Implementing a Realistic Approach to Economic Impact in a Large and a Small Market: Learning from the 2016 and 2017 CrossFit Games

Heather Lawrence-Benedict, Ohio University
Andy Fodor, Ohio University
Norm O’Reilly, Ohio University
Justin Bergh, CrossFit

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The sport tourism industry in the United States has grown from US$8.26 billion in 2012 to US$10.47 billion in 2016 representing an increase of 26.8% in spending over this 4 year period (NASC 2014; 2017). While this economically important business is growing, concerns remain regarding municipal spending (i.e., the investment of tax dollars) to attract sport tourism dollars (Crompton, Jeong, & Dudensing, 2015). The typical response to defend such spending has been the commissioning of an economic impact study to assess the benefits of the region of hosting a particularly sport property (Crompton, 1995) but the use of these economic impact studies to justify government spending and investment in attracting and hosting sporting events continue to face criticism about reporting inflated measures of economic impact or mismeasuring what is true impact (Crompton, 1995; Crompton, Jeong, & Dudensing, 2015).

In this presentation, the authors apply a conservative economic impact methodology (O’Reilly et al. 2017) to both the 2016 and the 2017 CrossFit Games. This methodology is designed to allow researchers to improve the credibility of economic impact studies and inspire confidence from municipal stakeholders and sport properties alike through the use of a conservative and realistic measurement approach. This is accomplished by evaluating impact with consistency and transparency and providing a more accurate measure of direct economic impact while also carefully considering indirect impact and intangible factors. In addition to applying this theoretical framework to two years of a particular large sporting event, the study takes advantage of a venue change for the CrossFit Games, as a context to examine the relative importance of a major sporting event to economies of different sized municipalities.

The Crossfit Games have been held annually since 2007 and crown the fittest men and women in the world. In 2017, the CrossFit Games took place in Madison, Wisconsin for the first time following seven years of being hosted in Carson, California. The 2017 event spanned 4 days with 20,000 spectators attending, 640 athletes competing, and 852 volunteers on site.

The researchers collected primary data from surveying of spectators, volunteers, and athletes on site and online for both the 2016 and the 2017 CrossFit Games. Respondents were asked about their spending surrounding the events, spending attitudes, satisfaction and importance of event variables, and demographics. Results informed CrossFit, government officials, event partners, and host city constituents about the impact of hosting the event on the community. While the main aim of these studies is examination of the individual events, a unique opportunity to study differential spectator spending behavior and attributes between two host cities also existed.

The comparison of the 2016 and 2017 CrossFit Games is important with respect to the contrasting host cities. In 2016, Carson, California (part of part of the Los Angeles metropolitan area) hosted the CrossFit games. Los Angeles has a population of over 13 million (U.S. Census Bureau) and is the second largest metropolitan area in the United States. In 2017, Madison, Wisconsin hosted the CrossFit Games. The Madison metropolitan area has a population of approximately 640,000 (U.S. Census Bureau). As Los Angeles represents a much larger economy, with a much higher cost of living (about 40%) than Madison, differential spending behavior of spectators of each event merits exploration. The relative impact of the event to the host city is also discussed.

For the 2016 and 2017 CrossFit Games, direct economic impact was estimated at $17.8 million and $14.2 million respectively. General cost indexes in Los Angeles are roughly 40% higher than in Madison. In Los Angeles dollars, the economic impact of the 2017 Crossfit Games held in Madison was $19.9 million. Unadjusted spending per
respondent visitor was lower in Madison ($733 compared to $1,231 in Carson), as expected due to cost differences, but adjusted spending was also lower, by about 20% ($1,026 in Madison compared to $1,231 in Carson). The researchers explored this and found the distribution of spending across categories dramatically different between the two years despite nearly identical total average per person spending behavior. For example, spectators to LA spent more on accommodations and those in Madison spend more on food and alcohol.

The results provide evidence that it is likely that CrossFit Games sport tourists budget differently in the face of relatively high and low price level host cities. The research team posits that when spectators are faced with high costs for necessity category spending (i.e., accommodations and transportation), they reduce spending in categories where greater choice in spending amounts or substitute inferior goods are available within a category (i.e., food and alcohol). This is an important learning for host cities when considering which local organizations will benefit from hosting versus which non-local ones (e.g., airline) will.

While dollars spent within different categories will not be viewed as equal by municipal officials, the relative impact of major sporting events also differs greatly across cities of different sizes. The host cities of the 2016 and 2017 Crossfit Games vary greatly in population and economic size. The Los Angeles metropolitan area has a total GDP over US$768 billion (Bureau of Economic Analysis). In contrast, the Madison metropolitan area has a total GDP of roughly US$41 billion (Bureau of Economic Analysis). This equates to a relative economic impact 15 times greater for Madison as compared to Los Angeles.

This study makes a number of contributions to the academic and applied areas of sport management and economic literature which will allow municipalities and sport properties to more fully and accurately consider the appropriateness of spending and investment in sporting events. In addition to presenting an application of a conservative methodology, the researchers respond to critics in the literature (e.g., Crompton, 2005) and provide a insights which will allow municipalities to better evaluate the economic impact in the context of their specific city as well as direction to both sport properties and municipalities on how to maximize direct impact of events.