Estimating the Private Consumption Benefits Derived from the College Football Game Experience

Anthony Dixon, Marshall University
Shelia Backman, Clemson University
Chi-Ok Oh, Michigan State University

Since 1990, Rappaport and Wilkerson (2001) report that state and local governments have spent or intend to spend approximately $17 billion on new construction or major renovation projects of professional sports facilities. The main justification given by political leaders for the utilization of public funds on sports facilities is the anticipated spur in economic development (Noll & Zimbalist, 1997). The primary economic tool utilized by political leaders and sports franchise owners to justify the use of public subsidies is economic impact analysis.

Although economic impact studies can provide valuable information to decision makers, impact studies commissioned to defend sports facility projects have received much criticism (Rappaport & Wilkerson, 2001). The majority of academic researchers suggest professional sports teams and facilities provide little to no impact on jobs and personal income (Coates & Humphreys, 1999; Rappaport & Wilkerson, 2001; Seigfried & Zimbalist, 2002).

While the economic impact justification is not convincing, researchers purport the existence of other economic contributions (Alexander et al., 2000; Barget & Gouguet, 2007; Noll & Zimbalist, 1997). Alexander et al. (2000) indicate sports teams produce other economic contributions in the form of consumption benefits. Two types of consumption benefits can be derived by individuals: public and private. Public consumption benefits are derived from the satisfaction “from living in a ‘big league’ town, from having another topic of conversation that is common to most citizens, from reading about its [the team] successes and failures in the newspaper” and other aspects related to civic pride (Zimmerman, 1997, p. 121). On the other hand, private consumption benefits arise when the cost an individual is willing to pay to attend a sporting event is greater than the actual cost incurred by the individual. The amount of money the individual is willing to pay above actual expenditures is a benefit or welfare gain to the individual (i.e., consumer surplus).

Several researchers agree that the consumption benefits, both private and public, produced by sports teams are significant (Alexander et al., 2000; Barget & Gouguet, 2007; Irani, 1997). However, Noll and Zimbalist (1997) suggest the consumption benefits of sports teams is an area of research that has been overlooked. Similarly, Carlsen, Getz, and Soutar (2001) state “This is the area in need of most conceptual thought and development of new measures that may be drawn from other disciplines such as economics” (p. 254).

With this call for more research on consumption benefits of sport teams and facilities, researchers implemented techniques from the economics discipline, such as the contingent valuation method, to estimate a monetary value for these benefits. A few published studies have estimated the value of these consumption benefits, but focused mainly on the public consumption benefits of professional sport teams. Far less attention has been given to the measurement of private consumption benefits which constitute a substantial portion of consumption benefits (Alexander et al., 2000; Irani, 1997). Relatively, no research concentrates on the consumption benefits of college athletics. As a result, the objective of this study is to estimate the private consumption benefits derived by individuals from the college football game experience. With university athletic departments emulating their professional counterparts by seeking public financing for construction and/or renovation projects of sports facilities, an estimate of the private consumption benefits produced by a college sporting event seems relevant.

Data collection for the study was conducted at five home football games at a southeastern university. An on-site sampling strategy was employed using a systematic sampling procedure with a random start. The procedure consisted of a research team member systematically collecting email addresses from individuals in parking areas throughout the university campus, as well as outside the stadium. Each email address was sent a link to an online questionnaire on the Monday following the game with two subsequent follow-up emails. The study’s response rate was 56.9% with a sample size of n=769. A dichotomous choice contingent valuation question was utilized to discover the
amount visitors were willing to pay per trip in excess of their actual trip costs. The truncated mean willingness to pay technique was utilized to compute the value of private consumption benefits.

Estimated net willingness to pay (i.e., private consumption benefits) over trip expenditures is $423.35 per game. However, the scenario presented to survey respondents uses trip expenditures as the payment method. Since respondents indicate being financially responsible for 2.29 people, any additional trip costs incurred by the respondent would be distributed across the number of people the individual is financially responsible for. Following the method used by Fix and Loomis (1998), the estimate of private consumption benefits was divided by the number of people the respondent was financially responsible for. This calculation results in an adjusted estimate of $184.87 in private consumption benefits per person per game. Multiplying the private consumption benefits derived by individuals from the college football game experience by season attendance (546,004) produces approximately $100 million in economic benefits from the college football game experience during the season.

Estimating the private consumption benefits derived by individuals participating in the college football game experience provides several implications. First, an estimate of private consumption benefits can be used to justify the utilization of public subsidies. Second, estimating the private consumption benefits derived by spectators provides sport team administrators with an estimate of spectators’ willingness to pay for the college football game experience. Third, Coughlin and Erekson (1984) suggest private consumption benefits derived from attendance at sporting events is “a key source for athletic contributions” (p. 182). Fourth, this study provides an estimate of the value individuals place on the college football game experience. Fifth, this research introduces the use of the contingent valuation method to estimate the use value (i.e., private consumption benefits) of sport teams and facilities. Finally, this study adds to the limited research on the economic contributions of college athletics. As college athletics continues to expand, new research streams and new techniques will be required to properly evaluate the total economic value of college athletics.