

The Impact of the 2010 Soccer World Cup on Bidvest Rental and Products

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DECLARATION

I, Charl de Villiers, the undersigned declare that this dissertation contains my own work except where specifically acknowledged. This research has not been previously accepted for any degree and is not being currently considered for any other degree at any other university. I further declare that the work has been passed through a plagiarism detection program as prescribed by the University.

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Signed.....

Date.....29 Nov 2012

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Abstract

The South African government and by extension the South African taxpayer spent in excess of R17 billion in building and renovating new and existing stadia and an additional R117 billion on infrastructural development in preparation for the FIFA 2010 Soccer World Cup (Sunday Times, June 2010).

A number of authors have questioned whether the anticipated benefits of hosting mega sporting events like the Soccer World Cup justify the associated expense, claiming that these events have little or no significant direct nor indirect impact on the economy of the host nation (Vogel, 2002; Crompton and Lee, 2000). Matheson and Baade (2004) added that hosting mega sporting events is an even worse investment for developing nations.

As far back as 2007 the initial euphoria surrounding South Africa being awarded the rights to host the World Cup had begun to quietly subside and make room for more sober reflection around the economic implications of hosting the event (Pillay and Bass, 2008).

At a micro economic level, South Korean residents believed that the anticipated economic benefits of the 2002 Soccer World Cup were either less than expected or, in some instances, did not materialise at all, (Kim, Gursoy and Lee, 2004). In line with the contention by Brenke and Wagner (2007) that the Soccer World Cup is too small an event to significantly influence a national economy, this study sought to examine the economic impact of the 2010 Soccer World Cup on Bidvest Rental and Products, a large national company operating within the services industry in South Africa.

This study used a descriptive quantitative design. Potential respondents were taken from senior management at Bidvest Rental and Products. Data was collected using the survey method in the form of a questionnaire emailed to respondents.

The findings of the study supported the widely held assertion by researchers on the economic impact of mega sporting events namely, the anticipated significant revenue gains did not materialise and the little employment that was generated was overwhelmingly of a temporary nature.

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CHAPTER ONE

INTRODUCTION TO THE PROBLEM

1.1 Introduction

As far back as 2007 the initial euphoria surrounding South Africa being awarded the rights to host the World Cup had begun to quietly subside and make room for more sober reflection around the economic implications of hosting the event. Pillay and Bass (2008) concluded that “South Africans were beginning to be more realistic and discerning about their expectations” regarding the 2010 Soccer World Cup. In keeping with the findings of earlier years South Africans still felt that the main benefits would manifest in increased employment and economic growth. However this figure had dropped from 62% in 2006 to 51% in the 2007 study (Pillay and Bass, 2004).

The revenue that accrues to the host nation is derived primarily from the spend of foreign tourists and the associated multiplier effect thereof. Evidence from the 2006 Soccer World Cup hosted by Germany suggests that this revenue is channelled predominantly via the services, hospitality and transport industries (Maennig and du Plessis 2007). This study, while not quantifying the economic impact of the 2010 Soccer World Cup on the South African economy, will take tentative steps towards this ultimate goal by exploring the perceptions of senior managers at a large South African services company towards the 2010 Soccer World Cup.

1.2 Background

On the 15th May 2004 South Africa beat off competing bids from Morocco and Egypt and was awarded the rights to host the FIFA 2010 Soccer World Cup. This marked the first time a mega event of this stature would be held on the African continent. The news that South Africa had been awarded the rights to host the 2010 Soccer World Cup was greeted with much fanfare amidst predictions of economic boom which included inter alia increased employment, improved infrastructure and increased tax revenues.

South Africa regularly hosts major international sporting events. Since 1994 South Africa has successfully hosted the 1995 Rugby World Cup, the 1996 Africa Cup of Nations, 2003

Cricket World Cup, and the Women's World Cup of Golf in 2005 and 2006 and in 2006, the only street race in the inaugural A1 GP World Cup of Motor Sport. The Soccer World Cup is however both the world's biggest single sporting event and also the most watched sporting event in the world (FIFA, 2008).

Hosting mega sports events like the Soccer World Cup requires significant investment in stadia and infrastructure, especially for developing countries. South Korea and Japan spent nearly \$2 billion and \$4 billion respectively, building and renovating stadia for the 2002 Soccer World Cup while Greece spent in excess of \$1 billion on security for the 2004 Olympics (Matheson and Baade, 2004). In spite of the enormous costs associated with hosting the Soccer World Cup there is still intense rivalry between competing nations to host the Soccer World Cup. This desire to host mega sporting events is driven primarily by pre-event economic impact studies that invariably project significant economic benefits in the form of employment gains, visitor spending, and economic growth (Allmers and Maennig, 2008).

Pre-event economic impact studies are typically commissioned by event organisers who use the results of the studies to justify the huge costs associated with staging mega sports events (Matheson and Baade; 2004, Coates; 2010). Prior to submitting a bid to FIFA in September 2003, the South African World Cup Bid Company contracted consulting firm Thornton and Feinstein to prepare a draft assessment of the impact of the 2010 World Cup on the South African economy. The study concluded that hosting the 2010 World Cup would have “significant direct and indirect economic benefits” for the South African economy. In a 2007 reassessment of the economic impact of the 2010 Soccer World Cup, Thornton and Feinstein concluded that the event would add R51 billion to the South African gross domestic product, generate an estimated R30.4 billion in direct spending, and create in excess of an estimated 194 000 new jobs (Sainfo, 2010).

Matheson (2001) questioned whether an economic impact study conducted on behalf of event organisers who have a vested interest in the outcome of the study can ever be considered an objective examination of the true economic impact of the event. Crompton and Lee (2000) went even further, accusing event organisers of deliberately inflating economic impact studies to justify the expense in hosting major sporting events. Matheson and Baade (2004)

concluded that net gains from hosting mega-events are usually grossly over-estimated, and that in most cases, it is an even worse investment for developing countries.

Kim et al. (2004) concluded that before hosting the 2002 World Cup, South Korean residents believed the benefits of hosting a mega event far outweigh the associated costs. After the event residents felt that either the benefits did not materialise or the benefits were much smaller than anticipated. A 2006 study conducted by the German Association of Chambers of Industry and Commerce found that only 15% of its members expected positive effects for their enterprises, 83% expected no net effects and 2% expected negative effects from the 2006 German Soccer World Cup (Allmers and Maennig, 2008).

During the World Cup the pre event apprehension over whether South Africa could host the World Cup event had largely disappeared to be replaced by overwhelming national pride and patriotism. Immediately after the World Cup there was general consensus that bar a few minor hiccups the event had been well organised and had been successfully hosted. However two years after South Africa hosting the World Cup there has still not been any post ante scientific studies to evaluate the economic success of the World Cup against ex ante economic predictions.

1.3 Problem Statement

The South African government and by extension the South African taxpayer spent in excess of R17 billion in building and renovating new and existing stadia and an additional R117 billion on infrastructural development in preparation for the FIFA 2010 Soccer World Cup (Sunday Times June 2010). This massive spending is justified in part, by the Thornton and Feinstein (2007) findings.

A number of authors have questioned whether the anticipated benefits of hosting mega sporting events like the Soccer World Cup justify the associated expense, claiming that mega sports events like the Soccer World Cup have little or no significant direct nor indirect impact on the economy of the host nation (Vogel; 2002, and Crompton and Lee; 2000). Brenke and Wagner (2007) said the Soccer World Cup is too small an event to significantly influence a national economy while Matheson and Baade (2004) added that hosting mega sporting events is an even worse investment for developing nations.

Given the significance of the services industry in generating World Cup revenues (Maennig and du Plessis 2007), this study will determine whether senior managers at a large South African services company, perceive the 2010 Soccer World Cup as having significantly benefitted the company.

1.4 Research Objectives

1. To determine whether senior managers at Bidvest Rental And Products believe the 2010 Soccer World Cup had a significant, positive impact on the South African economy,
2. To establish whether the 2010 Soccer World Cup had an economic impact on Bidvest Rental And Products,
3. To ascertain whether the 2010 Soccer World Cup resulted in increased employment at Bidvest Rental And Products, and
4. To determine whether senior managers at Bidvest Rental and Products believe the World Cup infrastructural developments have future economic benefits.

1.5 Research Questions

1. Do senior managers at Bidvest Rental and Products believe the 2010 Soccer World Cup had a positive economic impact on the South African economy?
2. Did the World Cup have a positive economic benefit for individual branches?
3. Did the 2010 Soccer World Cup lead to increased employment at Bidvest Rental and Products?
4. Will the World Cup infrastructural developments benefit South Africa in the future?

Bidvest Rental And Products comprises eight separate companies and covers a broad spectrum across the services industry. The company has a national footprint and as a combined unit the division generates revenue in excess of R1.5 billion per annum. Because the companies are in the services industry they are exposed to a diverse range of other industries including but not limited to manufacturing, mining, hospitality, educational,

construction and health. Increased activity in these industries immediately before and during the 2010 Soccer World Cup would have impacted on the companies being investigated.

1.6 Limitations

1. This study will not attempt to quantify the economic impact of hosting the 2010 Soccer World Cup.
2. This study will not investigate the economic impact of the 2010 Soccer World Cup on the service industry as a whole, but will confine itself to one specific company in the services industry.
3. The research is quantitative and thus lacks qualitative aspects.

1.7 The Importance of the Study

Mega sporting events have for the most part been hosted by developed countries. It therefore follows that a large majority of the literature around the economic impact of mega sporting events focuses on these first world countries. The 2010 Soccer World Cup marked the first time the event was held in Africa. FIFA has however signalled its intention to take the tournament to emerging markets with the 2014, 2018 and 2022 World Cups being hosted by Brazil, Russia, and Qatar respectively. It is further anticipated that South Africa will host other major sporting events in the future, having recently abandoned its intention to bid for the 2020 Olympics. South Africa was not the only African which bid for the 2010 World Cup and it is entirely possible that other African countries will successfully bid to host future World Cup tournaments.

This study will add to the already existing body of knowledge and also address two of the shortcomings in the current literature, in that this study is a post ante study and it explores the economic impact in a developing country. This research will allow government, business and the public to gain a better insight and understanding of the potential economic benefits and pitfalls of hosting major sporting events like the Olympics and the World Cup. This insight will inform decisions and lead to better forecasting by institutions and companies that derive economic benefits from the hosting of the event especially amongst developing nations.

1.8 Methodology

This study used the quantitative methodology. Primary data collection was done via a field survey conducted amongst a pre-determined sample of senior managers at a national South African services company. Descriptive analysis was used to convert raw data to information. Further details outlining the methodology and the data analysis is discussed in chapters three and four.

1.9 Chapter Outline

This dissertation is comprised of five chapters. Chapter one provided the background to the research before dovetailing the problem statement, research objectives, the justification for the research and, the methodology. Chapter two reviews the current literature on mega sporting events and their economic impacts. Chapter three defines and justifies the methodology used, data collection methods and research limitations. Chapters four covers firstly the analysis of the collected data and secondly the interpretation of the analysis and attempts to answer the research questions identified in chapter one. Chapter five concludes the research and contains recommendations as well as suggestions for further studies on this topic.

1.10 Conclusion

Chapter one sketched the backdrop to the problem statement before confirming the objectives to be satisfied and research questions to be answered. This was followed by a brief discussion of the methodology employed to address the research questions. Finally an outline of the dissertation was presented. Chapter two contains the literature review relevant to the issues being researched.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

Mega sporting events like the Soccer World Cup and the Olympic Games are not new phenomenon. The first Olympic Games was held in ancient Greece in 776BC before being reinstated as the modern Olympics in 1896 (Guttman, 1992), while the first Soccer World Cup was held in Uruguay in 1930. Economic impact analysis of mega sporting events on host cities or host countries is however a fairly recent phenomenon. The first economic impact study of a mega sporting event was conducted for the 1984 Los Angeles Olympic Games. The study was spurred on by reports that Montreal had incurred financial losses in excess of then R8 billion in hosting the 1976 Montreal Summer Games (Howard and Crompton, 1995).

2.2 Mega Sporting Event

Sports and its related infrastructure has become increasingly important to national economies, with the European Union employing 2 million people in the sports economy. To put it in perspective 1.3% of employed EU citizens are employed in the sports industry. In the seventies the sports economy comprised 0.5% of the European GDP. In the nineties this figure had increased to 1.5% of GDP in most European countries. In the UK this figure stands at 2% of GDP, which is higher than the contribution of agriculture. Sports teams in themselves have become big business with Manchester United valued at R11.2 billion, higher than the GDP of some African countries (Swinnen and Vandemoortele, 2008).

A mega sporting event has a fixed, short duration and is staged at regular intervals according to Cornelissen, (2004) who further held that mega sporting events could be grouped in three distinct categories. First order events have international participation and the widest audience in terms of television viewership, publicity and advertising. The only events that qualify as first order events according to Cornelissen (2004) is the Olympic Games and the Soccer World Cup. Although second order events also have international participation, they are of a much smaller scale and include events like the rugby and cricket World Cups, grand slam tennis tournaments and formula one racing. Third order events involve only a few countries and more often than not have only regional significance, e.g. the Confederation of African Football (CAF) Cup.

Mega sporting events, because of its size and possible economic impact, enjoy political support and directly or indirectly reflect, in part, the strategy of the host nation. This political investment is reflected in the position held by Ritchie (1984) whilst Walo, Bull and Breen (1996) posited that the decision to stage a mega sporting event is motivated primarily by the desire of the host nation to “enhance the awareness, appeal and profitability of a tourism destination in the short and/or long term”.

Hiller, (2000) contended that mega sporting events have a sustainable and measurable economic impact. This addition of an economic impact component is important as the costs involved in staging mega sporting event can be significant.

2.3 Economic Impact

An economic impact is the “net economic change in the incomes of host residents that result from spending attributed to tourists” (Crompton 2006). This is however an extremely narrow definition and warrants a broader search.

An economic impact is the net change in the economy of the host region brought about by an external shock like a mega sports event (Lee, 2001). This net change flows from the “acquisition, operation, development, and use of sport facilities and services” (Lieber and Alton, 1983). These induce public and tourist spending, as well as increased tax revenue and employment.

The economic impacts comprise three distinct phases, namely direct, indirect, and induced effect. Direct effects are the expenditure required to satisfy the additional demand for goods and services, e.g. infrastructural development, new or improved stadia, increased accommodation capacity, increased security, etc. Indirect effects refer to the secondary circulation of money. This includes the spend on cement for new stadia, beds and television sets for the new hotels, etc. Induced effects are the increase in household income and employment as a result of the direct and indirect effects e.g. the bed manufacturer employs additional staff or pays staff overtime to meet the demand for additional beds, (Howard and Crompton, 1995).

The economic impact of the event is thus the sum of the direct, indirect and induced effect. Economic impact studies are either ex ante, i.e. the study is conducted before the event takes place or post ante, after the hosting of the event.

2.4 Proponents of mega sporting events

Prior to the furore surrounding financial losses incurred in hosting the 1976 Montreal Games, it was generally assumed that mega sporting events like the Soccer World Cup and the Olympic Games must, by virtue of their sheer size, have a positive economic impact on host economies. The absence of scientific analysis investigating the impact perpetuated this perception.

After the first study conducted for the 1984 Los Angeles Olympic Games a discord emerged between academics on the one hand and event organisers and the general public on the other. Academics argue against the long held belief that mega sporting events have a significant, positive economic benefit and have concluded, more often than not, that the pre-event hype seldom stands up to post event scientific scrutiny (Szymanski, (2002), Matheson and Baade, (2004), Lee and Taylor (2005), Allmers and Maennig, 2009)).

The general public believe they will benefit from the event (Kim, Gursoy and Lee, (2004), Swart and Bob, (2010), Pillay, Bass and Roberts (2008)), while event organisers use ex ante studies which show significant economic gains in support of their argument (Thornton and Feinstein, 2003).

The General Public

Kim et al. (2004) in studying the perceptions of local residents towards South Korea jointly hosting the 2002 Soccer World Cup, found that while there were some concerns local residents believed the anticipated benefits outweighed the associated costs. This perception, they added, was heavily influenced by the positive spin put on the event by the media, state organs, and event organisers. In a follow-up interview, residents did raise concerns that the anticipated benefits either did not materialise or not to the extent that they expected.

A similar study conducted by Swart and Bob, (2007), amongst Cape Town residents concluded that the 2010 Soccer World Cup would benefit local businesses and have a

positive economic impact in the cities where the games would be played. The results of a 2007 longitudinal study conducted by the Human Science Research Council found that although “South Africans were beginning to be more realistic and discerning about their expectations”, the overall perception was that the Soccer World Cup would bring major economic benefits and would impact positively on inter alia, employment, tourism, and the construction industry (HSRC 2008).

In another longitudinal study Pillay, Bass, and Roberts (2008), found that South Africans generally believed that hosting the 2010 Soccer World Cup would be beneficial to South Africa. These benefits would manifest themselves in increased economic activity, increased employment, a better global image, and increased tourism. Tomlinson, Bass and Pillay, (2009), found 75% of respondents listed increased economic activity and increased employment as benefits of the 2010 Soccer World Cup. Chain (2009), found there was strong support for hosting the 2010 Soccer World Cup and that residents envisaged long term positive benefits in the form of improved sporting facilities and infrastructure, as well as economic benefits via additional tourism numbers.

Researchers

Hosting mega sports events like the Soccer World Cup requires significant investment in stadia and infrastructural development, especially for developing countries. South Korea and Japan spent nearly \$2 billion and \$4 billion respectively, building and renovating stadia for the 2002 Soccer World Cup while Greece spent in excess of \$1 billion on security for the 2004 Olympics (Matheson and Baade, 2004). In spite of these enormous costs associated with hosting first tier mega sporting events there is still intense rivalry between competing nations to host these events. This desire is driven primarily by pre-event economic impact studies that invariably project significant economic benefits in the form of employment gains, visitor spending, and economic growth.

Although in the minority there are a number of researchers who support the theory that mega sporting events do have a significant, and positive economic impact on host economies. Kang and Purdue, (1994), Getz, (1997) and Madden, (2002) found that significant economic impacts flow to the host cities or countries from hosting mega sporting events. These benefits include increased tax revenues and higher employment levels. Ritchie and Lyons, (1990)

found that mega sporting events lead to increased infrastructural investments and improved sporting facilities.

Visa Inc, the company behind Visa credit and debit cards, is a global sponsor of the Olympic Games. An economic impact assessment of the 2012 London Olympic Games conducted by Visa Inc concluded that the games would be a “once in a generation” opportunity for England. The games would also lead to an increase in productivity, employment, incomes, and profit. More specifically it would, during the seven week period that the games are held, generate an additional R9.6 billion in consumer spending, R14.6 billion in economic output, and R2.9 billion in income. Long term (2012 – 2015) benefits include R17.6 billion increase in economic output, R65.5 billion stimulus to the economy, 3.5% GDP growth, R3.8 billion additional income, and 18 000 additional full time jobs per year (Visa, 2011).

The USA Bid Committee, in its bid documents to host the 2018 and / or 2022 Soccer World Cup, anticipated that the event would have a R40 billion economic impact on the US economy and create between 65 000 and 100 000 new jobs (Coates, 2010).

Economic benefits are not only expressed in pure monetary terms. The benefits also include amongst others, highlighting the host city or country as a tourist destination, attracting foreign investment, and improved transport and telecommunications infrastructure. Sands (2009) in a study to assess the impact of the 2008 Beijing Olympics concluded that the event had an important ripple effect on economic development in the city and positively impacted in numerous industries including the entertainment, cellular, and sports industries. Birkendorf (2009) concurred and argued that the infrastructural development which was a by product of the games resulted in an improved business environment, attracting more private business institutions.

2.5 Critics of mega sporting events

Pre-event economic impact studies are typically commissioned by event organisers who use the results of the studies to justify the huge costs associated with staging mega sports events. First order mega events require substantial public funding and event organisers need to motivate that the investment will show a significant return in order to access these public funds. This may go some way in explaining the often huge discrepancies between ex ante and

post ante studies. The independence and integrity of those commissioned to conduct the studies have often been questioned. Crompton, Lee and Shuster, (2000) asserted that contrary to most research projects, the goal of economic impact studies is not necessarily a search for truth but rather to justify a position held by an interested party and that “there is a temptation to adopt inappropriate procedures and assumptions in order to generate high economic impact numbers that will position an agency more favourably in the minds of elected officials”.

Matheson, (2001) questioned whether an economic impact study conducted on behalf of event organisers who have a vested interest in the outcome of the study can ever be considered an objective examination of the true economic impact of the event. Coates, (2010) added that few independent analysts concluded that mega sporting events had a significant economic impact in purely dollar terms. Atkins, (2010) raised the ante by commenting that “There are two kinds of studies into the economic benefits of large sporting events: studies paid for by Government departments before the event which show they will be a good thing, and independent studies carried out later that show they were not.”

Crompton, Lee and Shuster, (2001) went even further, accusing event organisers of deliberately inflating economic impact studies to justify the expense in hosting major sporting events. Matheson and Baade, (2004) concluded that net gains from hosting mega-events are usually grossly over-estimated, and that in most cases, it is an even worse investment for developing countries. Irons, (2006) said hosting the World Cup “might not be the economic holy-grail organisers often predict”.

Brenke and Wagner, (2007), in commenting on the economic impact of the 2006 Soccer World Cup, argued that the Soccer World Cup in itself is too small an event to significantly influence the national economy. Coates, (2010) in his criticism of the USA bid to host the 2018 or 2022 Soccer World Cup, suggested that the projected R40 billion impact is “hardly of vast significance” when expressed as a percentage of the US economy. Vogel, (2002) said that mega sporting events have a positive, but insignificant economic effect and should not be viewed as strong engines of economic growth.

Studies conducted by Vogel, (2002), and Crompton and Lee, (2000) claim that mega sports events like the Soccer World Cup have little or no significant direct and indirect impact on

the economy of the host nation. Virginia Tilley, (2006) a senior research specialist, in the democracy and governance division of the Human Sciences Research Council, argues that most mega events have lost money for the host cities. She cites Mexico who took three decades to pay off its 1968 Olympic debts and Montreal and Munich who each lost more than \$1bn hosting the Olympics in 1972 and 1976 (Business Day, 2006).

2.6 The Barcelona Effect

The 1992 Barcelona Olympics is cited by proponents of hosting mega sporting events as the best example of the potential benefits of hosting a mega event (Calvita and Ferrar, 2000; Brunet, 2005). Barcelona achieved considerable social, political, and economic benefits. The event is credited with transforming Barcelona from a “provincial back-water, living in the shadow of Madrid, into one of Europe’s most fashionable places for conferences and holidays” (Economist, 2004). The supposed success of the Barcelona games convinced many developing countries that hosting mega events would encourage hordes of foreign visitors to the host region who would invest their money in the local economy (Baade and Matheson, 2004).

For the games Barcelona concentrated in high quality infrastructural development throughout the city, generating employment. Projects included city highways, expanding the drainage and sewage systems, telecommunication systems, railway lines, and developing neglected coastal areas. The benefits of hosting the games were numerous: unemployment fell from 18.4% to 9.6% with 88.7% of employment gains attributed to the Olympic Games. Prior to the games tourism accounted for 1% to 2% of Barcelona’s GDP. By 2005 this figure had risen to 12% (Brunet, 2005). Between 1992 and 2004, except for 1993, Barcelona achieved steady annual growth in the property market and construction industry and record growth in employment, investment, and income spheres. The 1993 dip was ascribed to the global economic slowdown. In addition the number of foreign tourist doubled every year between 1986 and 2000 (Brunet, 2005).

A cursory glance at the impressive figures above confirms that Barcelona had considerable growth during and after the Olympic Games. There is however some debate around whether this can be attributed to the Olympic Games in particular or whether it is a result of a general global upswing. Menezes, (2010) cautioned that the Olympic games was not necessarily the

sole contributor to Barcelona's renaissance and formed but one small part of the overall transformation of Barcelona and was part of a larger project, The General Metropolitan Plan, which started in 1976.

Barcelona's success is the exception rather than the rule as no host city has managed to duplicate Barcelona's success. Seoul 1996 fared the next best, but only managed half the investment of Barcelona. During the same period Prague and Dublin achieved similar tourism growth in the absence of hosting a mega sporting event, while Venice and Lisbon recorded significantly higher tourism growth rates, again without hosting any major events (Brunet, 2005).

2.7 Fédération Internationale de Football Association (FIFA)

The rand value of competing bids to host mega events has increased significantly, driven primarily by the laws of supply and demand. Although the supply of mega events have remained constant the number of countries competing to host the event has increased (Swinnen and Vandemoortele, 2008).

At this stage its perhaps salient to distinguish between the economic impact of the event itself and the economic impact that accrues to the host nation. For while there is disagreement over whether the event has a significant and positive economic impact on the host nations, there is uniform consensus that the event in itself is highly profitable. The core distinction lies in the difference between hosting the Soccer World Cup and owning the rights to the event. Fédération Internationale de Football Association, more commonly known as FIFA, is soccer's world governing body and comprises 208 national football associations. FIFA owns the rights to the Soccer World Cup and dictates not only who hosts the tournament, but also the terms and conditions under which the event is staged, and most importantly to whom the benefits accrue.

Prospective countries bid for the rights to host the event. While the successful bidder wins the right to stage the event, FIFA strictly controls the profit generating aspects of the World Cup, specifically television rights, sponsorships, marketing, and concessions. FIFA and the host country "sign a contract that regulates the flow of benefits associated with the tournament" (Maennig and Du Plessis, 2007). The expenses incurred in preparing the country to meet

FIFA's stringent criteria, and the associated risks, are borne by the host nation. These expenses include infrastructural costs, building or renovating stadia, security, and IT costs. From a FIFA perspective the profits generated during the Soccer World Cup are essential in sustaining and financing FIFA projects in the years between World Cups.

On the flip side FIFA owns all the major revenue generating streams of the Soccer World Cup viz. marketing, merchandising, sponsorships and television rights. These rights are fiercely protected by FIFA who have no qualms in taking those who infringe on these rights to court. Sponsorship and marketing deals go to the highest bidder, often preventing host nations companies from fully exploiting the marketing opportunities presented by the event. During the 2006 German World Cup the products of official sponsors like McDonalds, Budweiser, and Coca-Cola were readily available at the games, while German companies were prevented from selling their wares at the games. Similarly South African Breweries, who have in excess of 90% market share in the South African beer market, were prevented from selling their products at the games during the 2010 Soccer World Cup to accommodate one of the official sponsors, Budweiser.

FIFA has maximised the sponsorship potential of the World Cup to the extent that they have three tiers of sponsors. FIFA "Partners" are the highest level of sponsorship and include Visa, Sony, Coca-Cola and Adidas with each sponsor paying R2.4 billion for an eight year contract (Financial Mail 2006). The second tier are "World Cup Sponsors" and receive "global advertising, promotional and marketing rights for FIFA World Cups and the FIFA Confederations Cups" (FIFA, 2008). The 2010 World Cup Sponsors were Budweiser, Castrol, Continental, McDonalds, MTN and Satyam (FIFA, 2009). The notable inclusion here is MTN, the only South African company. MTN paid R520 million for the privilege (MTN 2007). The third tier is called National Supporters sponsors and for the 2010 Soccer World Cup included FNB, PRASA, BP, Telkom, and Neo Africa. Menendez (2010) calculated that these companies paid a total of R1.6 billion for their National Supporters status, bringing the combined total for South African companies to R2.1 billion. From a South African perspective this represents a leakage from the economy and a negative impact on GDP.

The 2010 Soccer World Cup was a highly profitable venture for FIFA who in its 2010 financial report reported that the event "had a significant impact on revenue and expenditure in the 2010 financial year". The event generated revenue of R29.24 billion, excluding ticket

revenue which was handed over to the local organising committee. Major revenue drivers included Television rights (R19 billion) and marketing rights (R8.6 billion). Expenses amounted to R10.4 billion. Major expense lines included prize money for the participating teams (R2.8 billion), financial contribution to the local organising committee (R1.8 billion), and television production costs (R1.7 billion). FIFA thus returned a healthy profit of R18.4 billion (FIFA 2010).

This contrasts sharply with the fortunes of the local organising committee who reported an income of R4.2 billion. This was made up of direct support from FIFA (R1.8 billion) plus the proceeds from ticket sales (R2.4 billion) which FIFA passed on to the local organising committee. The LOC's operational expenses amounted to R4.128 billion, the bulk of which were comprised of stadium operation (R2 billion), personnel costs (R464 million), transport (R272 million) and information technology (R208 million). The LOC thus returned a profit of R72 million (FIFA 2010).

2.8 Prior events

A simple comparison between ex ante and post ante economic impact studies of the same event should comfortably put the debate to rest. Unfortunately while most mega events have ex ante studies the same cannot be said for post ante studies. The reason for this is not difficult to understand.

Event organisers commission studies before the event to motivate staging the event and gain access to public funds. Undertaking economic impact studies is not for the fainthearted and requires significant resources in terms of time, money and competency. There is very little political mileage to be had should the study confirm the post event projections. However a post event study that concludes that pre event studies were highly exaggerated, can only lead to negative publicity.

Logic dictates that the conflicting views on the economic impact of first tier mega events could easily be addressed by a cursory examination of the GDP figures of host nations prior, during, and immediately after the event. GDP figures lack the bias and manipulation often associated with economic impact studies and is therefore a more reliable indicator. If proponents of mega sporting events are to be believed, significant economic impact should be

observed in GDP growth either in the year of the event or immediately after the staging of the event.

Table 2.1 represents the growth rate of GDP in the two years prior to the World Cup (WC -2) and compares that to the growth rate in the World Cup year, as well as the two-year periods following (WC +2).

Table 2.1: GDP Growth in Host Countries

Year	Host	WC-2	WC	WC+2
1954	Switzerland	4.4%	5.5%	6.4%
1958	Sweden	2.6%	2.9%	4.2%
1962	Chile	4.8%	4.7%	4.3%
1966	England	2.1%	2.0%	3.3%
1970	Mexico	6.6%	6.9%	6.3%
1974	Germany	2.5%	0.3%	1.8%
1978	Argentina	1.5%	-3.2%	4.2%
1982	Spain	0.6%	1.2%	1.8%
1986	Mexico	-0.5%	-3.1%	1.5%
1990	Italy	2.4%	2.0%	2.5%
1994	USA	3.3%	4.0%	3.1%
1998	France	2.2%	1.9%	3.1%
2002	Korea/Japan	2.8%	3.6%	3.2%
2006	Germany			
Mean		2.7%	2.2%	3.5%
Median		2.5%	2.0%	3.2%

Source: IMF/IFS, <http://ifs.apdi.net/imf/logon>.

The figures reflected in table 2.1 should not be viewed as definitive, but they do point to a decreased GDP in the year of the event and then suggests a recovery 2 years immediately after the event. This mean and median difference of 0.8% and 0.7% respectively between GDP figures 2 years before and two years after the event does not reflect the significant economic impacts often claimed by en ante studies.

It should however be noted that drawing definitive conclusions from the data is premature at best and there are a number of factors that must be considered. The economic impact of mega sporting events is too small a percentage of total GDP to significantly impact on the national economy of the host nation (Brenke and Wagner, (2007), Coates, (2010), Vogel, (2002)). This makes the isolation and quantification of event specific impacts problematic. Attributing the growth or decline of GDP solely to the hosting of the event is therefore inaccurate.

The context or background to the GDP movement needs further investigation as well. In this regard closer examination of the direction and pace of the GDP trajectory of the host nation, neighbouring countries, and or countries with a similar economy is required. The basic tenet here is that GDP growth or decline is a result of a variety of factors and can neither be viewed in isolation nor easily be ascribed to a singular event.

Post ante analysis of the economic impact of the Soccer World Cup on previous hosts should, to a certain degree, provide clarity on the debate. Ideally this analysis should be conducted on more recent hosts. However the 2002 Soccer World Cup was co-hosted by South Korea and Japan, unnecessarily complicating the exercise. The analysis will thus be conducted on the German 2006, and the France 1998 World Cups.

Costs

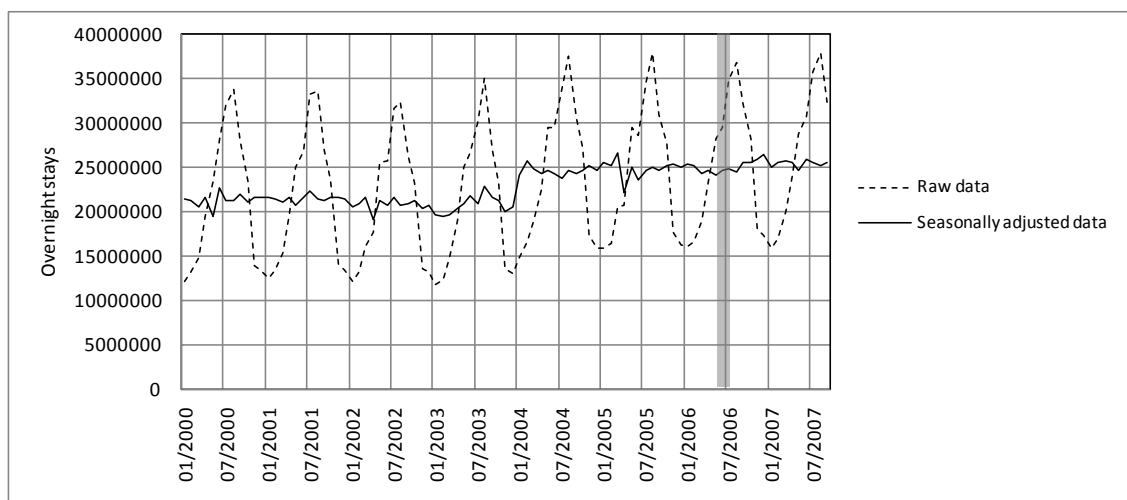
Germany spent R15.2 billion on stadium renovation and R21.6 billion rand on other infrastructural projects. Significantly, and contrary to the accepted norm, soccer clubs and private investors accounted for 60% of the stadium costs (Maennig and du Plessis, 2007). France famously spent a meager R4 billion renovating existing stadia and building the Stade de France to host the 1998 World Cup (Szymanski, 2002).

The economic benefits of mega sporting events are often the end product of increased tourist spend (and the multiplier effect thereof) and an increase in employment levels. It is important here to distinguish between the spend of residents and that of tourists. The economic impact of an event measures the change in economic activity on the host region which would not have occurred in the absence of the event. Resident spend represents a shift in spending patterns or the destination of the spend. It does not represent additional spend in the host economy.

Overnight stays

Figure 2.1 represents the number of overnight stays in Germany from 2000 to 2007 and shows a 3.5% and 0.5% increase from Jun 05 vs. Jun 06 and Jul 05 vs. Jul 06 respectively. Again, this must be viewed in context, as further examination reveals that German overnight stays had been growing at an average of 3.5% for ten years prior to the World Cup. By extension then, the 2006 World Cup attracted little or no additional tourists over and above the number that would have traditionally arrived.

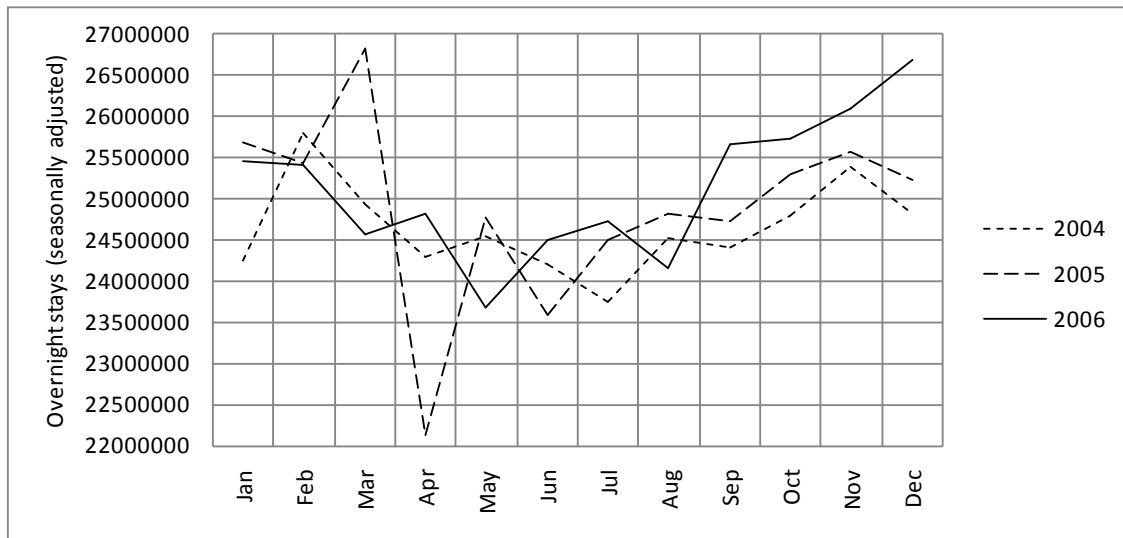
Figure 2.1: Overnight stays in Germany 2000 – 2007



Data origin: Eurostat: Nights spent by non-residents - monthly data, Hotels and similar establishments, Other collective accommodation establishments, Total; retrieved 14 December 2007.

Of even greater concern is figure 2.2 which reflects seasonally adjusted overnight stays in Germany for 2004 to 2006. The graph illustrates that the months of May 06 and August 06, i.e. immediately before and after the World Cup, recorded a decrease in the number of overnight stays compared to the same period in 2005. This could be the result of potential tourists either cancelling their visit to avoid the anticipated crowds (the crowding out effect) or changing the timing of the visit (time switching).

Figure 2.2: Seasonally adjusted overnight stays in Germany 2004-2006



Data origin: Eurostat: Nights spent by non-residents - monthly data, Hotels and similar establishments, Other collective accommodation establishments, Total; retrieved 14 December 2007.

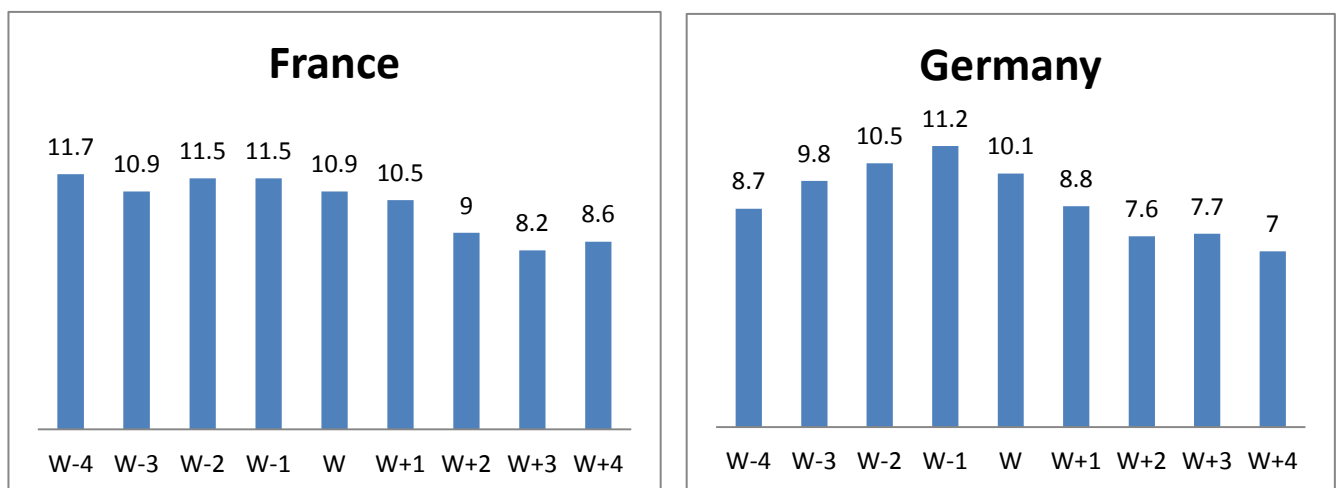
France 1998 was even worse and recorded lower overnight stay numbers during the actual World Cup. Jun and Jul 1998 was 1.2% and 0.2% lower than Jun and Jul 1997 respectively. It should be noted that both France and Germany are in Europe and while Europe has a traditionally strong soccer support base, it also allows unrestricted movement between the borders of individual Eurozone countries. This, coupled with an efficient public transport system and an abundance of low cost flight operators, greatly negates the need for soccer tourists to stay overnight.

The economic effect of tourism on the Soccer World Cup can be further examined by attaching a rand value to overnight stays and comparing the value of revenue generated by tourist to the host nation with the rand value that host residents spent abroad during the same period. Allmers and Maennig, (2008) found that although the net result for France 1998 and Germany 2006 was positive, it was “statistically insignificant” when expressed as either a monetary value or as a percentage of GDP.

Employment

Figure 2.3 represents the unemployment rates for France and Germany for a period four years before and four years after they hosted the World Cup. All figures are taken as at Jun of the respective year. While France recorded a slight improvement, it is concerning that the unemployment rate for Germany actually increased from 8.7% to 11.2% in the four years leading up to the event. The potential increased employment scenarios regularly touted by pre-event studies are normally attributed to the construction and renovation of stadia and hotels and other infrastructural projects, i.e. before the event. Theoretically then, these numbers should already reflect in the unemployment rates. It is however reassuring to note that both countries reflect improved unemployment numbers in the years following the hosting of the event.

Figure 2.3: Unemployment rates before, during and after the Soccer World Cup.



Source: <http://www.tradingeconomics.com>

2.9 Mechanisms employed

Economic impact studies are conducted by consultancy firms who profess to possess the necessary set of skills required to conduct the exercise. Ex ante studies attempt to quantify the economic impact of a future event. Given the number and extent of variables these studies are not an exact science and a certain margin of error is to be expected. What is however concerning is the scale of the miscalculation.

A pre-event study conducted on behalf of the USA Bid Committee concluded that the 1994 USA Soccer World Cup would positively impact on the US economy to the tune of R32 billion. A post ante study conducted by Matheson and Baade, (2004) concluded that the event actually resulted in a loss of R74 billion rand. The miscalculation thus amounted to R106 billion. Interestingly the same company who conducted the study for the 1994 event was commissioned to conduct the study for the 2018 / 2022 bid. Whether these miscalculations are the result of a deliberate and calculated process or the result of the naivety and inexperience of those conducting the study is open for debate. What has been identified is a number of mechanisms employed that often produce the exaggerated impacts associated with pre-event studies.

Including local residents

An economic impact study calculates the economic change in the host region which would not have occurred in the absence of the event. Assuming savings levels remain constant, any money spent by locals on the event does not signal an increase in economic activity, but rather represents the substitution of one type of spend for another. e.g. a family which normally spends R1000 per month on movies forgoes this activity and instead buys tickets to watch a soccer match during the World Cup. The R1000 spent on World Cup tickets does not represent an injection of additional revenue to the host country, but rather a substitution of one leisure activity for another.

Bearing in mind that the Soccer World Cup usually last six weeks and has traditionally been held in developed countries with higher disposable income levels, this erroneous inclusion of local resident spend significantly increases the direct economic impact. Crompton, (2006) referred to the inclusion of resident spend as “the most frequent mischievous procedure” in calculating economic impacts of mega events.

Generous use of the multiplier

While academics agree on the principle of the multiplier effect, “few things divide the economics profession more” than determining the size of the multiplier to use (Acconcia, Corsetti and Simonelli, 2011).

There are a number of factors that determine the size of the multiplier. These include the geographical size of the area being analysed, the proportion of imported goods, the marginal

propensity to consume, and the marginal savings rate. Calculating the multiplier is no mean feat under the best of circumstances and requires not only a significant amount of precise data, but also considerable skill and expertise in statistics or macroeconomics. The fact that there is no definitive, generally accepted formula that dictates the size of the multiplier, coupled with the difficulty in calculating it, has left the application of the multiplier effect open to abuse in economic impact studies.

The multiplier effect is not always positive. Studies conducted by Coates and Humphreys, (2004) found that under certain conditions, e.g. the construction of a stadium, the multiplier effect may move below one. This could occur where aggregate demand increases, but supply is inelastic. The net effect is that prices rise, driving up inflation which results in lower spending patterns all round.

Siegfried and Zimbalist, (2000) identified what they termed the “leakages and multiplier effect”. They argued that sports related leisure activity spend has a lower multiplier than non sports related spend and while substitution normally has a zero net effect, in this case it has a negative impact. The impact on the economic analysis is therefore two-pronged in that neither the substitution effect nor the lower multiplier is accounted for.

The multiplier effect uses the initial or primary round of spending as a base, assigns a multiplier value and then calculates secondary or indirect spend. This secondary spend is not infinite as a portion of each round of spending is “lost” to taxes and the spend on imported goods and services e.g. the accommodation spend at international hotels and companies where the profits are shipped offshore. Failure to account for these leakages further inflates economic analysis.

Szymanski, (2002) held that both capital and labour must have excess capacity in the local economy for the multiplier to be fully realised, arguing that the use of existing resources is a diversion of funds and not new and additional revenues to the local economy.

Ignoring the crowding out effect

Most economic impact studies use input output analysis which assume zero capacity constraints. These imply infinite elastic supply curves resulting in no crowding out effects and a situation where demand increase always results in only positive indirect effects (Swinnen and Vandemoortele, 2008). Economic impact analysis treats all visitors and their spend during the staging of the event as additional spend, ignoring one of the basic principles of an economic impact study, viz. the impact which would not have occurred in the absence of the event.

Crowding out refers to the phenomenon where regular holiday or business visitors postpone or cancel their visit. The reasons for the cancellation or postponement include inter alia, to avoid the crowds associated with the event, the difficulty in sourcing accommodation, or because of the inflated prices charged during the event. The number of foreign tourists during the event should not in itself be the primary concern. This number needs to be compared with the number of visitors during the same period the previous year to confirm whether there has in fact been an increase.

South Korea recorded the same number of visitors during the staging of the 2002 World Cup as during the same period the previous year. While the number of European visitors increased, it was offset by a similar reduction in the number of Japanese visitors. Hotels in Germany 2006 recorded lower occupancy rates than during the same period for 2005 with hotels in Berlin and Munich showing decreases of 11% and 14% respectively (Maennig and du Plessis, 2007).

While the crowding out effect recognises that regular visitors may avoid the host region during the event, the opposite is true for time switchers. Time switching refers to the situation where visitors change the timing of scheduled the visits to coincide with the tournament. This adds to the spend during the staging of the event, but subtracts from the spend that would have occurred outside the event. Germany recorded lower than usual tourist numbers for May and August 2006, i.e. the period immediately prior to and after the Soccer World Cup, possibly indicating the effects of time switching (Maennig and du Plessis, 2007). Ultimately then time switching effects a change in the timing of the spend, but has little or no effect on the total spend for the host region.

2.10 Developing nations

There is no technical, uniformly accepted definition for the term “developing nation”. However, given that both the IMF and the World Bank lists South Africa as a developing nation, the relationship between mega events and developing nations warrant further exploration.

Matheson and Baade, (2004) concluded that net gains from hosting mega-events are usually grossly over-estimated, and that in most cases, it is an even worse investment for developing countries. Uppal, (2009) argued that “though the benefits of hosting these events are dubious at best, the factors seem to work expressly against developing nations”. Modern infrastructure, stadia that meet the requirements of FIFA or the IOC, and state of the art telecommunications to broadcast the event internationally require significant capital expenditure. Coupled with the different socio-economic conditions between the two sets of countries, the implications of hosting a mega event are thus vastly different for developing nations as opposed to developed nations.

Infrastructural costs

Hosting mega sports events like the Soccer World Cup requires significant investment in stadia and infrastructure. South Korea spent R16 billion in stadium costs for the 2002 Soccer World Cup while Greece spent in excess of R8 billion on security for the 2004 Olympic Games (Matheson and Baade, 2004). The South African government capital expenditure on Soccer World Cup stadia peaked at R17 billion and infrastructural developments at R117 billion (Sunday Times, June 2010).

In contrast the USA spent less than R240 million in infrastructure improvements when it hosted the 1994 Soccer World Cup. Not only did the USA satisfy FIFA requirements with nine existing stadia, but it also had at its disposal an additional twenty existing stadia which also satisfied the FIFA requirements. Similarly France simply renovated existing stadia and built only one new stadium for the 1998 Soccer World Cup, keeping its infrastructural spend at under R4 billion (Matheson and Baade, 2004).

At R16 billion Germany’s spend on stadium renovation for the 2006 Soccer World Cup is almost identical to that of South Africa. A significant distinction however is that in Germany

60% of this cost was borne by the clubs and other private investors. The Germany World Cup related infrastructural spend came in at R21.6 billion, equating to less than 20% of the amount spent in South Africa. Preuss, (2004) in analysing financing models of the Olympic Games from 1972 to 2000 concluded that “in small economies and countries with a big public sector, the largest part of a mega sports event will normally be publicly financed.”

Menezes (2010) warned that developing nations also run the risk of “over-investing” on mega events and cited the cities of Cape Town who had increased accommodation capacity by 16 000 rooms by building an additional eight hotels and Klerksdorp who had invested in two new hotels. While these hotels may satisfy a demand during the Soccer World Cup, it remains unclear whether there will be sufficient demand after the event to sustain these additional hotels.

Opportunity costs

Firer, Ross, Westerfield and Jordan, (2004) defines opportunity costs as the most valuable alternative that is sacrificed when a specific investment is undertaken. Given that a developing country will typically have less infrastructural development than a developed nation, the opportunity cost of capital is much higher in developing countries. Both locally and internationally there has been considerable debate around whether the proposed benefits of hosting the Soccer World Cup justify the expense incurred. A common argument used by critics of the 2010 Soccer World Cup is that South Africa is a developing country and has more pressing social needs like housing, health care, education, etc.

In 2000 Nigeria drew widespread criticism when it spent R2.6 billion building a new national 60 000 seat soccer stadium. The cost of the stadium exceeded the combined national budget for education and health. At the same time Detroit, USA spent a similar amount building a new stadium to host the Detroit Tigers, an American major league baseball team. During the same period Japan was running up a R50 billion bill building stadia for the 2002 Soccer World Cup. While they all spent an exorbitant amount, only Nigeria, the one developing nation in this example came in for extensive condemnation, perhaps reflecting the international community realizing that the opportunity costs was much higher for Nigeria than the other two.

Shaffer et al., (2003) concluded that economic impact studies do not take into account the opportunity costs of mega sporting event expenditures and cautioned that impact studies “treat all spending as having a positive impact; they do not differentiate between money spent to build a new hospital, sports facility, or dig a hole in the ground.” It could be argued that stadium construction is a Keynesian attempt to stimulate the economy and provide employment. This is however countered by Siegfried and Zimbalist, (2000) who found “no statistically positive correlation between sport facility construction and economic development.

Ability to attract fans

Developed nations traditionally have better infrastructure in terms of transport, quality accommodation, communication methods, safety and security, etc. It is exactly for these reasons that they are able to attract greater numbers of fans to attend mega events. Concerns relating to any of the above have a negative impact on the economic impact of the event. Matheson and Baade, (2004) concluded that a country’s level of economic development is an important factor when prospective foreign visitors decide whether to attend a mega event or not.

During the 2003 cricket World Cup the English cricket team was scheduled to play against Zimbabwe in Harare. Citing safety concerns, the English forfeited the match and the possible points. South Korea and Japan are both listed as developed nations. However in 2002 when they jointly hosted the Soccer World Cup the Japan per capita purchasing power parity (PPP) was R210 696 compared to that of South Korea of with R150 864. Discouragingly the South Africa figure for 2010 is a paltry R4 208 ([indexmundi \(nd\)](#)).

Interestingly Japan recorded match attendance figures at 89% capacity, while South Korea recorded figures of 79% capacity. These figures become more pronounced when matches featuring home teams are excluded. The figure in Japan stayed the same, but South Korea slumped to 73% stadium capacity. South Africa, at the tip of Africa, had the added disadvantage of being geographically far from most of the developed world. The Thornton and Feinstein study originally projected 483 000 World Cup specific foreign visitors. By April 2010 this number had been downscaled to 373 000 World Cup specific foreign visitors. The combined number of foreign arrivals for the period June and July 2010 showed an

increase of 272 800 over the same period in 2009. This is the total increase, i.e. it includes both World Cup specific and non-World Cup visitors.

Economic impact is directly related to the number of visitors the event is able to attract and the rand value spent by them. The inability of developing nations to attract fans with the same degree of success as developed nations, has a negative bearing on the overall economic impact.

Under utilisation of stadia after the event

Initial stadium construction and the later maintenance thereof is an expensive undertaking, often amounting to billions of Rands. Given that the Soccer World Cup lasts approximately six weeks, the long term economic viability of purpose built soccer stadia are heavily reliant on its profitable use after the event. Kunene, (2007) held the view that government investment in stadia infrastructure would yield a poor return on that investment and argued for greater private participation in the funding of stadia infrastructure, in particular club owners who could derive additional revenues from the stadia post the World Cup.

Stadium construction is often driven by political or non-sport agendas (Horne and Manzenreiter, (2002), Alegi, (2008), Schoonbee and Brummer, (2010)). Sole, (2010) suggests that political interference and the vested interests of high ranking officials is the reason behind a controversial decision to move “from a R54 million revamp of Durban’s Kings Park Rugby stadium – as presented in the South African bid book – to the expensive white icon that is Moses Mabhida,” Bohlmann (2006) argued that irrespective of the original motivation, stadia must be financially viable in the long run.

South Korea spent R16 billion constructing 10 state of the art World Cup specific stadia for the 2002 Soccer World Cup, (Choo, 2002). Of these, only five have anchor tenants and some have already been demolished to defray maintenance costs. Even though the stadia have a minimum 40 000 seating capacity, soccer matches in South Korea and Japan average 3000 and 16 000 spectators respectively. It is therefore difficult to see how these stadia will be profitably operated.

Table 2.2 shows how South Africa spent almost R17 billion renovating existing stadia and constructing new stadia for the 2010 Soccer World Cup, a far cry from the R2 billion originally quoted in SAFA's original bid documents.

Table 2.2: Soccer World Cup Stadia

Stadium	City	2006 estimate	Final cost estimate	% increase
Green Point	Cape Town	R1.6bn	R4.4bn	175%
Moses Mabhida	Durban	R1.9bn	R3.4bn	79%
Mbombela	Mpumalanga	R900m	R1.07bn	19%
Peter Mokaba	Polokwane	R800m	R1.3bn	62%
Nelson Mandela Bay	Port Elizabeth	R1bn	R2.1bn	110%
Soccer City	Johannesburg	R1.6bn	R3.4bn	112%
Ellis Park	Johannesburg	R100m	R500m	400%
Royal Bafokeng	Rustenburg	R100m	R300m	200%
Loftus Versfeld	Pretoria	R100m	R100m	-
Total		R8.3bn	R16.57bn	98%

Source: Sunday Times, 6 June 2010

The new stadia built are Green Point Stadium, Moses Mabhida Stadium, Nelson Mandela Bay Stadium, Mbombela Stadium, and the Peter Mokaba Stadium. Amid allegations of political inference, the Green Point and Moses Mabhida stadia were erected within close proximity of existing rugby stadia which easily met FIFA's seating capacity requirements. Again, the opportunity costs of these stadia must be questioned.

While the stadia have heaped praise for their architectural design and technical expertise, it does not detract from the fact that there is a very real danger that they could become white elephants. For all their iconic status, these stadia are only feasible if they satisfy a specific and sustained demand after the hosting of the event (Bohlmann, 2006). Although soccer is the most popular sport in South Africa, it fails to attract significant numbers of spectators to the stadia.

Table 2.3 illustrates that even though soccer is the most popular sport in a country with a population of approximately 50 million people, there is very little support at the games themselves. The downstream effect of this is that revenue generation via ticket sales, advertising at the stadium, parking, beverages, and stadium sponsorship is extremely limited.

Table 2.3: Average football attendance

Team	Home City	Home Stadium	Avg. attendance figures
Kaizer Chiefs	Gauteng	Soccer City	15 929
Mamelodi Sundowns	Gauteng	Loftus	12 714
Orlando Pirates	Gauteng	Ellis Park	12 500
Black Leopards	Polokwane	Peter Mokaba	11 500
Bloemfontein Celtic	Free State	Seisa Ramabodu Stadium	6 714
Maritzburg United	KZN	Harry Gwala Stadium	6 357
Bidvest Wits	Gauteng	Bidvest Wanderes	5 380
Ajax Cape Town	Cape Town	Green Point Stadium	4 500
Supersport United	Gauteng	Loftus	4 375
Free State Stars	Free State	Charles Mopeli Stadium	3 263
Santos	Cape Town	Athlone Stadium	3 007
Moroka Swallows	Gauteng	Dobsonville Stadium	2 875
Golden Arrows	KZN	Chatsworth Stadium	2 857
Amazulu	KZN	Moses Mabhida Stadium	2 625
Jomo Cosmos	Gauteng	Makhulong Stadium	2 425
Platinum Stars		Royal Bafokeng stadium	1 992
Total avg. per game			6 188

The stadia are not only problematic from an income perspective. Stadia have high maintenance costs in terms of the upkeep of the grounds, electricity, labour, etc. Annual maintenance costs for the newly built stadia range from R14m Mbombela, R23m Peter Mokhaba, R21m Nelson Mandela Bay, R24m Moses Mabhida, and R46.5m Green Point. While existing stadia would have had maintenance costs, the maintenance costs of the newly built stadia is a new, additional cost to the relevant municipalities.

Filled to capacity sports stadia will generate sizable revenue during the hosting of the mega event. However a key determinant of whether building the stadium was a sound investment is

the profitable use after the event. Sports entertainment is a luxury item, the supply of which has to be tempered against the lower disposable income levels of residents in developing nations. Even then, revenue generated by a new stadium after the event merely reflects a realignment in spending patterns. Baade, (2001) concluded that rather than bring about a change in economic activity, professional sports merely realigns spending within a community. Change in economic activity can only be achieved by increasing overall spending.

Factors in favour of developing nations

While there are many factors that work against developing nations, there are some factors that do favour developing nations hosting mega sporting events.

Developing nations generally have lower average salaries resulting in reduced labour component operating and infrastructural costs. Excluding infrastructural costs, Beijing spent R13 billion on the 2008 Beijing Olympics. This is considerably less than the 2000 Sydney Olympic Games (R2.8 billion) and the 1996 Atlanta Olympic Games (R19.2 billion). An additional bonus is that it does not impact on the higher disposable income, foreign tourists' ability to spend (Matheson and Baade, 2004).

Mega events also often provide the impetus or motivation for otherwise reluctant public officials to prioritise infrastructural development. The Gautrain, was not part of World Cup specific projects, but contractors were pressurised to have at least some parts of the Gautrain ready for the World Cup. Similarly major road upgrades which Gauteng residents had been requesting for a considerable period were prioritised to accommodate the additional tourists. Portugal spent R35.2 billion to host the 2004 Euro soccer tournament. Of this only R3.6 billion was events specific. Preuss (2002) said the infrastructural projects associated with hosting mega sporting events can potentially speed up a country's development process by up to decade.

Developing nations traditionally have higher unemployment rates, resulting in a relatively cheap supply of semi-skilled and unskilled labour. The opportunity costs of labour therefore moves close to zero in these high unemployment economies. High unemployment also decreases the occurrence of labour migration. An economy that operates either at or near full employment will necessitate the "importation" of temporary labour during the event.

Although a portion of these salaries will be spent in the local economy, the bulk will be transferred outside the local economy reducing the multiplier effect.

2.11 South Africa

Prior to submitting a bid to FIFA in September 2003 the South African World Cup Bid Company, contracted accounting and consulting company Thornton and Feinstein to prepare a draft assessment of the 2010 World Cup on the South African economy. The assessment found that the World Cup will add R21.3 billion to the South African economy, generate an estimated R12.7 billion in direct spending, add R7.2 billion to government in the form of taxes and create an estimated 159 000 new jobs, concluding that the event would result in have “significant direct and indirect economic benefits,” (Thornton and Feinstein, 2003).

In a 2007 reassessment they concluded that the event would create in excess of an estimated 194 000 new jobs and add R51 billion to GDP for the period 2006 to 2010. The GDP figure was made up of R30 billion in direct expenditure plus the multiplier effect of the total indirect impact on the rest of the economy (Mabugu and Mohamed, 2008).

Because of its inclusion in the bid book the Thornton and Feinstein study has become synonymous with the “official” impact analysis. A number of scholars have however raised concerns about what Bohlmann, (2006) termed the “over-optimistic view taken in the study” while Menezes, (2010) concluded that the study was “fundamentally flawed, and hence the figure that was derived is not a reliable reflection of the probable net economic impact”. The study made key assumptions in its identification of direct expenditure categories:

- “Spend at the event by domestic and international spectators;
- Trip spend by domestic and international spectators, teams, VIP’s, sponsors and the media;
- Other spends on sponsorships, merchandising and concessions and the FIFA conference; and
- Capital expenditure on stadia and infrastructure”

Bohlmann questioned the multipliers used to obtain some of the results on the employment and income figures arguing they were overly optimistic. Given that the bulk of employment

created would occur in the construction sector, together with the open nature of the economy, high leakages should be expected. The inclusion of resident spend in particular was singled out for criticism as it “would not directly add to the overall GDP of the country.” The inclusion inflates the initial round of spending. Applying a generous multiplier on top of that merely compounds the problem and could go some way in explaining the optimistic outcome of the study. Szymanski, (2002) cautioned that the concept of multipliers was extremely powerful and easily abused.

Menezes, (2010) argued that while the revenue generated by sponsorship and merchandising would indeed be significant, the percentage of this revenue that would remain in South Africa, and therefore impact on GDP, would be insignificant. In terms of the contract entered into between FIFA and the host nation “all marketing rights are owned solely and without restrictions by FIFA and that FIFA can exploit the marketing rights without restriction.” Major sponsorship and marketing rights were awarded to international giants such as KIA, Samsung, Budweiser, so while the Soccer World Cup does create a marketing opportunity, the benefits that could accrue to local companies is severely limited by FIFA’s stringent enforcement of its marketing rights.

Incredulously in 2008 Grant Thornton raised its 2007 estimates, predicting net GDP contribution of R55.7 billion and 415 000 new jobs (Financial Mail Campus, 2009). This was in spite of concerns surfacing around ever increasing stadium and infrastructural costs. The 2003 study assumed total tangible government costs of R2.3 billion (R1.8 billion for stadia and R500 million for infrastructure). This was in spite of an initial budget of R2.5 billion for the construction of the Green Point stadium alone (Business Day 2007). Menendez (2010) further criticised the inclusion of stadium and infrastructural costs in the study, citing the contention by Matheson and Baade, (2004) that government spending, like that of resident spending, represented nothing more than a mere “sectoral shift of expenditure and does not positively contribute to GDP.” Menendez argued that the ever increasing estimates in spite of the spiralling costs brought the integrity of the study into question.

Bohlmann and van Heerden, (2008) conducted a separate economic impact study and posited that funding for the capital expenditure would have to be achieved via increased taxation. Table 2.4 highlights key findings under two different tax scenarios. Assuming a 1% increase in tax, GDP growth would be negligible, increased demand would lead to increased prices,

and alarmingly it would, although very slightly, raise unemployment. However a 0.5% tax increase results in both GDP growth and employment move in the right direction, although we still see price inflation. These gains were found to be driven mainly by unskilled unemployed resources. As expected the main beneficiaries would be the hospitality, communications, transport, and constructions industries.

They did however caution against significant GDP growth in the short term. Also, although employment may spike during the construction phase, these jobs would not be sustainable and employment would stay unchanged.

Table 2.4: Percentage change in key figures

	Low tax	High tax
% change in real GDP	0.69	0.08
% change in employment	0.72	-0.35
% change in consumer prices	1.21	1.24

Matheson, (2006) argued that the sheer size of the difference between economic studies of the same event must bring into question the validity of economic impact studies themselves. The Thornton and Feinstein study estimated GDP growth of R51 billion, the Bohlmann and van Heerden, (2008) study estimated GDP growth of R16 billion, while that of Mabugu and Mohamed, (2008) estimated GDP growth at R163 million. In addition he argued that the relative size of some of the estimates begs belief, pointing out that the estimate for R51 billion impact represented 4% of the South African GDP. Ex ante and ex post estimates for the 2006 German World Cup ranged between 0.2% and 0.7% GDP growth.

In a cost benefit analysis Menezes, (2010) found the Soccer World Cup world has no impact on the South African economic growth rate nor would the event return any significant short terms economic gains. On the contrary, South Africa could expect short term inflation, while stadium maintenance was also listed as a “significant long term concern”. On a positive note the report did find that the crowding out effect would be diminished by the increased spending patterns of World Cup specific visitors.

A study conducted by Mabugu and Mohamed, (2008) found a GDP increase of R163 million driven by increased consumption, which in turn is a result of higher household incomes. The

increased consumption together with the government induced capital expenditure would see imports rise by 1.14%, resulting in a balance of trade deficit. Interestingly the study predicted that the exchange may actually appreciate.

Because of the construction industry bias towards low or semi-skilled labour, low income household would benefit most from increased employment effects, while high income households will benefit most from unearned income. Although overall household income was predicted to rise by 0.42%, low income households would have the lowest increase while high income households would benefit most. From a racial perspective blacks would benefit the most followed by coloureds and whites and then Indians, based on their respective representation in the construction industry.

Interestingly, the FIFA Inspection Group in 2004 commented that if the Soccer World Cup were to start “on the date of submission of this report, three stadia in South Africa would easily be suitable for the 2010 Soccer World Cup”. These were Newlands stadium in Cape Town, Ellis Park in Johannesburg, and Kings Park in Durban. “Furthermore, five stadia would have to undergo partial refurbishment to qualify” as Soccer World Cup stadia viz, Free Park Stadium in Bloemfontein, Loftus Versveld in Pretoria, Royal Bafokeng in Rustenburg, Oppenheimer Stadium in Orkney, and Soccer City in Johannesburg (Inspection Group Report for the 2010 FIFA World Cup, 2004). Disturbingly, two of the “easily suitable” stadia were not used (Newlands and Kings Park). Instead two completely new stadia (Greenpoint and Moses Mabida) with a combined cost of R7.8 billion were built within close proximity of the FIFA approved stadia.

In a Fin24 article Szymanski (2009) called the 2010 Soccer World Cup a "shocking waste of South Africa's resources" saying that the costs would outweigh the benefits. Szymanski argued that with the country already a top flight tourist destination South Africa would experience a crowding out effect with World Cup tourist merely replacing regular tourists. South Africa as a developing country could have spent the billions invested in stadia and other infrastructural projects on more pressing social needs. (Fin24, 2009).

2.12 Summary

This chapter examined the existing literature on mega sports events and economic impacts studies. Cornelison, (2004) held the view that only two events namely the Olympic Games and the Soccer World Cup qualify as mega sporting events. Various scholars posit that the economic impact of an event is the revenue that accrues to the host nation which would not have accrued to the local economy in the absence of the event.

Although in the minority, there are academics who agree that hosting mega sporting events have a significant and positive economic impact on the local economy. These include Hall, (1989), Kang and Purdue, (1994), Getz; (1997), Thornton and Feinstein; (2003) and Madden; (2002). Studies conducted by Kim et al. (2004), Swart and Bob; (2010), and Pillay et al. (2008) indicate that local residents also perceive the events as having a positive economic impact. Benefits of hosting the events revolve around improved infrastructure, increased employment, increased tourists and higher tax revenues.

There are however researchers such as; Szymanski, (2002), Matheson and Baade, (2004), Lee and Taylor, (2005), Allmers and Maennig (2009), who maintain that not only do mega sporting events have little or no economic impact on host economies but they very often result in substantial financial burden for the host region. It is further argued that ex ante economic impact studies are often inflated by event organisers to justify state sponsorship and public buy-in of the event.

The Soccer World Cup in itself is highly profitable and generates billion of rand in revenue. However the revenue generating components of the World Cup is held by FIFA, football's controlling body. The host nation thus incurs the cost (infrastructure, stadia, security, etc) while FIFA reaps the benefits.

The literature study revealed a number of mechanisms employed during the compilation of an economic impact study that results in inflated financial projections. These include the inclusion of the spend of residents, ignoring the impact of the crowding out effect and the abuse and over generous use of multipliers.

The developmental state of the host nation also affected the economic impact of mega sport events. Factors against developing nations include higher infrastrucutral costs, greater opportunity costs, smaller ability to attract fans and the under utilisation of stadia after the event. Factors favouring developing nations included lower average salaries and an abundant supply of cheap labour.

The literature review has examined existing theories and arguments related to the impact of mega sporting events. As stated in chapter one this research seeks to add to this body of knowledge. Chapter three outlines the research methodology employed in satisfying the objectives and answering the research questions posed in chapter one.

CHAPTER 3

RESEARCH METHODOLOGY

3.1 Introduction

Cooper and Schindler, (2005) argued that research methodology was vitally important and the selection thereof was one of the most significant issues facing the researcher. Creswell, (2003) defined research methodology as the procedural rules for the conducting of research while Sekaran, (2003) referred to research methodology as “academia’s established regulatory framework for the collection and evaluation of existent knowledge for the purpose of arriving at, and validating, new knowledge”. The research methodology connects the data to the research objectives and research questions and defines the manner in which the research objectives are satisfied, (Punch, 2000).

This chapter will outline the research methodology employed in satisfying the objectives and answering the research questions posed in chapter one. It will provide a brief overview of both quantitative and qualitative design, and the justification for the identification of quantitative design as the most appropriate method to answer the stated research questions.

The next section will cover the questionnaire design and administration. Different quantitative methodologies will be compared and again, justification for selecting the survey method for data collection will be presented as well as an explanation detailing the design and administration of the questionnaire. This is followed by a discussion around the importance of validity and reliability, the sample size, ethical considerations and the limitations of the research.

3.2 Research Philosophy

The research philosophy governs the manner in which data is gathered, analysed and used. The two major research philosophies are quantitative, also referred to as scientific, and qualitative (Galliers, 1992).

Quantitative Research

Proponents of quantitative research argue that reality is stable and can be objectively observed and described without interfering with the phenomena being studied. Phenomena should be isolated and the results obtained should be able to be duplicated under the same conditions. Predictions can thus be made based on what was previously observed and explained.

Quantitative research quantifies the relationship between variables in order to explain, predict and control phenomena (Hopkins, (2008), Leedy and Ormrod, (2005). Quantitative research is the “numerical representation and manipulation of observations for the purpose of describing and explaining the phenomena that those observations reflect,” (Sukamolson, 2010). Creswell, (2003) described quantitative research as the explanation of phenomena by collecting numerical data and then interpreting that data using statistics. Quantitative research observes phenomena in its natural state and collects data from a random sample representative of the general population. Numerical values are assigned to the collected data which is then analysed using statistical models. Interpretation of the analysed data leads to the formulation of new theories that is transcribed to the general population.

Within quantitative research there are two methodologies, namely descriptive and experimental. In a descriptive study subjects are measured once with the researcher being an objective outsider. In experimental studies subjects are measured, there is then an intervention by the researcher and the subjects are then measured again. Descriptive studies can only establish relationships between variables whereas experimental studies can also infer causality.

Qualitative Research

Qualitative researchers hold the view that there are distinct differences between the natural world and the social world and that the methodologies applied to the study of one is not necessarily applicable to the study of the other. Whereas positivism will (or should) consistently return the same results for a specific action, humans interpret stimuli differently and will not necessarily return the same response for a given set of stimuli. Whereas quantitative research is concerned with reducing phenomena to numerical values, qualitative research focus more on why people behave in a certain way.

There has been considerable debate with regards to the specific merits and demerits of each philosophy (Anthony, (2009), Mandelbaum, (2009), Bryman, (1984)). This study will not add to that debate except to say that neither philosophy is inherently better or worse than the other. The guiding principle in the selection of the philosophy is identifying which is best suited to answer the prescribed research objectives and questions. In addition, the two competing philosophies are not mutually exclusive and can, under the direction of a seasoned researcher, complement each and strengthen the research paper (McQuarrie, 2005).

3.3 Research Design

Research design includes strategic decisions about the methods used to collect the required data, the specific instruments to be used, the sample from which data will be collected as well as the organization and analysis of the collected data (Aaker, Kumar and Day, 2004). This research used a two stage research design, combining both exploratory and descriptive research to adequately address the objectives and research questions identified in chapter one.

Exploratory research was conducted via a literature review to gain a better understanding of the subject matter. A thorough examination of secondary data is a prerequisite to the collection of primary data (Malhotra, 1996). The literature review included information regarding the economic impact of mega sporting events, the role that FIFA plays in generating and disbursing revenues for the Soccer World Cup, the common mechanisms used to inflate economic impact projections, the obstacles faced by developing nations in hosting mega sporting events and more specifically the obstacles and experiences of South Africa hosting the 2010 Soccer World Cup. The information gained from this was then used to inform the research objectives and the research questions. The exploratory research also guided the design of the questionnaire.

Quantitative descriptive research was then conducted to answer the research questions. Descriptive research, also known as observational research, gathers data describing the current state of the phenomena, i.e. an examination of the situation as is. In descriptive research phenomena is studied without interference from the researcher; a key component being objectivity. Descriptive research is also useful for exploring possible correlations between different variables. It should be noted that descriptive research can only describe the

data collected. It cannot infer causal relationships between variables (Aldrich, 1995). As stated by Leedy and Ormrod, (2005) “correlation does not, in and of itself, indicate causation.”

3.4 Questionnaire Design and Administration

The questionnaire served as the tool through which raw data was collected. It was therefore essential that the collected data spoke to the research objectives and research questions. To this end identifying the data required to satisfy the research objectives was prioritised. The questionnaire was then designed to illicit responses relevant to the research questions stipulated in chapter one, namely:

1. Do senior managers at Bidvest Rental and Products believe the 2010 Soccer World Cup had a positive economic impact on the South African economy?
2. Did the World Cup have a positive economic benefit for individual branches?
3. Did the 2010 Soccer World Cup lead to increased employment at Bidvest Rental and Products?
4. Will the World Cup infrastructural developments benefit South Africa in the future?

The questionnaire was divided into three parts.

1. Part one (questions 1 to 4) identified demographic factors
2. Part two (questions five to eighteen) – a five point Likert scale from strongly agree to strongly disagree was used to measure respondents’ perceptions of the World Cup. The Likert scale facilitates the coding of responses for data analysis.
3. Part three (questions 19 and twenty) were two open ended questions designed to identify whether there were factors shared by the majority of respondent and not covered in the previous questions.

Three measurement types were used, namely nominal, ordinal, and interval. Nominal scales (question 2) are used where a value has no intrinsic ranking. Ordinal scales (questions 1, 3 and 4) indicate respondent characteristics and allows for the calculation of medians, percentiles, correlation, etc. Interval scales indicate “differences in the degree of a characteristic or statement along a continuum” (Zhao, 2006). The Likert scales (questions 5 –

18) were treated as interval scales in line with the arguments put forward by (Bagozzi, (1996), Zhao, (2006), and Aaker, et al. (2004)).

3.5 Data Collection Method

Saunders, et al., (2000) advocated that the survey is most suitable technique to gather primary data in descriptive research and allows for the identification and description of variability in different phenomena. In addition the survey “is not only simple to administrate, provides relatively reliable data with a highly limited research budget and time, reduces variability between different interviewers but also ease for coding, data treatment and interpretation” (Malhotra, (1996), Baines and Chansarkar, (2002)). Having selected the survey method, the next step was to identify the data collection method.

Table 3.1 compares different survey methods and illustrates that each method has its unique advantages and disadvantages under different conditions and none is superior in all situations. Choosing the method most appropriate for a specific research paper is dependent on the research objectives and constraints (Malhorta, 1996).

Comparing the advantages and disadvantages of the various methods highlighted a number of significant factors which impacted on the decision to use the email method. These included:

- It was efficient in terms of both cost and time,
- It overcame the obstacle of reaching a geographically diverse group. Bidvest Rental and Products has in excess of fifty offices across South Africa. The emailed questionnaire was therefore the most effective and efficient method of obtaining responses,
- It afforded respondents an opportunity to apply their minds and where necessary access information before answering questions. However because the respondents were aware of the chief executive’s involvement responses were received within a few days with minimal need for follow-up reminders and
- It avoided researcher bias in data collection.

Table 3.1: Comparison of survey methods

Dimension	Email	Snail mail	Telephone	Personal
Complex questionnaires	Poor	Poor	Good	Excellent
Control of data collection environment	Poor	Poor	Fair	Excellent
Control of interviewer effects	Excellent	Excellent	Fair	Poor
Cost	Excellent	Fair	Good	Poor
Diversity of questions	Fair	Fair	Poor	Excellent
Followup	Poor	Excellent	Excellent	Poor
Geographically dispersed sample	Excellent	Excellent	Good	Poor
Item non-response	Poor	Poor	Excellent	Excellent
Interviewer probing and explanation	Poor	Poor	Good	Excellent
Obtaining sensitive information	Good	Good	Fair	Fair
Quantity of data	Fair	Fair	Good	Excellent
Respondent anonymity	Excellent	Excellent	Fair	Poor
Respondent co-operation	Poor	Poor	Good	Excellent
Opportunity to think about questions	Excellent	Excellent	Poor	Poor
Response rate	Fair	Fair	Poor	Good
Sample control	Poor	Fair	Good	Excellent
Scheduling requirements	Excellent	Excellent	Fair	Poor
Speed	Excellent	Poor	Excellent	Fair
Total excellent count	7	6	3	8

Source: Zhao (2006)

3.6 Interview Strategy

The problem statement dictated that interviewees be drawn from senior management level at Bidvest Rental and Products. These individuals were subsequently identified and contact was then initiated via an introductory email outlining the proposed research. This introductory mail also mentioned that the questionnaire and the overall study had been approved by the divisional chief executive. This went some way towards achieving a number of goals:

1. It prepared the respondents for the questionnaire that followed a few days later,
2. It provided a sense of security. The respondents were safe in the knowledge that the questionnaire had been approved by the chief executive and that they were not transgressing any company policies, and

3. One of the disadvantages of the email method is that respondents may not answer timeously or may ignore the questionnaire altogether. The introductory mail ensured a high level of compliance.

The interviewees consented on the strict understanding that confidentiality would be guaranteed both in terms of the different companies that comprise Bidvest Rental and Products as well as the individual interviewees themselves.

3.7 Validity and Reliability

Validity and reliability of the measuring instruments affect not only the extent to which new knowledge is gained from the phenomena being studied, but also the probability that data analysis will yield statistical significance and the extent to which meaningful conclusions can be drawn from the collected data (Leedy and Ormrod, 2005).

Validity refers to the degree to which the research instrument measures what it claims to measure (Davis and Cosenza, (1993), Joppe (2000) and Golafshani (2003)) added that validity is a measure of how truthful the research results are.

Ensuring the validity of the research started with the design of the questionnaire. The questions were designed so that the resulting data would specifically answer the research questions. The use of the Likert scale also facilitated validity in that there were no right or wrong answers, merely degrees of agreement or disagreement. Since respondents completed the questionnaire in their own time there was little opportunity to influence responses.

Reliability refers to the extent to which the results of the study can be reproduced under a similar methodology (Joppe, (2000) and Golafshani, (2003)). Miller (2012) stated reliability is the consistency of an individual's responses on a questionnaire over time and further cautioned that reliability does not necessarily infer validity. For example, a questionnaire that asks whether respondents support the death penalty may consistently return the same results and thus pass the reliability test. However if the research question was whether there was a correlation between class size and pass marks, it would fail the validity test.

3.8 Sampling strategy

Leedy and Ormrod (2005) said “nowhere is sampling more important than in survey research” and population and sample size are vital determinants in the success or failure of the research study. Malhorta (1996) and Zhao (2006) argued that determining the sample size was essential if the research objectives were to be satisfied. The population consisted of all senior managers at Bidvest Rental And Products. Senior managers is defined as general managers and higher and includes regional managers, financial managers, and all directors. The total number of people is 52. Gay and Airasian, (2003), and Leedy and Ormrod, (2005) state that for populations smaller than 100 the entire population should be surveyed. The sample size for this paper is thus the population as described earlier. Given the above, non-probability sampling was used.

3.9 Data Analysis

Data analysis was conducted using the Statistical Package for Social Sciences (SPSS). Data analysis is discussed in greater detail in chapter four.

3.10 Ethical Consideration

Ethics in research has come under increased scrutiny in recent times (Best and Kahn, (2006), Field and Behrman, (2004)). Leedy and Ormrod (2005) list four categories of ethical issues in research namely protection from harm, informed consent, right to privacy and professional honesty.

In this study the risk of physical harm was minimal. However harm in this sense includes emotional or psychological harm like anxiety, humiliation, discomfort and lowered self esteem. Because anonymity was guaranteed, even from the higher echelons at Bidvest Rental and Products, respondents were more at ease and less like to feel intimidated.

Informed consent was sought from all respondents. Respondents were informed that participation is voluntary and they had the right to refuse. They also had the right to withdraw at any time. Potential subjects received an informed consent form detailing the following:

- A concise description of the study,
- A description of what involvement entails,
- Consent was voluntary and may be withdrawn at any time,

- A guarantee of anonymity,
- The researcher's name and contact details, and
- A contact person should they have concerns re the study.

Because of the potential sensitive nature of the completed questionnaires a further commitment was made to senior management that the data would be used for academic purposes only.

All findings were reported honestly and neither the data nor the findings were manipulated.

3.11 Research Limitation

Time and financial constraints limited this study to a small sample within a much broader business sector. One of the paradigms of descriptive quantitative research is that the results derived from a representative sample is transferable to the broader population. However generalisation to other service companies should be treated with due consideration for factors not taken into account in the study like organisational culture, financial state, corporate strategy, etc.

3.12 Conclusion

This chapter outlined the procedural steps used in conducting the research. The two broad research philosophies were identified as quantitative and qualitative. A brief overview of both methodologies was conducted and justification for quantitative research was given.

The research design was introduced and the rationale behind a two phase design including exploratory and descriptive quantitative research was given. A detailed explanation of the questionnaire design and reasons for selecting the survey method and for data collection was provided. This was followed by explanations on validity and reliability, population and sample size and ethical considerations and how these were addressed in the research study. The chapter concluded with a brief outline of the research limitation.

CHAPTER 4

DATA ANALYSIS AND INTERPRETATION OF RESULTS

4.1 Introduction

The previous chapter outlined the methodology used for collecting the raw data. This chapter describes the process of preparing the data, the analysis of the data and the interpretation of the data.

Data coding involves the process of converting raw data into a form appropriate for data analysis. Each possible response to questions posed in the questionnaire was assigned a code. The questionnaire comprised mostly of closed questions with only two open ended questions. This predominant use of the Likert scale limited the possible answers to the questions posed in the questionnaire, thus facilitating the coding process. A matrix summarising the results was then compiled.

The data from the matrix was then coded and captured in SPSS (Statistical Package for Social Science) version 20, for Windows and used for descriptive and inferential analysis. The results from the data analysis are presented with the aid of tables, pie graphs and bar charts. The findings of the research are discussed with relevance to the literature on the economic impact of mega sporting events. By interpreting the statistical analysis of the data collected, the extent to which the research objectives are met and the research questions are answered is demonstrated.

Although 52 questionnaires were distributed only 37 completed questionnaires were initially returned. Follow up calls resulted in the return of an additional 7 completed questionnaires, bringing the final tally to 44 completed questionnaires. No investigation was done to identify the reasons for the non-return of the remaining 8 questionnaires.

The relatively high response rate can be ascribed to the tacit knowledge that the research study had the approval of the chief executive at Bidvest Rental And Products. This was a sufficient number to conduct the analysis required for this research. The results are presented in tables and figures format which are easy to understand.

4.2 Research Objective One

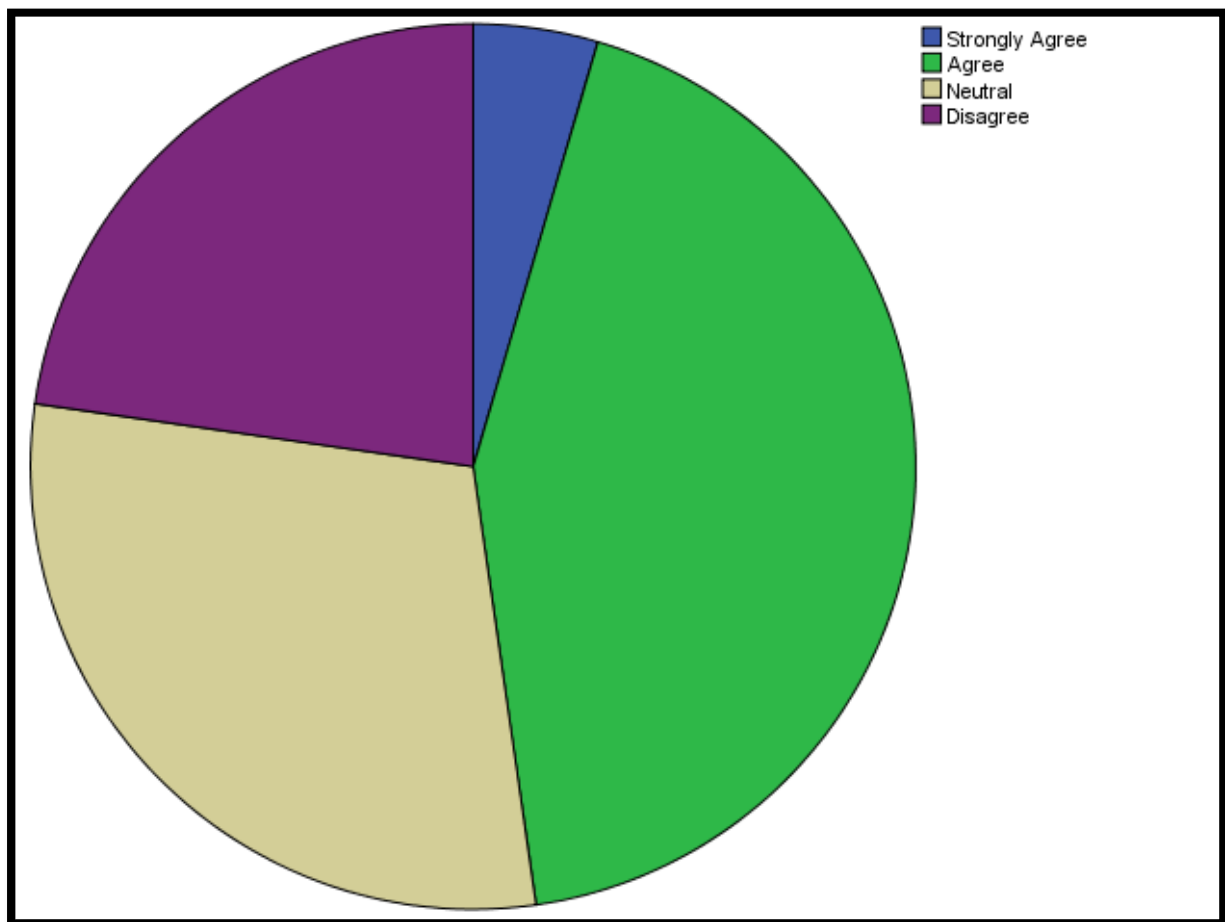
Research objective one set out to determine whether senior managers at Bidvest Rental and Products believe the 2010 Soccer World Cup had a significant, positive impact on the South African economy.

The literature review found that the majority of researchers were of the view that mega sporting events had little or no significant and positive impact on host economies. This was further reinforced by the absence of post ante studies confirming ex ante predictions. From the questionnaire the following questions relate to the research objective:

- The local economy benefitted from the 2010 Soccer World Cup,
- The economic benefits for South Africa justify the economic costs that the country incurred,
- South Africa overspent on the World Cup, and
- The money spent hosting the World Cup should rather have been spent on education and health.

Figure 4.1 reveals the results from the statement the local economy benefitted from the 2010 Soccer World Cup. The largest percentage of the respondents fell in the agreed with (43.2%), followed by neutral at (29.5%), disagree at (22.7%), and strongly agree at (4.5%).

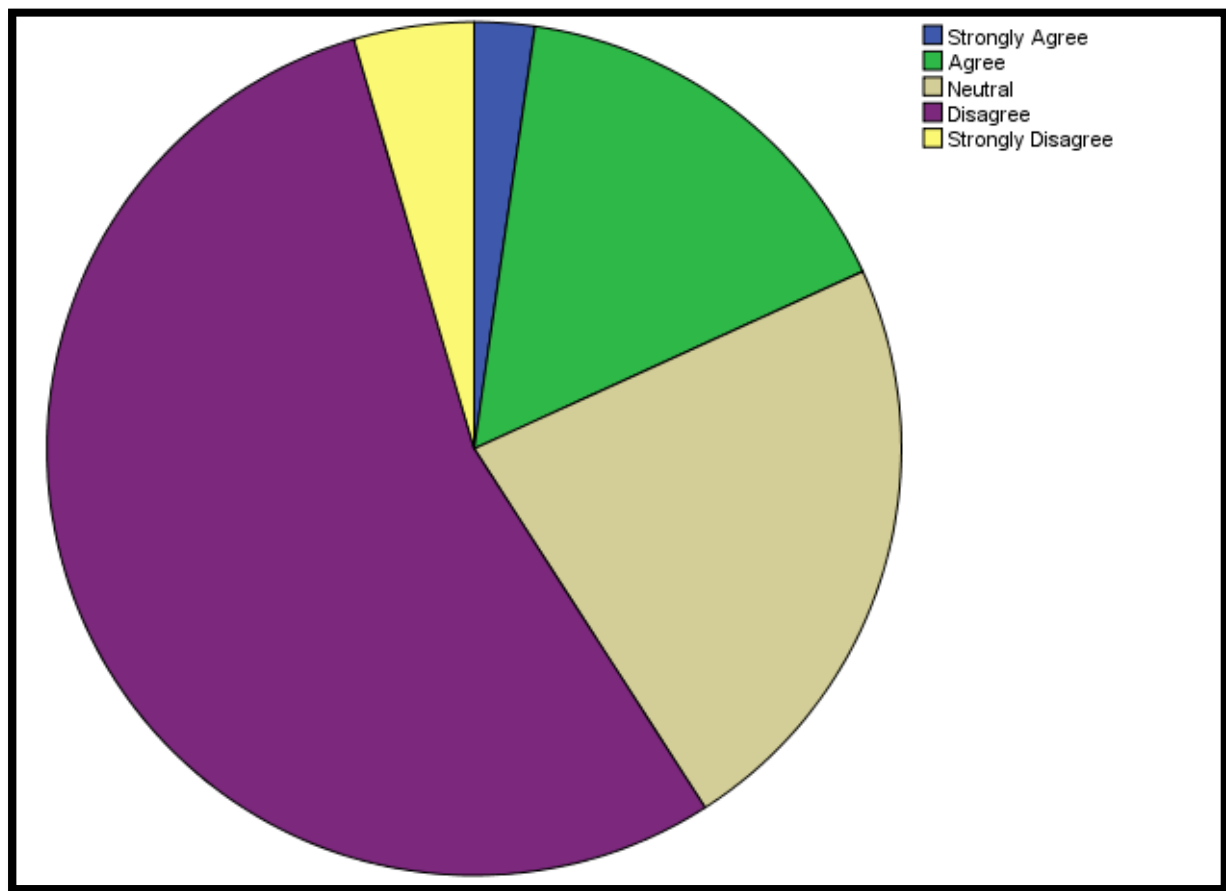
Figure 4.1: The local economy benefited from the 2010 Soccer World Cup



The data indicated that almost 48% of respondents either agree or strongly agree that South African economy derived economic benefits from hosting the World Cup. This counters the reviewed literature and could point to a distinction between perceived economic benefits in developing nations versus that of developed nations. Of concern is the percentage of respondents who were neutral (29.5%), possibly indicating that for a large percentage of respondents the benefits were not easily observable or they had doubts whether the benefits were actually there. Also of concern is the percentage who saw no economic benefit (22.7%).

Figure 4.2 reveals the results from the statement the economic benefits for South Africa justify the economic costs that the country incurred. The largest percentage of the respondents fell in the disagree category with (54.5%), followed by Neutral at (22.7%), agree at (15.9%), strongly disagree at (4.5%) and strongly agree at (2.3%).

Figure 4.2: Economic benefits aligned to costs



The data here is more in line with the reviewed literature (Crompton and Lee, (2000), Matheson and Baade, (2004), Szymanski, (2002), Lee and Taylor, (2005), Menezes, (2010) with an overwhelming majority (59%) of the opinion that the economic benefits did not justify the financial costs incurred. In fact less than 20% believed the benefits outweighed the costs. This could have serious negative implications if developing nations are to move towards the trend observed in developing nations where there is greater public private partnership. If the costs outweigh the financial benefits then from a strictly business perspective it does not make economic sense to invest in the event.

Table 4.1 shows the correlation (r) between the local economy benefited from the 2010 Soccer World Cup and the economic benefits for South Africa justify the economic costs that the country incurred is 0.371.

Table 4.1: Correlation between World Cup benefits and costs

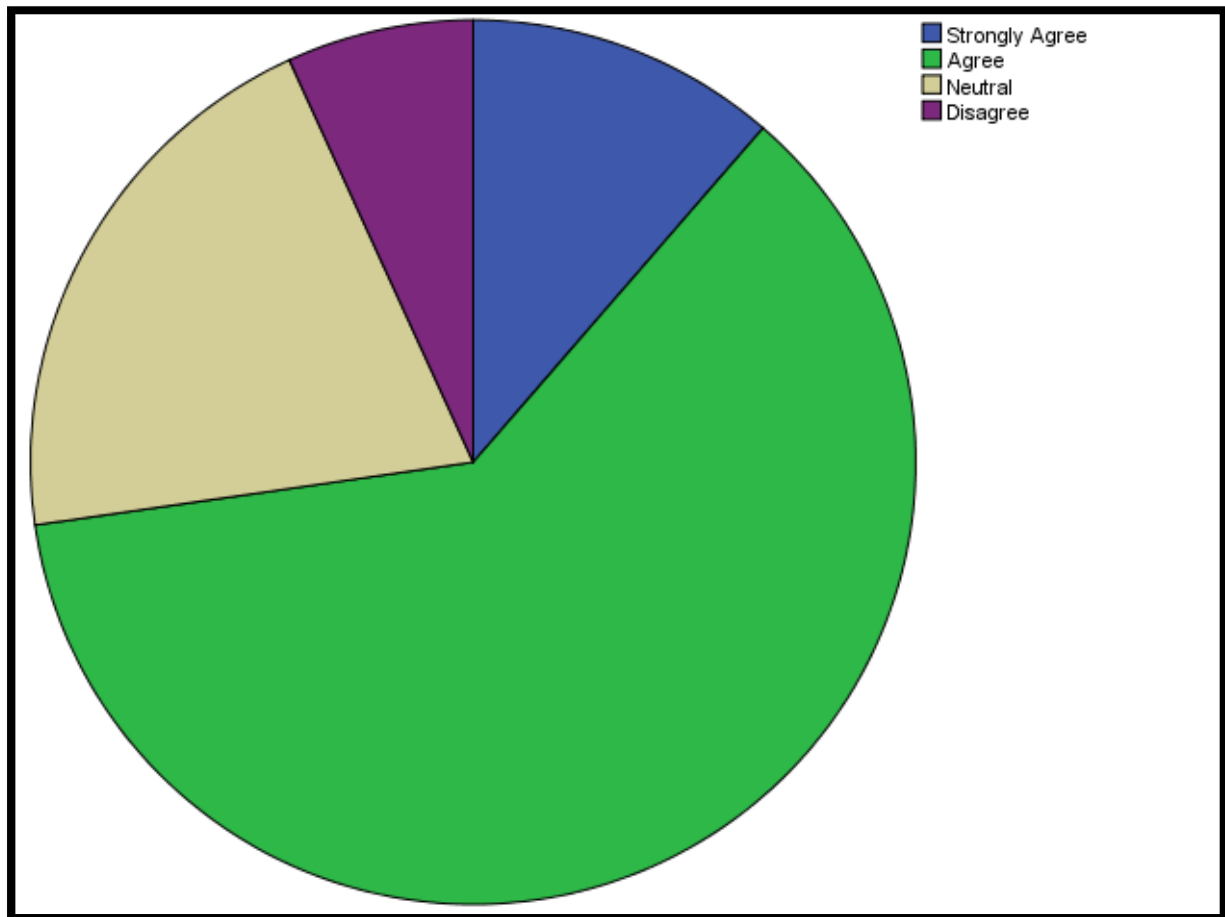
		The local economy benefited from the 2010 Soccer World Cup	The economic benefits for South Africa justify the economic costs that the country incurred
The local economy benefited from the 2010 Soccer World Cup	Pearson	1	.371*
	Correlation		.013
	Sig. (2-tailed)		
The economic benefits for South Africa justify the economic costs that the country incurred	N	44	44
	Pearson	.371*	1
	Correlation		
	Sig. (2-tailed)	.013	
	N	44	44

*. Correlation is significant at the 0.05 level (2-tailed).

This coefficient shows that there is a strong and positive relationship between the local economy benefited from the 2010 Soccer World Cup and the economic benefits for South Africa justify the economic costs that the country incurred. The probability (p) of this correlation coefficient which is 0.013 is lesser than 0.05, thus implying that there is a statistically significant relationship between the local economy benefited from the 2010 Soccer World Cup and the economic benefits for South Africa justify the economic costs that the country incurred ($r=0.371$, $p<0.05$).

Figure 4.3 reveals the results from the statement South Africa overspent on the World Cup. The largest percentage of the respondents fell in the agreed with (61.4%), followed by Neutral at (20.5%), strongly agree at (11.4%) and disagree at (6.8%).

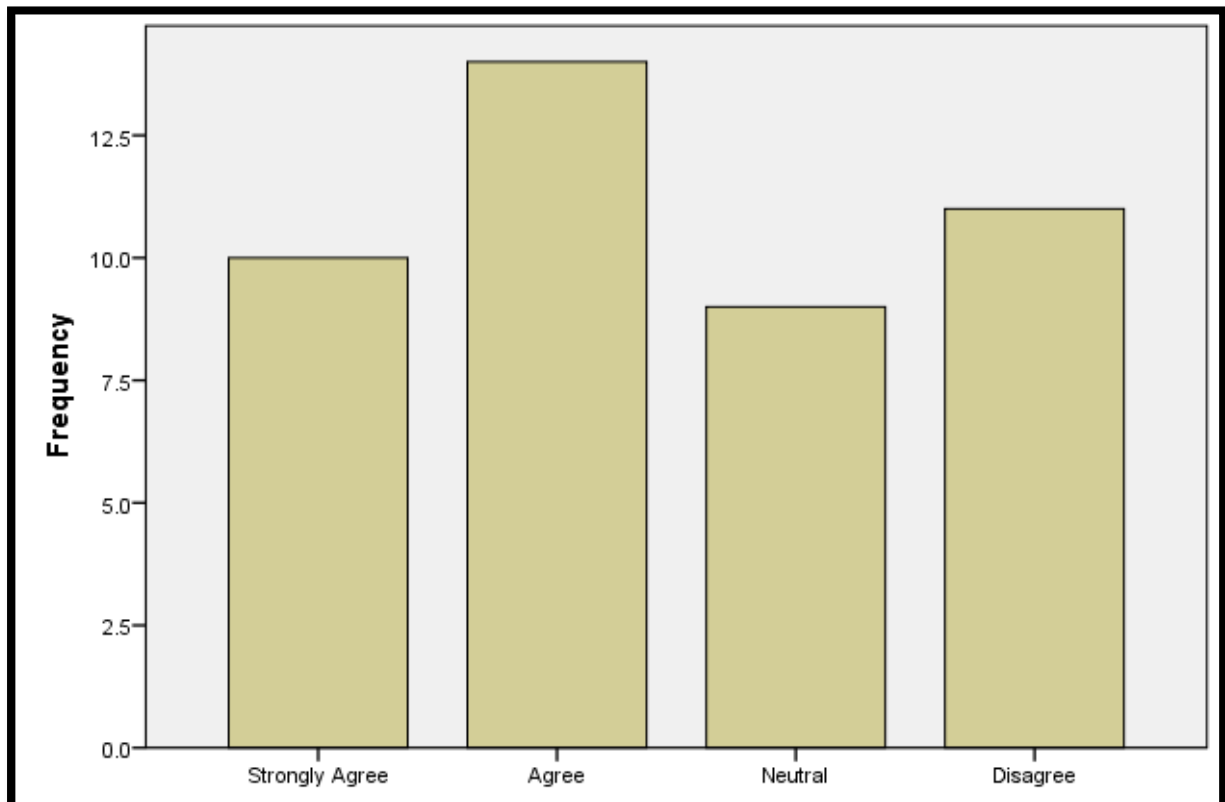
Figure 4.3: South Africa overspent on the Soccer World Cup



The literature review revealed that developing nations could face a double whammy in terms of both higher infrastructural costs and higher opportunity costs (Maennig and Du Plessis, (2007), Menezes, (2010), Preuss, (2004), Uppal, (2009), Matheson and Baade, (2004)). In line with the literature and the previous finding, almost 73% of respondents felt that government overspent on the World Cup. Significantly, only 6.8% were of the opinion that South Arica did not overspend. Given the unnecessary spend on World Cup specific stadia and the high probability that these could become white elephants, this is not unexpected.

Figure 4.4 displays the findings on the statement: The money spent hosting the World Cup should rather have been spent on education and health. The largest percentage of the respondents fell in the agreed with (31.8%), followed by disagree at (25.0%), strongly agree at (22.7%) and neutral at (20.5%).

Figure 4.4: World Cup funds should rather have been spent on education and health



The literature review found that given its greater needs the opportunity costs of hosting mega sporting events could be considerably higher for developing nations (Matheson and Baade, (2004), Bass and Pillay, (2008), Atkins, (2010)). The findings of this study would seem to support that theory with 54.5% of respondents either agreeing or strongly agreeing that the World Cup funds would have been better invested in social programmes. This, ties back to the results of the previous question where 72.8% of respondents believed government overspent on the World Cup.

Table 4.2 returned a correlation (r) of 0.458 between the statements “South Africa overspent on the World Cup” and “the money spent on hosting the Soccer World Cup should rather have been spent on education and health”.

Table 4.2: Correlation between World Cup overspend and education and health

		South Africa overspent on the World Cup	The money spent on hosting the Soccer World Cup should rather have been spent on education and health
South Africa overspent on the World Cup	Pearson	1	.458**
	Correlation		
	Sig. (2-tailed)		.002
	N	44	44
The money spent in hosting the Soccer World Cup should rather have been spent on education and health	Pearson	.458**	1
	Correlation		
	Sig. (2-tailed)	.002	
	N	44	44

**. Correlation is significant at the 0.01 level (2-tailed).

This coefficient of 0.458 shows that there is a strong and positive relationship between South Africa overspent on the World Cup and the money spent in hosting the Soccer World Cup should rather have been spent on education and health. The probability (p) of this correlation coefficient which is 0.002 is lesser than 0.05 thus implying that there statistically significant relationship between South Africa overspent on the World Cup and the money spent in hosting the Soccer World Cup should rather have been spent on education and health (r=0.458, p>0.05)

4.3 Research Objective Two

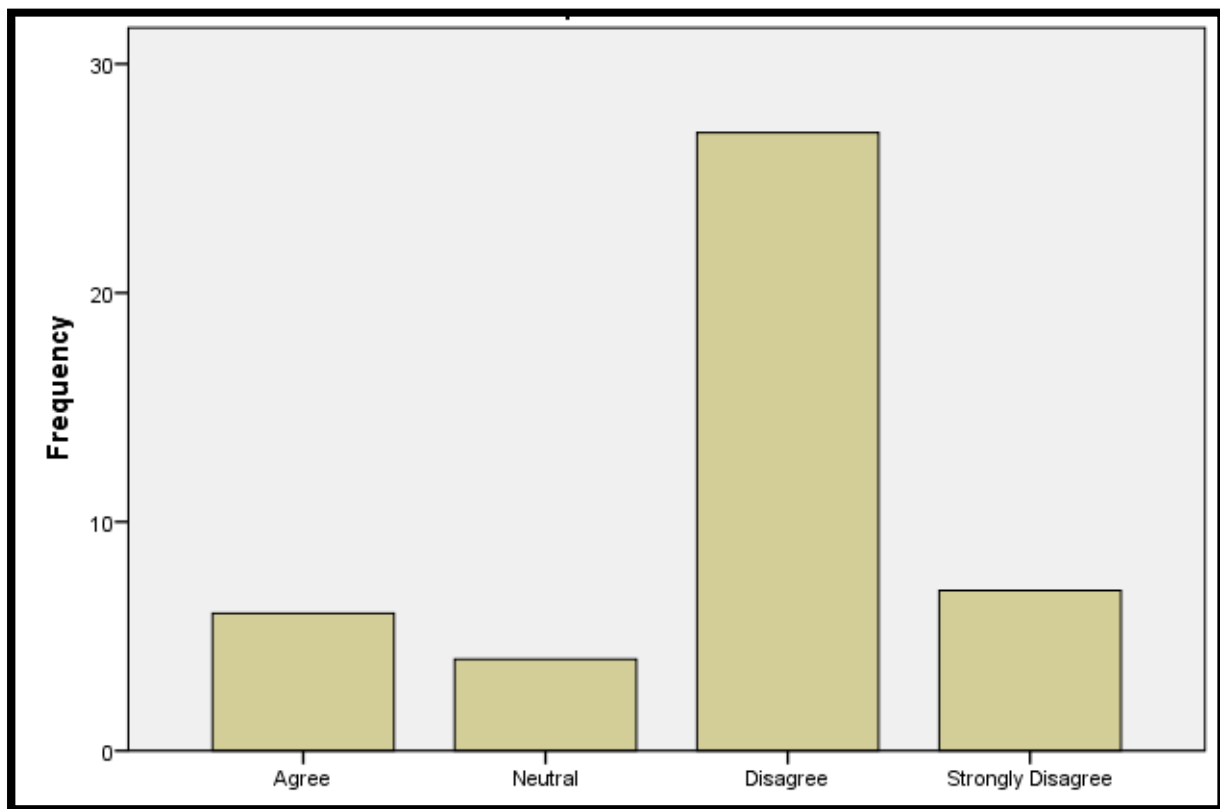
Research objective two sought to establish whether the 2010 Soccer World Cup had an economic impact on Bidvest Rental And Products.

This research objective follows from research objective one. The notable exception is that it is Bidvest Rental and Products specific, i.e. a move from the macro environment to a micro environment. The relevant literature would thus be the same. From the questionnaire the following questions relate to the research objective:

- My company invested heavily in the Soccer World Cup in terms of capital expenditure, and
- At company level, the anticipated World Cup revenue did materialize

Figure 4.5 reveals the results from the statement “my company invested heavily in the Soccer World Cup in terms of capital expenditure”. The largest percentage of the respondents (61.4%) fell in the “disagree” category, followed by “strongly disagree” at (15.9%), “agree” at (13.6%) and “neutral” at (9.1%).

Figure 4.5: World Cup capital expenditure



The literature concluded that while significant capital expenditure is required to host the Soccer World Cup this investment comes primarily from government (Preuss, (2004), Maennig and du Plessis, (2007)).

While there was some investment a staggering 77% of respondents had no capital investment projects aligned to the World Cup. On one hand the lack of investment is disappointing given that some of the businesses have a “plant” component to their business activities. On the other hand the absence of significant economic impact could point to good business acumen. It does however leave the question of whether the impact at company level may have been greater had there been greater capital expenditure.

This assertion is borne out by the strong and positive relationship between “the company invested heavily in the Soccer World Cup in terms of capital expenditure” and “at company level, the anticipated World Cup revenue did materialise”.

Table 4.3 shows the correlation of 0.301 between the statements “the company invested heavily in the Soccer World Cup in terms of capital expenditure” and “at company level, the anticipated World Cup revenue did materialise”.

Table 4.3: Correlation between capital expenditure and anticipated revenue

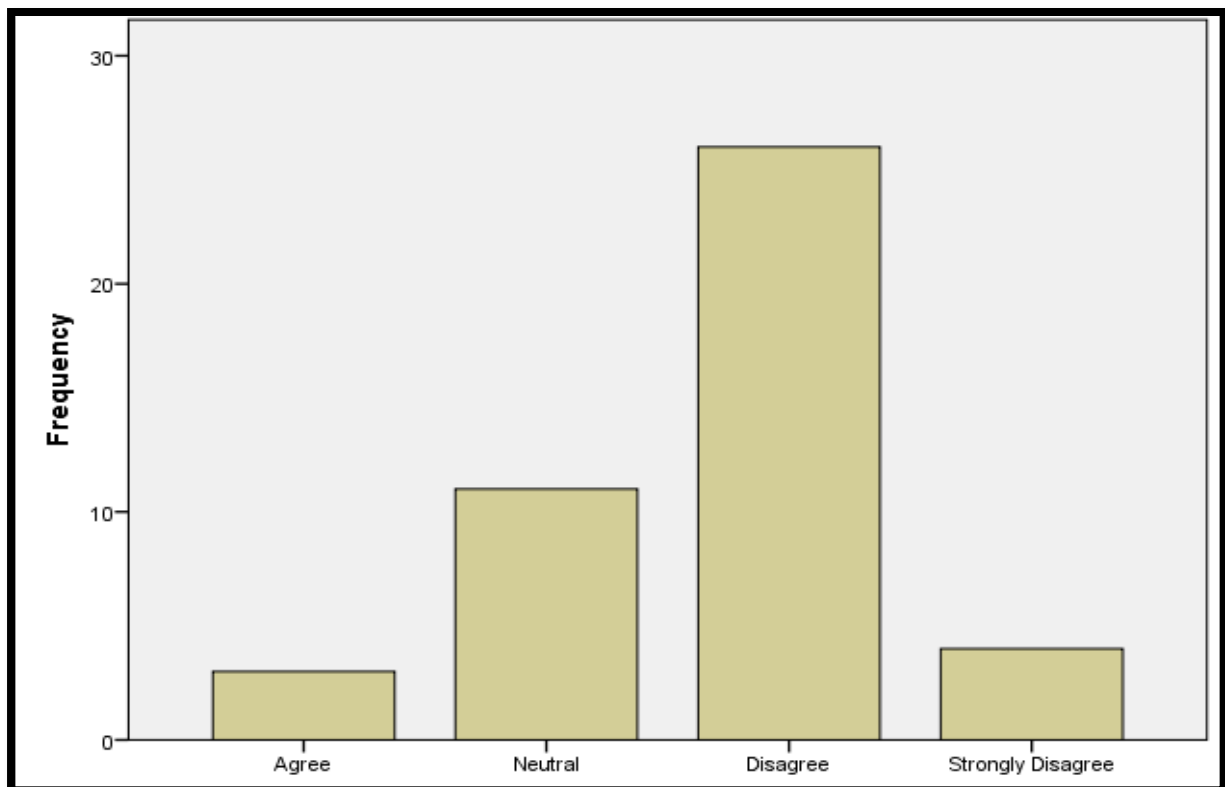
		My company invested heavily in the Soccer World Cup in terms of capital expenditure	At company level the anticipated World Cup revenue did materialise
My company invested heavily in the Soccer World Cup in terms of capital expenditure	Pearson Correlation	1	.301*
	Sig. (2-tailed)		.047
	N	44	44
At company level the anticipated World Cup revenue did materialise	Pearson Correlation	.301*	1
	Sig. (2-tailed)	.047	
	N	44	44

*. Correlation is significant at the 0.05 level (2-tailed).

This coefficient of 0.301 shows that there is a strong and positive relationship between “the company invested heavily in the Soccer World Cup in terms of capital expenditure” and “at company level, the anticipated World Cup revenue did materialise”. The probability (p) of this correlation coefficient which is 0.047, is less than 0.05, thus implying that there is a statistically significant relationship between “the company invested heavily in the Soccer World Cup in terms of capital expenditure” and “at company level, the anticipated World Cup revenue did materialise,” ($r=0.301$, $p>0.05$).

Figure 4.6 reveals the results from the statement “at company level the anticipated World Cup revenue did materialise”. The largest percentage of the respondents (59.1%) fell in the “disagreed” category, followed by “neutral” at (25.0%), “strongly disagree” at (9.1%), and “agree” at (6.8%)

Figure 4.6: Anticipated revenue did materialise.



In line with the conclusions drawn from the literature review and the findings from the question regarding South Africa as a whole, 68.2% of respondents felt the anticipated World Cup revenue did not materialise at a company level compared to a mere 6.8% who felt it did.

Earlier 48% of the respondents felt South Africa benefitted from the World Cup. It can therefore be concluded that 41.2% of respondents felt that although there were World Cup benefits, these benefits did not accrue to the service industry as a whole nor to Bidvest Rental and Products in particular.

4.4 Research Objective Three

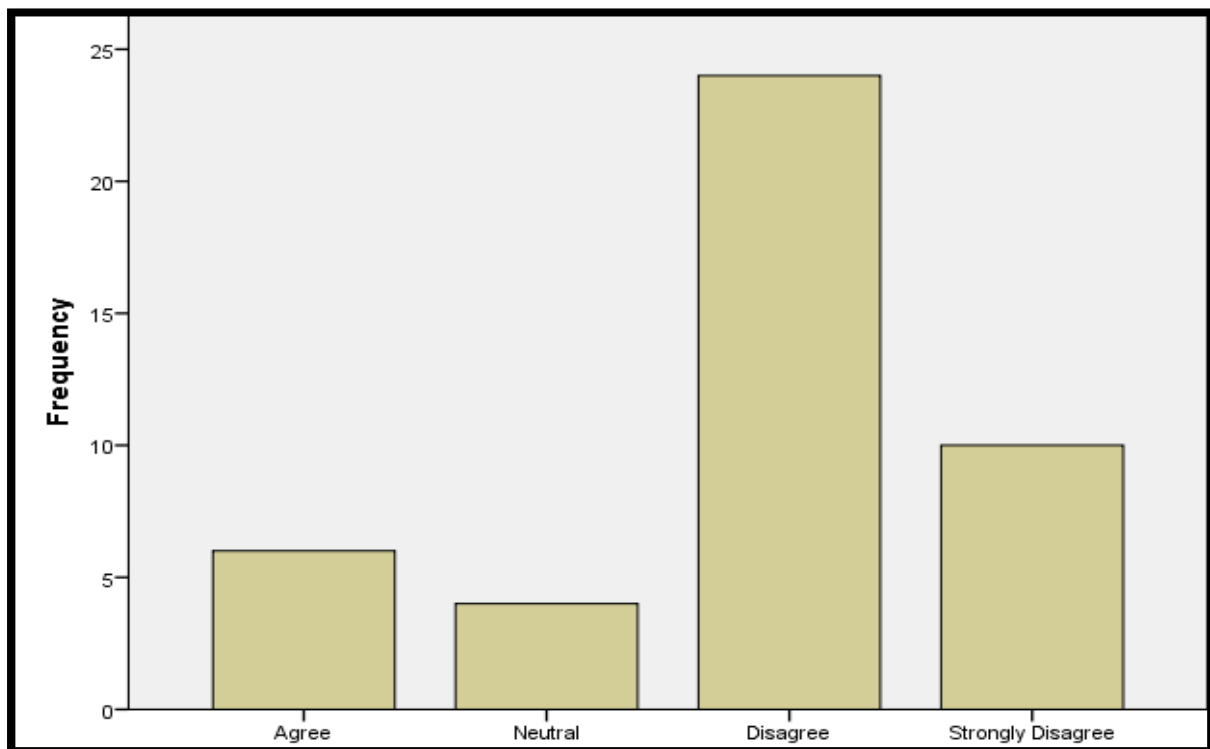
This objective sought to ascertain whether the 2010 Soccer World Cup resulted in increased employment at Bidvest Rental and Products.

The literature review concluded that employment gains do not materialise and where they do it is primarily of a temporary nature. From the questionnaire the following questions relate to the research objective:

- Hosting the World Cup reduced unemployment,
- Only temporary employment was created during the Soccer World Cup,
- My company employed additional staff specifically for the Soccer World Cup,
- The number of staff employed for the World Cup that have now become permanent is.

Figure 4.7 reveals the findings for the statement “The World Cup reduced unemployment”. The largest percentage of the respondents (54.5%) fell in the “disagreed” category, followed by “strongly disagree” at (22.7%), “agree” at (13.6%), and “neutral” at (9.1%).

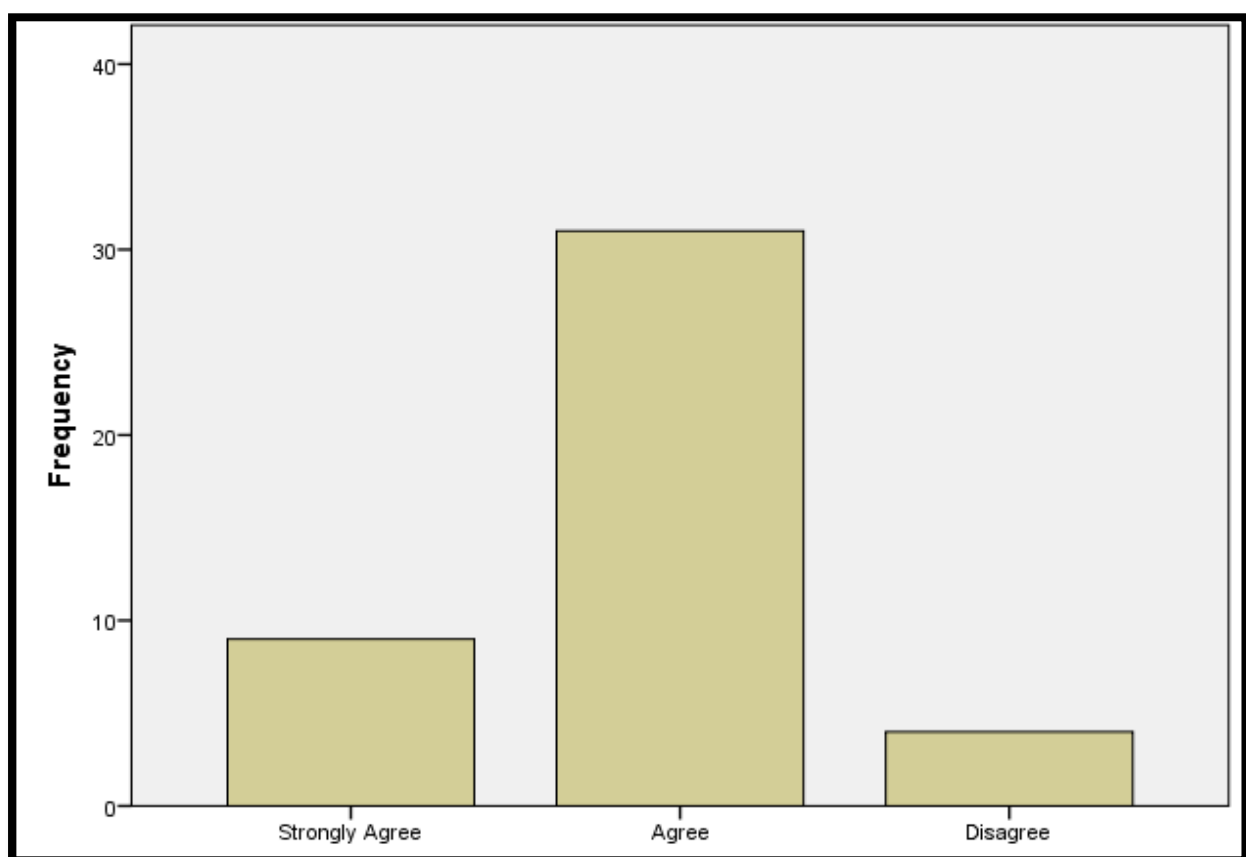
Figure 4.7: Hosting the World Cup reduced unemployment



The fact that the largest percentage of respondents (77.2%) fell in either the “disagree” or the “strongly disagree” category reinforces the conclusions drawn from the literature review, namely hosting mega sporting events does not lead to statistically significant reductions in unemployment levels. When adding the neutral component, this figure rises to over 80%. This question also elicited the highest percentage of strongly disagreed from all the questionnaire responses, perhaps indicating that respondents felt very strongly about the absence of the anticipated jobs, (Bohlmann and van Heerden, 2008).

Figure 4.8 reveals the findings of the statement: “Only temporary employment was created during the Soccer World Cup.” The largest percentage of the respondents (70.5%), fell in the “agree” category, followed by strongly agree at (20.5%) and disagree at (9.1%).

Figure 4.8: The World Cup created temporary employment



Again, respondents showed an exceptionally strong bias towards the statement that the World Cup resulted in the creation of temporary jobs only. The combined percentage of respondents who “agreed” and “strongly agreed” exceeded 90%. Given the relatively short term nature of the World Cup (six weeks), this finding is not unexpected. Interestingly, 9.1% of respondents

felt that the Soccer World Cup did create sustainable employment. Again feelings towards the employment aspect of the World Cup are fairly strong, with this question eliciting no neutral responses.

This strong sentiment is conveyed in the Pearson correlation when the relationship between “the Soccer World Cup reduced unemployment” and “only temporary employment was created during the Soccer World Cup” is explored.

Table 4.4: Correlation between unemployment and temporary employment

		Hosting the World Cup reduced unemployment	Only temporary employment was created during the Soccer World Cup
Hosting the World Cup reduced unemployment	Pearson Correlation	1	-.300*
	Sig. (2-tailed)		.048
	N	44	44
Only temporary employment was created during the Soccer World Cup	Pearson Correlation	-.300*	1
	Sig. (2-tailed)	.048	
	N	44	44

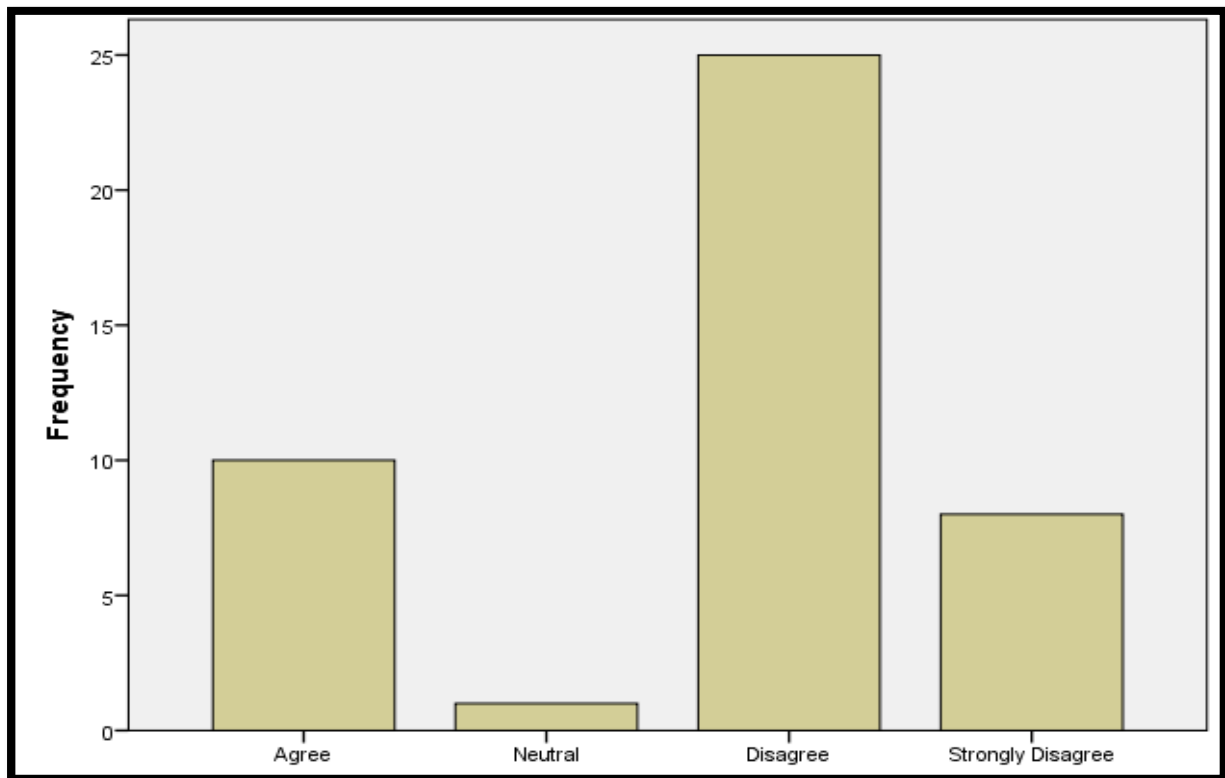
*. Correlation is significant at the 0.05 level (2-tailed).

Table 4.4 shows the correlation (r) between “hosting the World Cup reduced unemployment” and “only temporary employment was created during the Soccer World Cup”, is -0.300. This coefficient shows that there is a strong and positive relationship between “hosting the World Cup reduced unemployment” and “only temporary employment was created during the Soccer World Cup”.

The probability (p) of this correlation coefficient which is 0.048 is lesser than 0.05 thus implying that there is a statistically significant relationship between hosting the World Cup reduced unemployment and only temporary employment was created during the Soccer World Cup ($r=-0.300$, $p>0.05$).

Figure 4.9 displays the findings of the statement: “My company employed additional staff, specifically for the World Cup”. The largest percentage of the respondents (56.8%) fell in the “disagreed” category, followed by “agreed” at (22.7%), “strongly disagree” at (18.2%) and “neutral” at (2.3%).

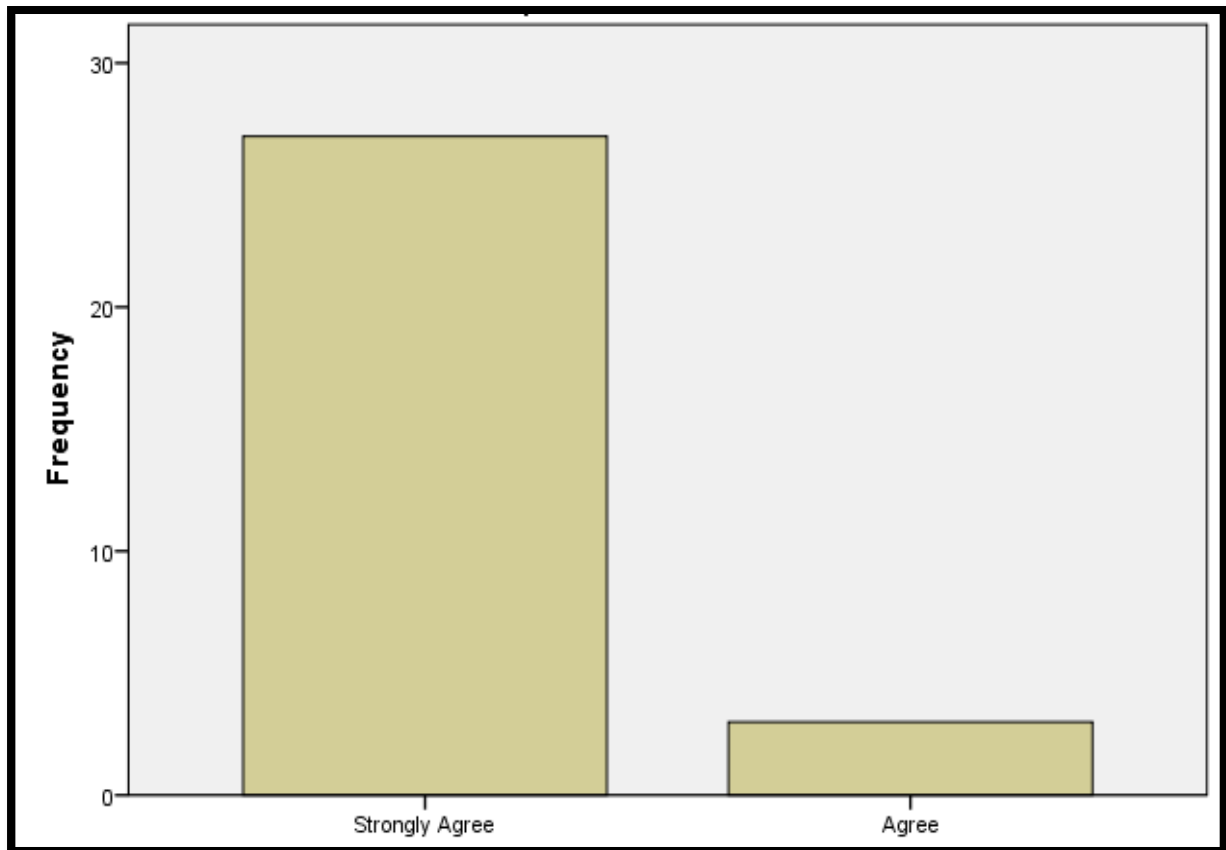
Figure 4.9: Additional staff specifically for the World Cup



In line with the general trend observed with this research objective 75% of respondents either disagreed or strongly disagreed that the company employed additional staff for the World Cup. Given that visitor numbers have a direct impact on some of the companies within Bidvest Rental and Products this is surprising, but may go some way in explaining the 22.7% of respondents where the company did employ additional staff.

Figure 10 displays the findings for the statement: “The number of staff employed for the World Cup that have now become permanent.” The largest percentage of the respondents (61.4%) fell in the “strongly agree” category, followed by a missing percentage of (31.8%) and agree at (6.8%).

Figure 4.10: World Cup staff that have become permanent



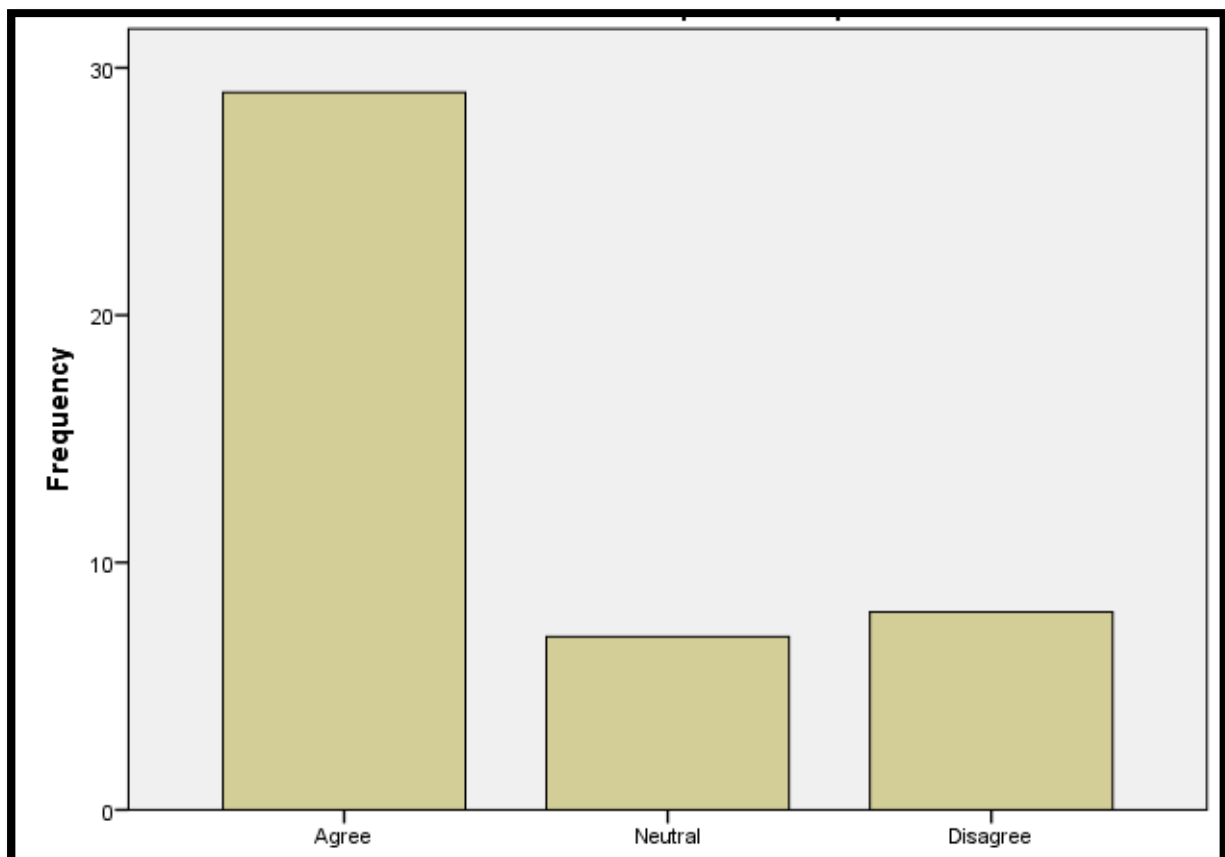
4.5 Research Objective Four

This objective sought to determine whether senior managers at Bidvest Rental and Products believe the World Cup infrastructural developments have future economic benefits. From the questionnaire the following questions relate to the research objective:

- The real benefits of the Soccer World Cup lies in improved infrastructure,
- The Soccer World Cup will boost future tourism numbers,
- South Africa should host mega sporting events in the future, and
- The cost of future mega sporting events will be significantly less as we now have the necessary infrastructure.

Figure 4.11 displays the findings of the statement: “The real benefits of the Soccer World Cup lie in improved infrastructure”. The largest percentage of the respondents (65.9%) fell in the “agree” category, followed by “disagree” at (18.2%), and “neutral” at (15.9%).

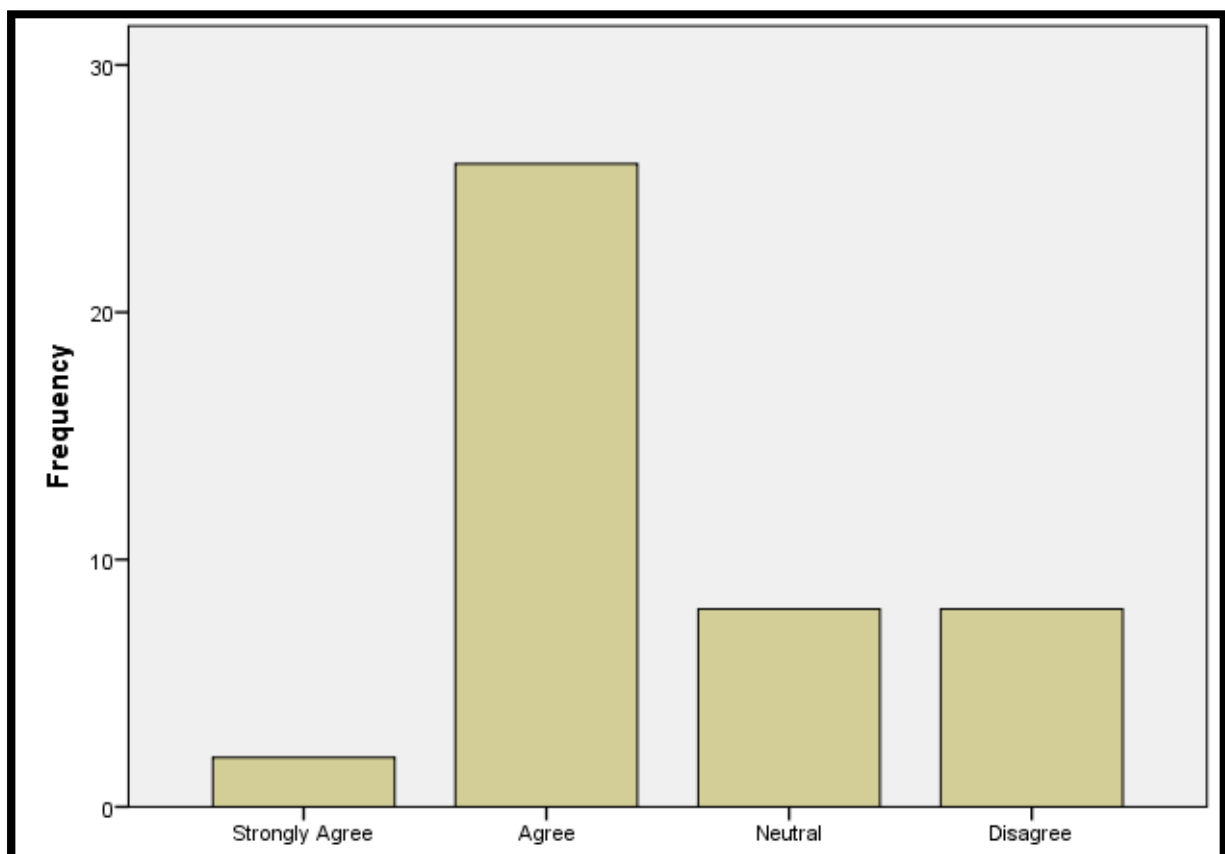
Figure 4.11: The real benefits of the World Cup lies in improved infrastructure



The finding that 65.9% of respondents agreed that the real benefit of the World Cup lies in improved infrastructure, is interesting when compared to the finding in table 4.2 where only 20.4% of respondents felt that the economic benefits justified the costs involved in hosting the World Cup. This in spite of the fact that the improved infrastructure is probably the largest component of the cost. This could indicate that while respondents appreciate the improved infrastructure there was an expectation greater economic benefits during the World Cup itself. This expectation is further reinforced by the findings in table 4.6 where only 6.8% of respondents felt the anticipated World Cup revenue materialised.

Figure 4.12 displays the findings for the statement: “The Soccer World Cup will boost future tourism numbers”. The largest percentage of the respondents (59.1%) fell in the “agreed” category, followed by “neutral” at (18.2%), “disagree” at (18.2%), and “strongly” agree at (4.5%).

Figure 4.12: The World Cup will boost future tourism numbers



Again the majority of respondents (63.6%), view increased tourism as a result of the World Cup in a positive light. Of significance, is that more than one in three respondents were not positive about the future tourism benefit of the World Cup. This is concerning given that increased tourism is trumpeted as one of the major long term benefits of hosting mega sporting events. So, although 65.9% of respondents either agreed or strongly that the real benefit of the World Cup lies in improved infrastructure, this number does not translate to respondents' perception of future tourism numbers, as disclosed in the Pearson correlation.

Table 4.5 shows that the correlation (r) between “the real benefits of the Soccer World Cup lies in improved infrastructure” and “the Soccer World Cup will boost future tourism numbers” is 0.017.

Table 4.5 : Correlation between improved infrastructure and future tourism

		The real benefits of the Soccer World Cup lies in improved infrastructure	The Soccer World Cup will boost future tourism numbers
The real benefits of the Soccer World Cup lies in improved infrastructure	Pearson Correlation	1	.017
	Sig. (2-tailed)		.911
	N	44	44
The Soccer World Cup will boost future tourism numbers	Pearson Correlation	.017	1
	Sig. (2-tailed)	.911	
	N	44	44

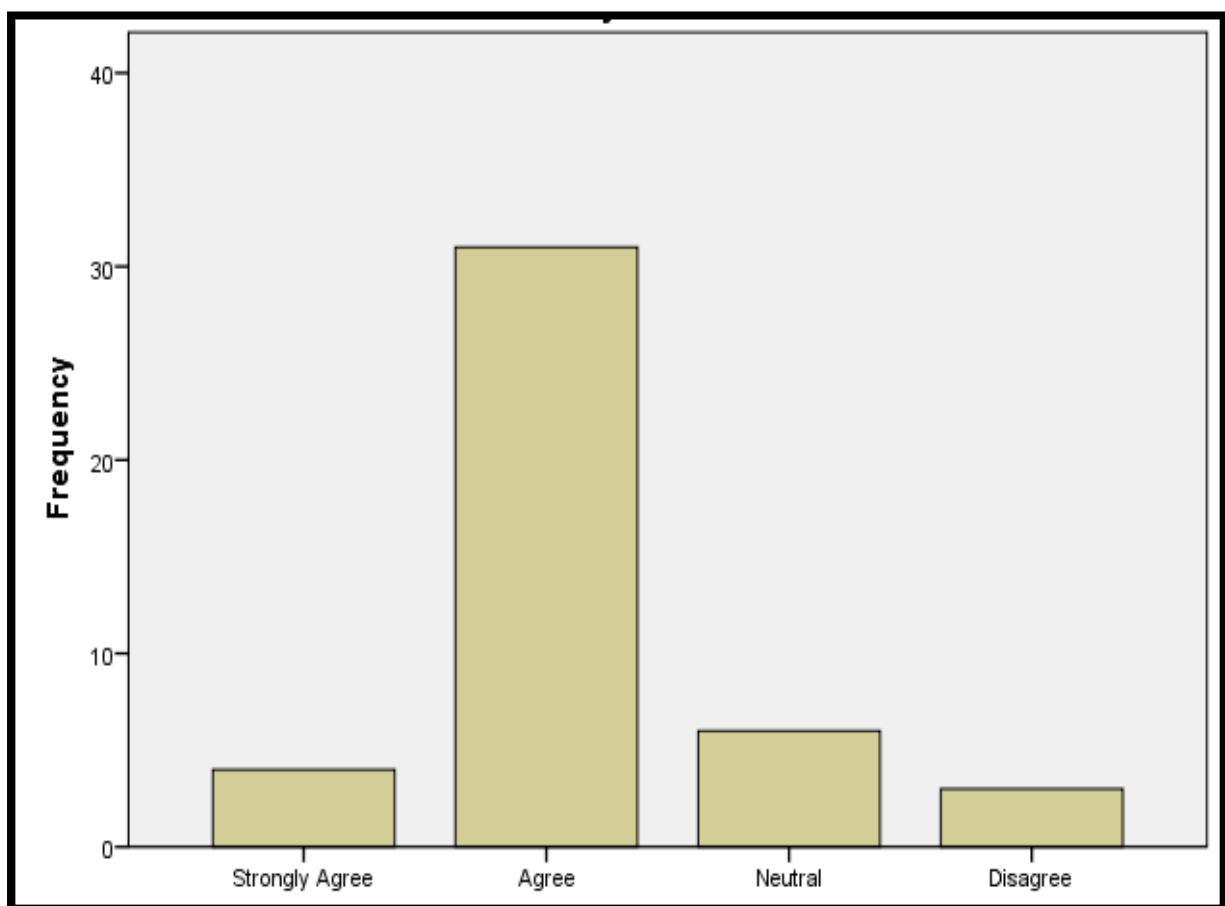
This coefficient shows that there is a weak relationship between “the real benefits of the Soccer World Cup lies in improved infrastructure” and “the Soccer World Cup will boost future tourism numbers”. The probability (p) of this correlation coefficient which is 0.911 is greater than 0.05 thus implying that there is no statistically significant relationship between the real benefits of the Soccer World Cup lies in improved infrastructure and the Soccer World Cup will boost future tourism numbers ($r=-0.017$, $p>0.05$).

This concern is amplified when taken in tandem with the finding revealed in table 4.1 that 52.2% of respondents were either neutral or disagreed with the statement that the local

economy benefitted during the World Cup. By extension then a sizeable portion of respondents saw no benefit during the World Cup, nor potential tourism benefits after the World Cup.

Figure 4.13 displays the findings of the statement: “The cost of future mega sporting events will be significantly less as we now have the necessary infrastructure”. The largest percentage of the respondents (70.5%) fell in the “agreed” category, followed by “neutral” at (13.6%), “strongly agree” at (9.1%) and “disagree” at (6.8%).

Figure 4.13: World Cup infrastructure will reduce cost of future mega sporting events

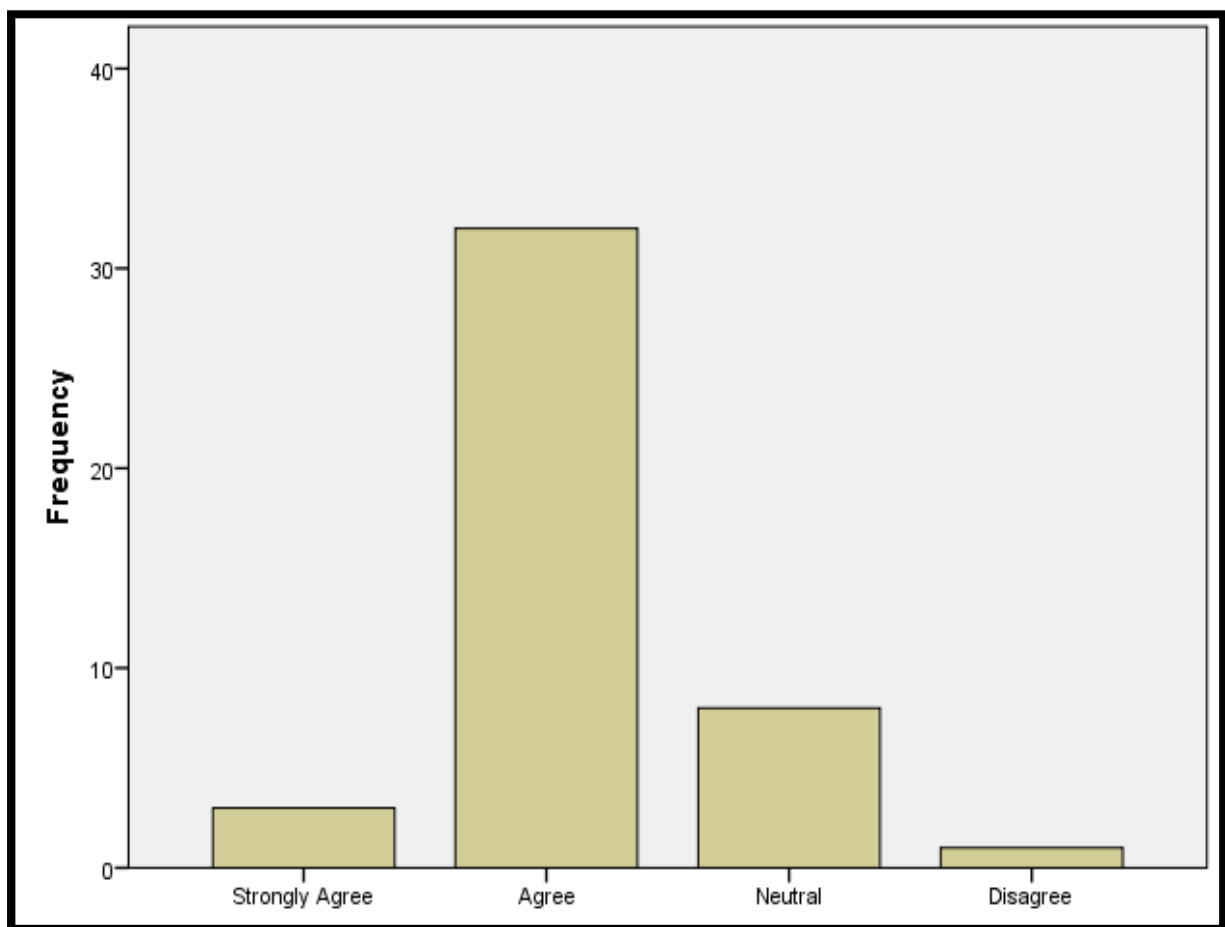


The fact that 79.6% of respondents believed that the cost of future mega sporting events will be less because of the infrastructural investment in the 2010 World Cup, could be construed as evidence that South Africans have bought into the long term benefit of the Soccer World Cup. When viewed in concert with the findings stated in table 4.3 that 72.8% of respondents believe South Africa overspent on the World Cup, it would suggest that South Africans are

beginning to accept that the return on the infrastructural investment will not be realised overnight, but rather over an extended period of time.

Figure 4.14 displays the findings of the statement: “South Africa should host mega sporting events in the future”. The largest percentage of the respondents (72.7%) fell in the “agreed” category, followed by “neutral” at (18.2%), “strongly agree” at (6.8%) and “disagree” at (2.3%).

Figure 4.14: South Africa should host mega sporting events in the future



Given the positive sentiments expressed in the previous three questions around this specific objective the 79.5% respondents who either agree or strongly agree that South Africa should host mega events in the future is to be expected.

Notably in spite of the negative sentiments around costs, employment, etc, less than 3% of respondents either disagreed or strongly disagreed that South Africa should host future mega sporting events.

Table 4.6 shows that the correlation (r) between “South Africa should host mega sporting events in the future” and “the cost of future mega sporting events will be significantly less as we now have the necessary infrastructure”, is 0.102.

Table 4.6: Correlations between hosting future events and reduced costs

		South Africa should host mega sporting events in the future	The cost of future mega sporting events will be significantly less as we now have the necessary infrastructure
South Africa should host mega sporting events in the future	Pearson Correlation	1	.102
	Sig. (2-tailed)		.509
	N	44	44
The cost of future mega sporting events will be significantly less as we now have the necessary infrastructure	Pearson Correlation	.102	1
	Sig. (2-tailed)	.509	
	N	44	44

This coefficient shows that there is a weak relationship between South Africa should host mega sporting events in the future and the cost of future mega sporting events will be significantly less as we now have the necessary infrastructure.

The probability (p) of this correlation coefficient which is 0.509 is greater than 0.05 thus implying that there is no statistically significant relationship between South Africa should host mega sporting events in the future and the cost of future mega sporting events will be significantly less as we now have the necessary infrastructure ($r=-0.289$, $p>0.05$).

4.6 Open Ended Questions

The questionnaire included two open ended questions. These were included to identify whether there was a commonality of responses or a perception shared amongst a large portion of respondents that was not catered for in the closed questions. These questions were:

- i) What were the top three benefits of the Soccer World Cup?

Although as expected the responses were varied, three central themes were identified.

- National pride
Respondents felt that hosting the World Cup instilled a sense of national pride amongst South Africans from all walks of life. And that for a brief six week period South Africans shared a special bond directed towards a common goal of ensuring the World Cup was successfully hosted. The World Cup provided an opportunity to showcase South Africa to the international arena.
 - Improved infrastructure
While most respondents lamented the cost of hosting the World Cup, there was an acknowledgement that it did result in significant infrastructural improvements.
 - Increased tourists
Respondents agreed that the World generated additional tourist revenue.
- ii) What were the top three negative impacts of the Soccer World Cup?
- Employment
The World Cup did not generate significant permanent employment. The little employment that was created was only temporary.
 - Overspent
Excessively high infrastructural costs which will become a tax burden for ordinary South Africans.
 - Stadia
South Africa built too many stadia and should have used more existing ones. The stadia are underutilised and are becoming white elephants

CHAPTER 5 – CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The economic impacts of mega sporting events are viewed differently depending on the audience. The general public, certain academics and those with vested interest in the event view it as a harbinger of financial boom in the form of increased employment, higher tax revenues, greater tourism numbers and improved infrastructure, coupled with a swelling of national pride and positive media exposure on the international scene.

Most academics view mega sort events with a touch of trepidation. Ex ante economic impact studies are viewed with scepticism amidst allegations of deliberate and underhand inflation of benefits and the reduction of costs or the ignoring of costs altogether.

South Africa hosted the 2010 Soccer World Cup and whilst there were a number of authors and publications who released ex ante economic impact studies, post ante studies to confirm or reject pre event predictions have been few and far between. This paper has sought to take tentative steps in this direction by investigating the perceptions of senior management at Bidvest Rental and Products, a large national South African services company. In this regard the paper set out to satisfy four research objectives.

5.2 Recommendations

The first objective was to determine whether senior managers at Bidvest Rental and Products believe the 2010 Soccer World Cup had a significant, positive impact on the South African economy. The study found that although almost half the senior managers held the view that the event did have a significant and positive impact on the South African economy, 59% of respondents held the view that the economic benefits did not justify the associated costs incurred in hosting the event. Nearly thirty percent of respondents were however ambivalent. This was tempered by the finding that over two thirds believed the government overspent on the event, and almost half who thought the money would have been better spent on more pressing social needs like health and education.

Academics who support the theory that mega sporting events have a significant positive impact are in the minority so the finding of almost 50% would buck the trend. The finding does however leave itself open to further investigation. Future research could try to ascertain on what basis this claim of economic benefit is made, whether from sound logical reasoning, informed opinion, emotional attachment to the event, etc. There also appears to be a conflict between the number who feel the cost is justified and the number who feel the government has overspent.

The second objective was to establish whether the 2010 Soccer World Cup had an economic impact on Bidvest Rental and Products itself. Over two thirds of senior management indicated that the World Cup did not have an economic impact on the company with less than seven percent reflecting that it did. The fact that almost fifty percent indicated that there was an economic impact on South Africa as a whole, raises a number of issues:

- i) Where, in the opinion of senior managers, did the economic impact go?
- ii) If World Cup revenue is channelled predominantly via the services, hospitality and transport industries (Maennig and du Plessis, 2007), how does Bidvest Rental and Products position itself to exploit future mega sporting events?
- iii) Why was the economic impact on Bidvest Rental and Products so low, given the influx of approximately threehundred thousand tourists over a six week period?

Only thirteen percent of senior managers invested heavily on capital expenditure for the World Cup. Interestingly there is a strong positive correlation between investing heavily in the World Cup in terms of capital expenditure and World Cup revenues materialising at a company level. Further avenues for research could include quantifying this correlation in terms of rand and profit margin value. If the capital expenditure investments resulted in significant revenue gains, then it may be worthwhile expanding this philosophy for the next mega event.

The third objective was to ascertain whether the World Cup resulted in increased employment at Bidvest Rental and Products. Overwhelmingly, close to eighty percent of

senior managers found the World Cup did not reduce employment. Where jobs were created, it was predominantly of a temporary nature with less than one percent of these converted to permanent jobs. Proponents of mega sporting events claim increased employment as one of the main benefits of hosting these events. In the case of Bidvest Rental and Products this did not materialize.

The fourth objective was to determine whether senior managers at Bidvest Rental and Products believe the World Cup infrastructural developments have future economic benefits. Approximately two thirds of senior managers agreed that the real benefit of the World Cup lies in improved infrastructure and over sixty percent of the respondents believed the World Cup would boost tourism numbers.

Eighty percent of managers believed that given the newly invested infrastructure, the cost of hosting future mega sporting events would be reduced and a similar number agreed that South Africa should host future mega sporting events.

The top three benefits of the World Cup were listed as improved infrastructure, increased tourist and national pride. Given that the study was conducted amongst businessmen and logistics play a large part in their businesses, the focus on improved infrastructure is understandable. The top three negative impacts of the World Cup were listed as the excessively high infrastructural costs, the unnecessary building of additional stadia and the lack of job creation.

Overall, the findings of the study concur with the relevant literature. Although almost half the managers agreed that the South African economy benefitted from the World Cup. However, in the absence of post ante studies on the economic impact or cost benefit analysis on the hosting of the World Cup, the basis for this assertion has to be questioned. Where the managers had access to the information, i.e. their own companies they overwhelmingly agreed that there was no economic impact.

In line with the literature the anticipated increase in employment did not materialise. Although there was some job creation this was largely temporary. On the positive side while

the infrastructure costs was rated as a negative, the infrastructural improvements themselves were highly rated. It would appear that the realisation is dawning that the benefits of the World Cup may not lie in instant gratification during the event, but rather in the return on the 2010 investment in the years to come.

5.3 Limitations

This study has a number of limitations:

1. The respondents were from a single company within a massive service industry. Factors unique to or prevalent at Bidvest Rental and Products would influence their performance and thus the findings of the study. Further research should seek to broaden the participant base to minimise these factors.
2. As stated, the study is a tentative step towards a post ante analysis on the economic impact of the 2010 Soccer World Cup. Quantifying these impacts is beyond the scope of this research. Further research could seek to quantify the gains in terms of revenue, employment, etc.
3. This study followed a descriptive quantitative approach and did not seek answers to the “why” and the “how” questions. A qualitative approach may yield deeper insight into why respondents hold the view they do thus qualifying their responses.

5.4 Conclusion

The findings of this study confirm the widely held academic view that the ex ante economic impact studies of mega sporting events are more often than not exaggerated. Within Bidvest Rental and Products there were a few isolated pockets of excellence, but on the whole the anticipated revenue and employment gains did not materialise.

South Africa spent R17 billion on building and revamping stadia. An additional R117 billion was spent on infrastructural improvements. As a developing nation and, given South Africa’s pressing socio economic needs in terms of housing, education, health, etc., the opportunity cost of these investments is significant. Evidence from this Bidvest Rental and Products study suggests that almost two years after the event, the anticipated benefits have still not

materialised. Future hosts would do well to learn from the South African experience before gambling so much of their countries' future on the on the widely disputed economic impact of a singular event.

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10 October 2011

Mr C de Villiers (203519723)
Graduate School of Business

Dear Mr de Villiers

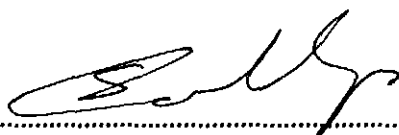
PROTOCOL REFERENCE NUMBER: HSS/1011/011M
PROJECT TITLE: The impact of the 2010 Soccer World Cup on Bidvest Rental and Products Division

In response to your application dated 5 October 2011, the Humanities & Social Sciences Research Ethics Committee has considered the abovementioned application and the protocol has been granted **FULL APPROVAL**.

Any alteration/s to the approved research protocol i.e. Questionnaire/Interview Schedule, Informed Consent Form, Title of the Project, Location of the Study, Research Approach and Methods must be reviewed and approved through the amendment /modification prior to its implementation. In case you have further queries, please quote the above reference number.
PLEASE NOTE: Research data should be securely stored in the school/department for a period of 5 years.

I take this opportunity of wishing you everything of the best with your study.

Yours faithfully



.....
Professor Steven Collings (Chair)
Humanities & Social Science Research Ethics Committee

cc Supervisor – Alec Bozas
cc Mrs. C Haddon