

SECTION 3: TASK ONE - DETERMINING THE SCOPE OF THE STUDY

Economic impact studies have been conducted on a wide variety of events and have employed various methods of analysis. These studies do, however, share in common, the goal of isolating the economic impact of these events on the chosen area (community, county, etc.).

Events that attract visitors affect the economic vitality of a region. Spectators and participants spend money on food, lodging, souvenirs, transportation, etc. In some cases the event itself makes purchases such as rent, payroll, utilities, police protection and garbage pick-ups, etc.

While the purpose of an economic impact analysis may be clear, the most appropriate method for conducting it, often is not. Different methods of analysis occur for a wide variety of reasons. Two prominent reasons are: 1) cost considerations, and 2) the differences in the types of events being studied.

Every attempt to increase the comprehensiveness and accuracy of the study will increase the costs (expressed in time or money). A balance must be struck between the resources that can be assigned to a study and the desired (or necessary) degree of accuracy. Also, variety in the nature of the events studied necessitates employing different approaches in determining the economic impact. Consider some of the differences. Many events occur in a single day and in one place where attendance is easily estimated. Other events are a kaleidoscope of activities spread out over a wide geographical area and which span a week or even a month.

While no single method of analysis is applicable to measuring the economic impact of events, the following describes some of the key issues that are relevant for most methodologies.

What is the Appropriate Region for the Analysis?

The appropriate region could be the city, county, or even the province where the festival is held. The appropriate region often depends on the size of the event. It also may depend upon data availability. A multiplier which is available for the province or the county may not be suitable for the city or some area of the community/city where the event is actually located. Researchers armed only with

the multiplier for the province may assume the province was the appropriate region and investigate the effects of that festival on the entire province.

In other cases, researchers estimate multipliers for the region of interest. To do this requires certain data on sales/employment/consumer spending, etc., be available. In these cases, the region for which these data may be available (or most easily collected) helps to define the region.

In defining the study region, the researcher must use other criteria beyond data availability or data collection considerations. First, how far does the impact of the festival really reach? Second who are the interested parties, or who is paying for the study? While the effects of the festival may spread some distance, the local supporters of a festival may want only to show the effects of this event on the local community or even on a narrow segment of the community. In other cases, they may want to emphasize the spillover of benefits into other communities in an attempt to gain broader support.

In summary, the availability of critical data, the extent of the impact of the festival, and the tastes and preferences of the sponsors of the research are all important determinants of how one defines the appropriate region of study.

Who Are the Visitors?

Once the region is defined, it is usually an easy matter to decide who the visitors are. Firstly, people are defined as visitors not only because they reside outside the region, but more basically, because they are bringing in dollars that are usually spent elsewhere. Therefore, a resident of the neighboring community who usually spends his money in the event community, may not be identified as a visitor for purposes of the study. Secondly, the visitor trips to the area must be related to the event being studied. People traveling through the area that just happen to attend the event, can be classified as visitors only if their stop and related expenditures are due to the event. Care must be taken to ensure that impacts are not inflated by improperly classified visitors.

Isolating Event Visitors Expenditures

The question of isolating visitor versus resident expenditures arises because local spending by residents would have occurred in absence of the event. Counting all

their expenditures leads to an overestimate of the impact of the festival. Most people have budgets, and if they spend a little more today on, for example, dining out before or after an event, then they are apt to spend a little less tomorrow, or next weekend, or next month. In that sense these locals are probably altering their timing of expenditures as a result of the festival and are not adding to the net spending of the community. One may argue, however, that to the extent that people permanently draw down savings to finance these event expenditures there may be some permanent effect as they shift dollars in their entertainment budget to the local area rather than to more distant recreation spots.