which it provided assistance. Respondent 4 felt that the involvement was hardly focused or did not add any meaningful value to the sporting federations, and that the annual grants amounted to nothing more than a yearly bailout, which did nothing to resolve any issues of lack of management and administration skills. In fact, Respondent 11 pointed out while the majority of the grant funding was for "administration", this was purely only for paying salaries and not for any training interventions which both these respondents felt was sorely required.

Respondent 9, on the other hand, felt that the private sector should play more of an active role in the success of sports in South Africa, and that there were many opportunities where Public-Private Partnerships (PPP) could be entered into in order to bring about meaningful change. This respondent clearly highlighted that the

government's role in sport was specifically geared towards the social aspect, as well as ensuring that at the lowest level (grassroots), sports was made available to all.

Economic Value of Sport model decision: Include in model, and rename "Public Sector Grants / Funding". In terms of the Expenditure GDP equation, this variable is covered in the "Public Expenditure" variable.

6.1.7 Broadcasting / TV Rights

This was another variable which was unanimous in its inclusion into the model. This variable makes reference to the value add that the broadcasters add to GDP with the spending that they make to secure exclusive broadcasting rights for specific sporting events. Examples of these include either SuperSport or SABC spending to secure all or part of the exclusive broadcasting rights to a Test series involving the Proteas and Australia. Spend which the broadcasters make on infrastructure (such as broadcast towers) at cricket stadiums should also be included.

Respondent 4 mentioned that there are three main areas to consider here when thinking about broadcaster expenditure: 1) cost to produce; 2) cost to secure exclusive broadcasting rights, and; 3) the activation of this, which includes the spend on logistics and getting the live images to the television sets in the viewers home.

Respondent 10 mentioned that this must not be double counted with sponsorship, and particularly in the case of SuperSport United, the Premier Soccer League (PSL) team, this is relevant. Respondent 10's point was the fact that sometimes broadcasters are sponsors, and that broadcasting revenue is actually sponsorship revenue in these cases (catered for in its own variable). Respondent 12 was of the opinion that this was not as large as the US and UK markets, which is true from both an income and expenditure point of view, if not only for the fact that these sport business markets are more mature and more established.

Economic Value of Sport model decision: Include in model. In terms of the Expenditure GDP equation, this variable is covered in the "Investment", "Public Expenditure", "Exports" and "Imports" variables.

6.1.8 Employment / Jobs / Salaries

This variable is particularly concerned with the jobs, and the associated wages and salaries, of those involved in the sports industry, which in this case is cricket. The most contentious point about this variable was about what exactly constitutes a job in sport, and specifically, how would you allocate a person's salary who is not solely dedicated to, for example cricket, in the variable? Respondent 2, who employs people who work in the top three sports (rugby, soccer and cricket), but who are not only employed to work on a dedicated basis on one of these sporting codes, suggests that these types of jobs should be ignored as they do not add a direct benefit to the sporting code. Rather,

he suggested, to only looking at the rights holders and provincial unions who employ people only for administration on cricket. This would also need to include the professional cricket players who earn salaries and performance bonuses. Professional players sponsorship income or in the case of the companies who sponsor them, expenditure, is catered for in the "Corporate Activity / Sponsorship" variable and thus must not be double counted.

Respondents 7 and 9 seem to have had the same idea in mind when they said that employment in sports in South Africa is small. Respondent 7 said that more temporary jobs are created from sports events, than permanent jobs, and Respondent 9 was also of the opinion that sport is run by volunteers (which can be read as temporary jobs).

Respondent 6 suggested that this variable needs to consider the manufacturers, distributors and retailers of cricket equipment as well. While this could be true, these jobs and salaries, and thus the impact to GDP, would be considered under the sectors of Manufacturing and Retailing. If a manufacturer, distributor or retailer's sole business focus is on cricket, then these jobs and salaries can be included into this variable.

Economic Value of Sport model decision: Include in model, but should not strictly speaking be included when it is being looked at from an Expenditure point of view. This is usually included when looking at GDP from an Income perspective. This variable

will however be included into this model as the application of this model on GDP could be viewed from either an Income or Expenditure perspective. When looking at the scope of employment and jobs to include, look to those jobs which add *direct* value to the particular sport, as mentioned above.

6.1.9 Sports Betting

This variable refers to the relatively new area of betting on sport events. Respondent 1 was adamant that this variable must not be included as the winnings, and therefore the income generated, is not always spent back into the sport industry. As this application of the model will be viewed from the Expenditure point of view, it refers more to the cost to setup and maintain a sport betting agency. Respondent 1 did later however go on to say that this must be included if it takes into account the CAPEX and OPEX spend. All the other respondents felt that this variable should be included into the model, both from an Income and Expenditure perspective.

Respondents 2, 6, 7 and 10 in their responses alluded to the revenue (or Income) side of this variable, and that it was probably a large contributor. Respondent 12 felt that this was would not be a large contributor, though Respondent 2 used the example of two new online betting licenses being awarded recently to back up his point of view that this is going to be a big contributor to GDP in the near future.

Respondent 8, being in the sport betting industry, stated that he felt that sport betting was going to be the next new investment strategy. Instead of putting money into the stock market, where it can take a while to see some returns, a large number of people now prefer to use sports betting, and in particular spread betting, as a form of investing because of its more immediate returns (or losses) and as it is easier to understand and is in most cases more interesting to a potential investor.

Economic Value of Sport model decision: Include in model. In terms of the Expenditure GDP equation, this variable is covered in the "Consumption" and "Investment" variables, which covers the expenditure for the consumer and the expenditure for the betting agencies to run their business.

6.1.10 Tourism

This variable is about the tourism spending that takes place as a direct result of sport (or a sporting event). Respondent 1 felt that this may not be a variable in its own right as any spend that happened as a result of tourism would be catered for in the other variables (for example Consumer Spending). This may be true, but no other variable takes into account the spend that happens when preparing for an influx of tourists as a result of a sporting event (for example private sector companies buying more equipment and other fixed assets). This could however be true in the case of Public Sector spend (for example government improving infrastructure – covered by the

variable “Public Sector Grants / Funding”), and an increase in temporary employment to cater for the influx of sport tourists (covered in “Employment / Jobs / Salaries”).

Respondent 9 was of the opinion that 5% of all tourists were sports tourists, while Respondent 7 was of the opinion that the biggest sport tourists were those from England and Australia. Respondent 6 interestingly stated that Tourism competes with Broadcasting for spend – if a person is not going to be physically present at an event, then he or she will be watching it on TV. This respondent also felt that it was more beneficial in economic terms that sport stadia were full. This was because when a spectator is present at an event, there is more likely to be a greater volume of secondary spending that would take place, such as that on merchandise and food and drink.

Economic Value of Sport model decision: Include in model, and rename “Sport Tourism” to be more specific. In terms of the Expenditure GDP equation, this variable is covered in the “Investment”, “Public Expenditure” and “Employment / Jobs / Salaries” variables.

6.1.11 International Funding

This variable refers to any funding which may enter the local economy from a foreign body, for example the Federation Internationale de Football Association (FIFA), the Indian Premier League (IPL) and the International Cricket Council (ICC).

Respondent 2 felt that this was very rare, but that it could potentially be a very large injection. This is in direct contrast to Respondents 5 and 9, who while not disputing that the injection could be large, felt that the resultant outflows out of the economy would see to it that the net effect would be negative. Respondent 7 mentioned that the international governing body for his sporting code contributed an annual, but small, amount.

Economic Value of Sport model decision: Include in model. In terms of the Expenditure GDP equation, this variable will be covered in the "Investment" and "Public Expenditure" variable. It is included here as the grant or funding usually goes to the sport federation or rights holder, who then decides how and when to distribute and use this funding injection.

6.1.12 Tax

This variable is concerned with the tax that is paid, and is circulated through, the sport economy. Respondent 1 felt that this variable should be excluded from the Expenditure GDP calculation as it represented a leakage to the economy. Respondent 6 highlighted the fact that this represents an Income to the Government. Respondent 3 was of the opinion that this was circulated throughout the economy, but this is not entirely accurate. The tax paid by sport companies does not automatically get ring-fenced for spending (via the Expenditure GDP equation variable "Public Expenditure") on solely the sport industry. Rather it goes into the Governments budget, along with all

other tax income, to be spent in areas where Government views is necessary, taking a portfolio view of the entire country.

Respondent 7 mentioned that the tax hurdles are lower for sport as the Government is appears to be very receptive to allowing sport events to take place with lower barriers to cross. Respondent 8 highlighted the fact that there is no tax on the winnings that a sport better makes, further reinforcing the point that sports seems to get preferential treatment from the Government.

Economic Value of Sport model decision: Include in model, but should not strictly speaking be included when it is being looked at from an Expenditure point of view. This is usually included when looking at GDP from an Income perspective.

6.2 Research Question 2: What are the relevant practical implications that must be considered when applying an Economic Value model, from a GDP perspective?

AND:

Research Question 3: Considering each relevant measurable variable where data is available, what is the associated value for this variable?

As mentioned at the start of this chapter, this section is about the practical application of this model and will discuss the financial information for each variable that was made available by the respondents. As will be shown, the financial data required to fully satisfy Research Question 3 for all the identified variables was not forthcoming, although for some variables there were some indicative figures which was made available to the researcher.

6.2.1 The Distinction between Income and Expenditure

Respondents 1, 3 and 6, mentioned that when applying an economic model of this type in relation to GDP, there could always be issues of "double counting". This particularly becomes an issue when, during the application of the model, there is no distinction between what is actual financial income information, or financial expenditure information.

In section 2.2.4 a distinction was made in how GDP is calculated. This is either from an Income or Expenditure point of view, and theoretically these two methods should arrive at the same concluding figure, despite the fact that how the variables get to this figure is different. They will not however do so if there is no distinction when applying the model in what Income is and what Expenditure is, and there would also be a

distortion or over-inflation of the concluding figure if both Income and Expenditure figures are used in the same application instance of the model. If there are two parties to a transaction, for example a buyer and a seller, then when a product or service is exchanged for money, then the income to the seller is also expenditure to the buyer. These two monetary values are the same, and must not be "counted" twice. Rather, in the application of the proposed model, an Expenditure view is recommended to be followed whereby the expenditure to the seller to produce the product or service, as opposed to the revenue generating potential of this product and service (which generally is the amount which the buyer is expected to pay), must be considered along with the Expenditure of the buyer to purchase the product or service. This follows on from Respondent 1's opinion that expenditure data is easier to obtain than revenue or income data. He also goes on to state that if this were a Financial Feasibility study then Income is of paramount importance, but since this is an Economic Value study then Expenditure is of greater value. The point is however, that in applying this model it should not matter if either an Expenditure or Income view is taken, but it does matter that both should not be used in the same application of the model.

6.2.2 Manufacturing

The status quo of most of the manufacturing costs being incurred overseas could change if any manufacturer, local or foreign, decides to setup local operations and thus make a large once-off CAPEX investment, and on-going OPEX to keep the operations running. The apparel and merchandise, with reference to cricket, that this

variable covers includes a wide variety of items such as clothes, bats, balls, pads, gloves, wickets, hats, umpire clickers, bat grips, helmets and so on.

Respondent 5 was able to provide an unverified high level estimate of the costs to the manufacturers during the 2008 / 2009 cricket season, as shown in the list below. Again it must be remembered that most of the costs to manufacture are held in the various brands operations overseas, and thus these costs are mainly made up of import tariffs and other logistics related costs. As such, these numbers are not remarkably large when compared to other manufacturing sector costs, such as the clothing retail sector.

BRANDS	COSTS
Manufacturer 1	R 12,000,000.00
Manufacturer 2	R 10,000,000.00
Manufacturer 3	R 4,000,000.00
Manufacturer 4	R 4,000,000.00
Manufacturer 5	R 2,000,000.00
Manufacturer 6	R 1,500,000.00
Manufacturer 7	R 1,500,000.00
Manufacturer 8	R 1,300,000.00
Manufacturer 9	R 1,000,000.00
Manufacturer 10	R 1,000,000.00
Manufacturer 11	R 750,000.00
Manufacturer 12	R 750,000.00
Manufacturer 13	R 750,000.00
Manufacturer 14	R 750,000.00
Manufacturer 15	R 500,000.00
Manufacturer 16	R 500,000.00
Manufacturer 17	R 300,000.00
Manufacturer 18	R 300,000.00
Manufacturer 19	R 200,000.00
Manufacturer 20	R 200,000.00
Manufacturer 21	R 200,000.00
Manufacturer 22	R 300,000.00
SUB TOTAL	**R 43,800,000.00**
VAT	**R 6,132,000.00**
TOTAL	**R 49,932,000.00**

Table 2: Costs to manufacture – 2008 / 2009

6.2.3 Consumer Spending

As Respondents 2, 3 and 5 said, expenditure by consumers can be sub-divided into many categories. Some of these include expenditures on sports equipment and apparel, sport tourism, sports betting, at events such as for admission, and when participating (other than what has been mentioned already such as club membership subscriptions).

Respondent 5 was able to provide an unverified high level estimate of what consumers spent during the 2008 / 2009 cricket season, as shown in the list below. This data however does not cover all of the categories of consumer spending in cricket (such as spend at stadia watching games, ticket revenue, sports betting and so on), but rather includes the spend on equipment that is directly related to playing / participating in the game of cricket (bats, balls, wickets, pads, helmets, gloves, forearm guards, and so on). The numbers include VAT, and while they are not particularly large values, what was interesting was the fact that the brands, remembering that the costs to manufacture their brand merchandise is largely incurred overseas, operated on a profit margin of approximately 65%.

BRANDS	REVENUE	MARKET SHARE %
Manufacturer 1	R 19,800,000.00	27.4
Manufacturer 2	R 16,500,000.00	22.8
Manufacturer 3	R 6,600,000.00	9.1
Manufacturer 4	R 6,600,000.00	9.1
Manufacturer 5	R 3,300,000.00	4.6
Manufacturer 6	R 2,475,000.00	3.4
Manufacturer 7	R 2,475,000.00	3.4
Manufacturer 8	R 2,145,000.00	3.0
Manufacturer 9	R 1,650,000.00	2.3
Manufacturer 10	R 1,650,000.00	2.3
Manufacturer 11	R 1,237,500.00	1.7
Manufacturer 12	R 1,237,500.00	1.7
Manufacturer 13	R 1,237,500.00	1.7
Manufacturer 14	R 1,237,500.00	1.7
Manufacturer 15	R 825,000.00	1.1
Manufacturer 16	R 825,000.00	1.1
Manufacturer 17	R 495,000.00	0.7
Manufacturer 18	R 495,000.00	0.7
Manufacturer 19	R 330,000.00	0.5
Manufacturer 20	R 330,000.00	0.5
Manufacturer 21	R 330,000.00	0.5
Manufacturer 22	R 495,000.00	0.7
SUB TOTAL	**R 72,270,000.00**	**100**
VAT	**R 10,117,800.00**	-
TOTAL	**R 82,387,800.00**	-

Table 3: Consumer Spending on Cricket Equipment – 2008 / 2009

6.2.4 Corporate Activity / Sponsorship

This variable refers specifically to the expenditure to secure, leverage and activate a sport sponsorship. This also includes all marketing related spend, such as above and below the line campaigns.

6.2.5 Events

Strictly speaking this variable should include the expenditure to host an event irrespective of whether it is an amateur or professional event, since either way the spend to host such an event is a value add to the economy. Data again, specifically for an amateur event (such an Easter Weekend schools festival), would be extremely hard to come by and would take an extremely dedicated focus to ensure this is both recorded accurately at the time that it happens and that all events are represented.

An interesting point to note is around the management of the stadia used during an event. The expenditure of the management of stadia should be included for the duration that any sporting event is happening at the stadia, and also any relevant costs to get that stadium ready for any specific sporting event. It should not include any running (OPEX) costs to maintain the stadia outside of its use for a sporting event, for example for a music concert, which clearly can and does happen at the mixed use stadia of today, but is not a relevant cost to the actual sporting event in terms of the management of the stadia.

As this variable will only be about the expenditure to host an event, it should only be included in the Expenditure GDP calculation. If an Income GDP calculation is used, then the income gathered from events (company profits, salaries and wages) will be covered by other variables (such as Consumer Spending).

6.2.6 Government Grants / Spending

This variable must also include any relevant spend on infrastructure that can be tied back to a sporting code. A simple example of this is a “made-for-purpose” stadium, to be used exclusively for a sporting code.

In reviewing the data obtained from the government department in whose budget this variable is a part of (who requested anonymity and thus the data is not presented in this study), the amount spent in the 2008/2009 season was not very large. In fact, as was alluded to by Respondents 2, 5, 7 and 10, this budget is more about the furthering the grassroots development of the game agenda that the government has. The amount of R180 000 was spent purely on initiatives which focused on promoting women’s participation into the game of cricket.

6.2.7 Broadcasting / TV Rights

This variable, when considering it from an expenditure point of view, includes the spending to all the broadcasters who cover specific sporting events. This amount should be for the setup costs and logistics (for example to transport equipment to and from venues). The expenditure to cover an event is made specific here because this is the only way that the relevant costs to a specific sporting code can be made.

As what typical happens, the local broadcaster who secures the exclusive rights for an event will sell the images onto international broadcasters who are interested in

securing viewing privileges for their audiences. In this case this transfer of spend represents an income to the local broadcaster, but it is also an export. A case can be made that this does not get included into the model based on the fact that it represents an income, but as the GDP Expenditure equation has exports and imports in it, it can be included.

An expenditure by SuperSport to secure foreign events for viewing in South Africa (for example when the Proteas play a test series in England), should also be considered as a relevant spend, since strictly speaking it is an import, and definitely should be included if the above example of an export is included as the two offset each other. There is again a case however that this spend should be excluded from the expenditure model since this is a leakage out of the local economy. If it could be guaranteed that the money received by the foreign broadcaster or rights holder will all be spent back into the South African sport (cricket) economy, then this would constitute a relevant spend, since the money is being circulated. Of course, this cannot be guaranteed.

The spending for upkeep and maintenance of equipment (such as cameras), unless it is used exclusively for covering cricket, is not a relevant cost. This variable should also not include the wages and salaries of the staff members at the events unless they get paid extra over and above their normal wages and salaries. This cost will be covered in the next variable.

6.2.8 Employment / Jobs / Salaries

Respondent 10 alluded to the fact that data for this variable would be hard to get, if not only for the fact that a) no firm rules exist as to what constitutes a job in sport, and b) data is not aggregated in any way so it would it involve a major and dedicated focus to contact all the sports companies and federations, if they were all to be included, across the country to gather data.

As mentioned in section 6.1.8, this variable is strictly speaking viewed only from an Income point of view when looking at a value-add to GDP perspective. As such, when testing this model with actual data using the Expenditure approach, this variable will not be considered.

6.2.9 Sports Betting

Respondents 2, 6, 7 and 10 both alluded to mainly the Income portion of sports betting – both earned by consumers (customers), as well as the sports betting agencies themselves. Again, the application of this model will be from an Expenditure point of view and thus this data is not relevant to this model.

6.2.10 Tourism

Respondent 3 defined the spending of the sports tourist as anything that a tourist who is here for a sporting event spends on. This would include a speeding fine on a hired

car. Again, as has been highlighted for the other variables already mentioned, there must be a distinction between what Income is and what Expenditure is.

6.2.11 International Funding

Respondent 6 highlighted the fact that from an Expenditure point of view this would be catered for in the "Public Expenditure" variable of the Expenditure GDP calculation as typically foreign bodies will give any funding injection to the local sport federations or rights holders, who will then decide where and when to distribute (spend) these funds. It could also be included in the "Investment" variable since some funding may go to private companies to be redistributed and circulated into the sport industry. Typically however this funding injection will be treated as in Income, and thus the full benefit will be included in the Income GDP calculation. Only the disbursement of these funds, at the discretion of the sport federations or rights holders, will be included as part of the Expenditure GDP calculation.

6.2.12 Tax

Respondent 1 felt that this variable should be excluded from the Expenditure GDP calculation as it represented a leakage to the economy. This is certainly true, as the Expenditure GDP equation makes no allowance for tax expenditure from companies. It is however included as "Government Revenue" in the Income GDP equation, and thus when looking at a GDP calculation from an Expenditure perspective, this variable does

not have a value. The opposite is true however when looking at a GDP calculation from an Income perspective, and thus in that instance it must be included in the model.

This then raises the issue of the financial values which need to be inputted into this EV model. It is advised that the values are gross values, in other words must include tax. This coincides with the fact that generally speaking the values that are included in the Expenditure GDP calculation are at market value, or the value at which they are sold for, which includes tax. This would also insure that when comparing the output of the Income GDP calculation, where tax revenue is counted, with the output of the Expenditure GDP calculation, which has values with tax, the final values should balance regardless of which equation is used.

6.3 Other Relevant Findings

All the respondents felt that the sports industry was important to the business world. Respondent 6 felt that it was a business industry in its own right, though he went to say, as did Respondent 1, that it cannot be viewed as an isolated industry as there are many linkages to other industries. Indeed the most common linkage appears to be that the sport industry is viewed, as felt by Respondents 2, 3, 11 and 12, that it was an effective marketing and sponsorship tool to get a brand recognised.

Respondent 7 felt that sport federations or rights holders were “commercially unsophisticated”, and that while traditional businesses are concerned about

maximising shareholder value (which can be translated as maximising profits), sport federations had a slightly different interpretation of maximising shareholder value. He felt that the shareholder in any sporting code was the spectator or sport fan, and to maximise this shareholders value meant that team success (as opposed to team commercial success) was the primary goal. Respondent 11 supported this when he took the viewpoint of the South African sport fan where he felt that sport in this country was “do or die” and about national pride. The opinion of Respondent 7 is undoubtedly the view that has been held for many years, and coupled with the view of Respondent 8 who said that the growth in the business of sport has mirrored the growth of professionalism in sport, it can be argued that this view must and will need to change in order to make sport federations or rights holders even more self-sufficient and successful business entities in their own right. In fact Respondent 6 was of the opinion that sport started out as being viable primarily from the support of spectators, but now as more money is being spent in and on sport, so sport is now viable more so as a result of the actions of businesses.

Another interesting viewpoint gathered was that of Respondent 9. All the other respondents were very happy, and able, to talk about the commercial aspect of sport. This respondent however, in keeping with who he works for, felt more inclined to emphasise the social benefits and aspects that sports can bring about. In fact the majority of his organisations funding is about the grassroots development of sports, as has been explored already. He also felt there was growing area of opportunity for private sector companies to get involved in Sport Corporate Social Responsibility (CSR),

and there were opportunities for Public-Private Partnerships (PPP) in order to further this agenda. On the surface it would appear that this could very well be a viable area that companies will find is worth exploring.

In terms of the more academic findings of the interviews, most respondents were not able to answer questions about what is the best way to measure Economic Value, or have a meaningful opinion on the contentious issue of the use of multipliers. This could be interpreted that these concepts are new to the South African sports industry, further entrenching the need for a study such as what this thesis has attempted. Indeed this supports the view as discussed in section 1.2 that a study of this type has rarely been attempted in the sports industry.

6.4 Final Economic Value of Sport Model

Following the primary and secondary data search and interrogation of the data found, the following variables, some of which have conditions attached to them, are to be included in a final Economic Value of Sport model:

1. Manufacturing / Merchandising
2. Consumer Spending
3. Corporate Activity / Sponsorship

4. Event Hosting [1]
5. Public Sector Grants / Funding
6. Broadcasting / TV Rights
7. Employment / Jobs / Salaries [2]
8. Sports Betting
9. Sport Tourism
10. International Funding
11. Tax [3]

Had there been financial data for all of the variables identified, which was always going to be a challenging task given the time frames and the now proven reality that there is no central organisation or industry body which has either the focus and mandate, or the necessary influence, to successfully request and aggregate this data from all relevant companies, federations and bodies, then the multiplier as identified in the next section would be applied. Essentially the EV model identified, when applied using relevant accurate data for each variable, would provide a total of the direct economic value that a sporting code would add. It is then left to the multiplier to add on the estimated indirect and induced effects by multiplying the value of the EV model total with the value of the multiplier.

[1] When using the model from an Expenditure GDP perspective, this variable includes only the associated spend to host a sport event.
[2] When using the model from an Expenditure GDP perspective, this variable is not included.
[3] When using the model from an Expenditure GDP perspective, ensure that the values are gross numbers (include tax).

6.4.1 Identified Multiplier

Figure 1 below shows the range of multipliers used in various other studies. The sport code economy which is chosen to apply this model on is considered a closed economy, thus the multiplier chosen looks at all the variables as a whole, rather than a multiplier for each variable. Despite the outlier values of 0.3 and 3.0, the average is 1.26. The value of a multiplier is normally between 1.1 and 1.9, where a low value indicates that there are a few suppliers that will benefit and that the "leakage" out of the economy is large (Andersson et al., 2008, p. 167). For this and the reasons mentioned in section 2.3.2, the suggested multiplier to be employed when using the EV model in this study will be on the conservative side, and not nearly as high as has been utilised by IFM and Deloitte. The average of 1.26 is the suggested multiplier to be used when applying this studies EV model.

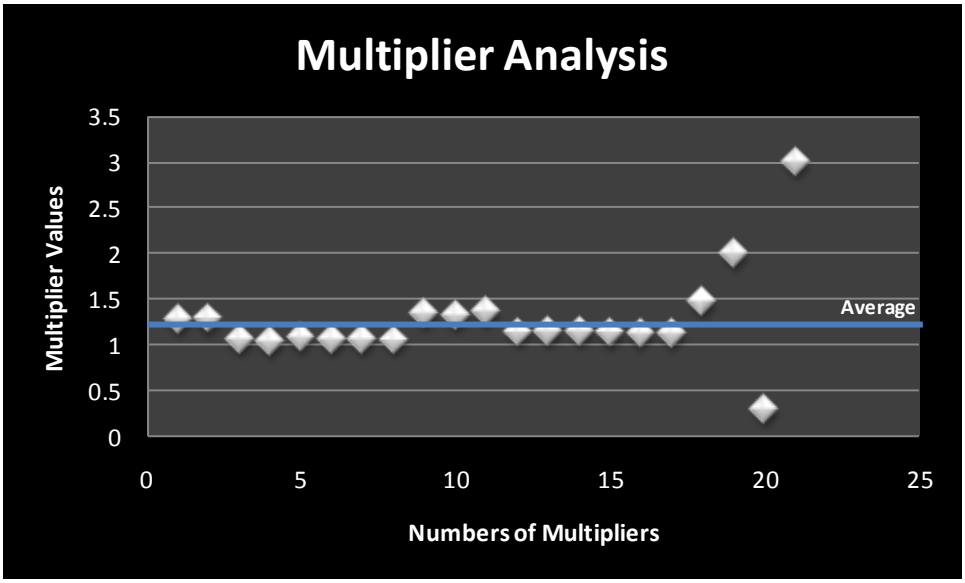

Figure 1: Multiplier Analysis

6.5 Research Results Concerns

Two concerns are immediately evident. The first is the fact that gathering financial data with which to populate the model is an exercise that would require more resources and their dedicated time. The sample interviewed represented organisations which should have this information for their industry available. Whether the time frames were too tight, as alluded to above, or whether this points to the fact that data on the sports industry is problematic, as discussed in section 1.2, is a question that remains unanswered.

The second concern is around bias which may have been present when discussing the respondents own opinions of what variables should be included into an EV model. As can be seen from the questionnaire (Appendix 3), the variables that were uncovered during the secondary data search were listed on the questionnaire, and thus if the respondents had a chance to look through the questionnaire, they would have seen these variables and thus it may have influenced what was meant to be a question to gather their own thoughts. Care was made to send the questionnaire as late as possible to the interviewees, some as late as the night before the interview but definitely only a maximum of 24 hours, as a common courtesy to people who were senior members of their organisations. In most cases however the respondents did own up to the fact that they had not viewed the questionnaire before the interview, so this bias may not have been present nor had as large an effect as is being discussed.

Chapter 7: Conclusion

This chapter will serve to entrench the key findings of this research.

7.1 Finalising an Economic Value model for Sports

The primary aim of this research was to explore and finalise a structured approach with which to determine the Economic Value of a sport. This process started by examining secondary data to see what other work in this area had been done. What was found was a variety of methods used to primarily measure the Economic Value / Impact of a single sporting event. This approach on determining the economic value of an event can be argued is primary to provide a justification for the expenditure outlay, and as such there may not be enough robustness in the process when the ulterior motive is to inflate the numbers for political reasons. This does not further the objective to determine how the phenomenon of Sport adds Economic Value to an economy.

The next step in the process was to consult a sample of industry experts. Through careful questioning the conversations which followed provide both insight and confirmation of possible variables for inclusion into the Economic Value of Sport model. The conclusion of this process resulted in a finalised version of the model.

7.2 Practical Considerations in Applying the Economic Value model

To theoretically finalise a model as was stated above is only a part of the process. The practical considerations of applying the model as it applies to GDP, is another important element that needs to be explored.

It was found that a situation of "double counting" financial data should be avoided at all costs. To do this financial data from either an Expenditure or an Income point of view, but not both in one application of the EV model, must be used. The distinction between the two is very important. It was highlighted that Expenditure would be both the most relevant method for this type of study, as well as potentially the easiest data to obtain.

Another important consideration was that in either approach, there are certain considerations that need to be front of mind. The highlighted examples of this are that when using an Expenditure GDP approach the variables must all include tax / VAT, and the variable "Employment / Jobs / Salaries" must be excluded.

7.3 The Unfortunate Reality with Data in the Sport Industry

Despite commitments that ex post audited data would be made available to the researcher, which never fully materialised, the unfortunate reality is that the data in the sports industry is neither aggregated nor at a point where it can be verified as

accurate. At the moment some of the data appears to reside in some pockets (and not in others with the result that the data cannot be verified and triangulated), or that those who have some this data realise that they have the power and thus anyone interested in it has to pay for it. The latter point cannot however be a major complaint when this study serves to highlight how the sports industry is now moving closer to working on sound business principals, where protection of Intellectual Property (IP) and the pursuit of profit are some of the cornerstones. This being said, a greater effort to collaborate amongst all the key stakeholders in terms of financial data for the South African sports industry is vital if the greater economy is to be educated on the economic benefits, and thus its relative financial importance, to the national accounts.

7.4 Implications for Sport Industry Stakeholders

This EV model can be useful to rights holders, sponsors and the South African government for a variety of reasons. Rights holders would take a particular interest in the output of the model as it could help further their economic development ambitions. If the model can prove that the particular sporting code has a major impact on the nations GDP then it can help the rights holder to attract further sponsorships from companies craving exposure which a high impact, high value sporting code can give it. Further to this, if a sporting code is viewed as very popular because it has large viewership, so the EV of the sport can be used to negotiate contracts up the financial scale because of the exposure that this popularity / viewership can give a potential sponsor. Sporting bodies can also use the findings of contribution to GDP, once the model has been practically applied, to lobby for an internal restructure with a view to

take advantage of the obvious business opportunities (which can be read to become a more profitable organisation). As was stated by Respondent 7, sports bodies in South Africa are commercially unsophisticated and are structured more as small businesses.

For sponsors the application of this model can justify why a potentially large outlay into a sporting code is made. Beyond just getting brand exposure, the size of Consumer Spending, for example, in a particular sporting code can point to a potential untapped market to which a sponsor company can sell its products, if it is so suited. Sponsors who are looking to get into a particular market can also use this model to try and quantify, tangibly, what the potential benefits of sponsorship in a particular sporting code could be. This tangible measure is a lot easier to do than to utilise current metrics to measure brand exposure from a sponsorship, which is more intangible.

The South African Government, and in particular the SRSA, can use the model to compare the various sporting codes that exist in South Africa, and by so doing focus on those specific codes which require immediate attention in order to further develop. In this way, by showing the EV that a specific sporting code brings, the government can also attract private sector partners, who usually look for a Return on Investment (ROI) on any investment that they make, to further the advancement of society through sports participation in a mutually beneficial relationship. In order to further the development of the sports industry as a bone fide industry in its own right,

government should lead the initiative, in partnership with companies in the sports industry, to aggregate data industry-wide as is the case in Hong Kong (BERL, 2002, p. 1). It is not too bold to suggest that this study, once practically applied, could prove that it is a worthwhile cause when it can tangibly show that sport is a large economic industry in its own right with a significant impact on GDP.

Finally for consulting companies there is an opportunity to quantify if there is real value in adding another market segment with which to target their consulting services. As is the case with Deloitte United Kingdom's Sports Business Group, tailored consulting services to the sports industry (and its varied stakeholders) has massive potential and appeal in the South African context, particularly if South African sports industry businesses would like to capitalise and implement effectively to extract maximum value.

7.5 Suggestions for Future Research

During the course of this research, a few areas have been identified for future research. If carried out, these would further this current study as the work to design an EV model for Sport has already been carried out.

The first obvious area is that of carrying out the work to test the model using relevant and accurate data, and it is not as straight forward as it sounds. As discussed in the previous chapter, this data is not readily available nor does there seem to be any

concerted and dedicated effort to aggregate this data. The solution may lie in providing a convincing argument that “Sports” is justified in being categorised as its own industry due to its value and impact. The problem is that a convincing argument cannot be made if getting data to prove this exact point is very hard to get. Further to this, there is much contention with regards to the “most accurate” multiplier to use. As Respondent 1 mentioned, the task to calculate an accurate multiplier is very complex and is almost impossible. Traditionally a Social Accounting Matrix (SAM) would be used, but again this is not a small task and is time consuming and complex, and is not always readily available to the general public. Accurate data with which to test the model would also imply exploring other methods with which to arrive at a more accurate multiplier value for the applicable study.

The second area for future research is the examination of the concept of “Sport Corporate Social Responsibility”. Is this a concept which can be classified as the new “Green” and “Sustainability”? If it is, it certainly appears to have done things in reverse to “Green”, which started out in its early years as an area where companies were having to incur expenses in order to create stakeholder (the communities in which they operated in) value, to where it is now where companies are realising that this is an economy on its own and that this does not only have to be an expense item any longer. The sport industry has evolved to a massive industry (economically) in its own right, and now perhaps it is moving to where companies can use it to help further a country’s more social agenda.

7.6 Concluding Remarks

The creation of a workable and relevant model of Economic Value for the sports industry in South Africa has seen a number of challenges in this area being exposed. To not be able to fully test the model is disappointing but not a failure. The work to explore and identify what variables are of value to South Africa's GDP has been completed. It is this researcher's wish that this model will be used in the future to definitively prove that sport is big business, and that its value to South Africa is more tangible than just the obvious enjoyment that is visible in participants and spectators alike.

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Appendix A: Consistency Matrix

TITLE: ECONOMIC VALUE OF SPORT

RESEARCH QUESTION	LITERATURE REVIEW	DATA COLLECTION	ANALYSIS
1. What are the relevant, practical and measurable variables, from a GDP perspective for the South African sports industry, which can be used in an Economic Value model?	Humphreys & Ruseski (2009) Johnson, Groothuis & Whitehead (2001) Baade & Matheson (2001) Chalip (2006) King & Mazzotta (2000) Dziegielewska (2009) Kawagoe (2009) Hussain & Rivers (2009) Yeaple, Johnston & Whittingham (2010)	Primary (Expert Interviews and Experience Surveys; Questionnaire) Secondary Desktop Research	Narrative enquiry and active listening Content analysis Constant Comparative analysis

	Murphy & Topel (1999) Glied & Neidell (2008) Barget & Gouguet (2007) BERL (2002) Fort (2010) Von Allmen (2010) Oh, Ditton & Stoll (2008) Standish & Boting (2009) Deloitte (2008) SRSA (2009)		
2. What are the relevant practical implications that must be considered when applying an Economic Value model, from a GDP perspective?	Johnson, Groothuis & Whitehead (2001) Standish & Boting (2009) Deloitte (2008)	Primary (Expert Interviews and Experience Surveys; Questionnaire)	Narrative enquiry and active listening Content analysis

	SRSA (2009) Crompton (2006) Siegfried & Zimbalist (2002) BERL (2002) Barget & Gouguet (2007) IFM Sports Marketing Surveys (2009)		Constant Comparative analysis with benchmark figures of sport contribution to GDP

Appendix B: Research Project Time Line

Legend
Research Proposal
Phase One - Qualitative Research
Phase Two - Quantitative Research
Chapters 1 to 4
Chapters 5 - 7
Finish Line
Electives
Ethical Clearance

Task	Required Duration	Completion Date
Hand-in	-	Monday, May 03, 2010
Operationalising Strategy Elective	**1 week**	**Sunday, May 16, 2010**
Feedback from Supervisor	3 weeks	Monday, May 24, 2010
Finalise Questionnaire	1 week	Tuesday, June 01, 2010
Finalise Questionnaire	1 week	Tuesday, June 01, 2010
Rework	2 weeks	Monday, June 07, 2010
Impact of the 2010 FIFA World Cup Elective	**1 week**	**Friday, June 25, 2010**
Arrange Interviews	4 weeks	Wednesday, June 30, 2010
Arrange Interviews	4 weeks	Wednesday, June 30, 2010
Expert Negotiator Elective	**1 week**	**Friday, July 09, 2010**
Complete	-	Friday, July 16, 2010
Feedback	1 week	Friday, July 23, 2010
Rework, Finalisation and Hand-in	1 week	Friday, July 30, 2010
Ethical Clearance	1 week	Friday, July 30, 2010
Business Opportunities and Innovation in Africa Elective	**1 week**	**Thursday, August 05, 2010**
Conduct Interviews	4 weeks	Tuesday, August 31, 2010
Transcription	4 weeks	Tuesday, August 31, 2010
Conduct Interviews	4 weeks	Tuesday, August 31, 2010
Coding and Analysis	1 week	Tuesday, September 07, 2010
Coding and Analysis	1 week	Tuesday, September 07, 2010
Complete	2 weeks	Tuesday, September 21, 2010
Feedback	1 week	Tuesday, September 28, 2010
Proof-read, Rework and Finalisation	2 weeks	Friday, October 08, 2010
Global Business Strategy Elective	**1 week**	**Saturday, October 09, 2010**
Global Elective	**2 weeks**	**Monday, October 25, 2010**
Proof-read, Rework and Finalisation	2 weeks	Wednesday, November 10, 2010

Appendix C: Research Questionnaire

GORDON INSTITUTE OF BUSINESS SCIENCE

MBA 09/10 Research Questionnaire: Economic Value of Sport

1. Do you think the Sport Industry is important to business? Why or why not?

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2. If it is important, how have you seen its increasing importance influence your business/industry?

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3. What is your idea or definition of Economic Value?

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4. Which is the best methodology to use to determine Economic Value? Why?

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5. What variables for measurement would you say add value to GDP from the Sports Industry?

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6. How would you suggest / do you currently measure this value in your business / based on your past experience / research?

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7. Where would you suggest is the best place to obtain data for the variables that you have mentioned? Are you able to assist in this regard? What is the best way to get hold of this data?

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8. What are your opinions of the following variables and their impact on GDP?

    a. Manufacturing.

    b. Consumer Spending.

c. Corporate Activity.

d. Events

e. Government Grants / Spending.

f. Broadcasting / TV rights.

g. Employment / Jobs / Salaries.

h. Sports Betting.

i. Tourism.

j. International Funding.

k. Tax.

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9. How would you suggest you measure and track such variables?

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10. Where would you suggest is the best place to obtain data for the variables mentioned above? Are you able to assist in this regard? What is the best way to get hold of this data?

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11. What is your opinion on the use of multipliers in EV studies? What would you suggest is a fair way to calculate an appropriate multiplier?

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