

UEFA Super Cup: Economic Effects on Georgian Economy

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Abstract—Tourism is the most viable and sustainable economic development option for Georgia and one of the main sources of foreign exchange earnings. Events are considered as one of the most effective ways to attract foreign visitors to the country, and, recently, the government of Georgia has begun investing in this sector very actively. This article stresses the necessity of research based economic policy in the tourism sector. In this regard, it is of paramount importance to measure the economic effects of the events which are subsidized by taxpayers' money. The economic effect of events can be analyzed from two perspectives; financial perspective of the government and perspective of economic effects of the tourism administration. The article emphasizes more realistic and all-inclusive focus of the economic effect analysis of the tourism administration as it concentrates on the income of residents and local businesses, part of which generate tax revenues for the government. The public would like to know what the economic returns to investment are. In this article, the methodology used to describe the economic effects of UEFA Super Cup held in Tbilisi, will help to answer this question. Methodology is based on three main principles and covers three stages. Using the suggested methodology article estimates the direct economic effect of UEFA Super cup on Georgian economy. Although the attempt to make an economic effect analysis of the event was successful in Georgia, some obstacles and insufficiencies were identified during the survey. The article offers several recommendations that will help to refine methodology and improve the accuracy of the data. Furthermore, it is very important to receive the correct standard of measurement of events in Georgia. In this case non-ethical acts of measurement which are widely utilized by different research companies will not trigger others to show overestimated effects. It is worth mentioning that to author's best knowledge, this is the first attempt to measure the economic effect of an event held in Georgia.

Keywords—Biased economic effect analysis, expenditure of local citizens, time switchers and casuals, UEFA super cup.

I. INTRODUCTION

EVENTS play an important role in tourism development. They encourage growth in tourism expenditure, increase awareness about the country and stimulate employment along with other benefits. Thus it is of paramount importance to measure the increase in tourism expenditure for different events organized by the government. The resulting information can be used to achieve the following goals:

- Government and private sector become aware about the benefits resulting from their spending on tourist infrastructure and events' sponsorship [1, p.81];
- The possibility to calculate the return on promotional and infrastructural investment can stimulate mutually

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beneficial partnerships between business and the government;

- People interested in attracting visitors to the events can measure the effectiveness of their attempts;
- Public receiving information about the economic effects of events have an opportunity to support or oppose their organization;
- It helps organizers to attract sponsors and validate the desire to increase the scale of the event;
- It is a basis for construction of an input-output model to measure indirect effects of the events.

In general, development of the methodology to measure economic effects gives opportunity to the residents, costumers, businesses and government to make effective marketing and development oriented decisions [2, p.26].

The economic effect of events can be analyzed from different perspectives. What may seem beneficial to one organization can be viewed as detrimental to another. Let's discuss two different perspectives based on the project "Check in Georgia," which is held annually in Georgia. Festivals require significant amounts of money to be spent by the government which include security or other operational costs. The government needs to know what the returns will be when spending tax payer's money. Let's assume that festival is held for three weeks and includes different concerts. The benefit analysis of the festival is possible from two different perspectives, the government's and tourism administration's perspectives.

Perspective 1: Financial Perspective of the Government

- Government allocates 1,000,000 Lari for the security purposes of the festival. Out of 1,000,000 Lari 400,000 is transferred to the tourism administration for advertisement and marketing purposes;
- Government received 100,000 Lari from renting place to the organizers and as a tax revenues
- Addition income of 300,000 was received from the entry tickets
- The total income equals 400,000 Lari. Taking into consideration that government spending equaled 1,000,000 Lari, the loss of the government equals 600,000 Lari. The government officials doubt the effectiveness of the holding festivals in the country in future.

Perspective 2: Perspective of Economic Effects of the Tourism Administration

- Tourism Administration organizes survey for festival attendees.
- Based on total ticket sales and completed questionnaires,

the festival hosted 20,000 local and 15,000 out of town guests. The responses to the questionnaire show that guests travelled in groups and average number was 3.1. The festival expenditure per night was 300 Lari and average length of stay 4 nights. As a result, total visitor expenditure was $(300/3.1) \times 15000 \times 4 = 7,258,065$ Lari.

- The Tourism Administration assumes that return on investment was $ROI = 7,258,065/400,000 = 18.5:1.00$. The Tourism Administration declares the festival a success and recommends promoting similar festival in the future as well.

These two different perspectives and conclusions are based on different interests. The Government prioritizes budget spending, while the Tourism Administration is concerned with the total economic effects of the event. Both perspectives are valid. Due to the fact that the tax revenues are generated from citizens, the perspective of the administration seems to be more relevant. This perspective focuses on the income of residents and local businesses, part of which generate tax revenues for the government. Thus, we have a more realistic and all-inclusive vision.

The literature describing the economic effects of events and festivals has different principles in methodology. This article will be based on three of them.

Expenditures of local residents are excluded from the economic effects analysis. One of the main benefits from the festivals and events is that additional money flows into the economy. Although local spending is important for organizers, in the economic sense it is only circulation of money which already exists in the society. Thus, it does not serve as a contributing factor to the local economy. In other words, local resident spending means that this money was not spent on other types of local businesses (e.g. Cinema), thus the net effect is zero. However, there is still an argument that by spending money in the local economy, the money spent there could be spent somewhere else or abroad. This argument is sometimes called “import substitution” and can be treated as a positive effect. The import substitution argument is difficult to prove; as a result this argument is ignored in the literature [3, p.173].

“Time switchers” and “casuals” are excluded from the economic effect analysis. “Casuals” are the visitors, who have already engaged in the visit with another main purpose [1], [2], [4], while time switchers are visitors who were planning to visit the destination anyway, but switched the date to attend the event [1], [2], [5], [6].

Potential negative economic effects are taken into consideration. Some events can cause negative effects as well. Attracting additional people into the economy stimulates total demand. The negative effects associated with increased demand are the following: overloaded transport, accidents on the roads, police and fire security, degradation of the environment, sewage disposal, increased prices in shops and restaurants, and disrupting the lifestyle of locals. Furthermore, negative effects associated with the event should also include potential income from the visitors who cancelled their trips because of the following factors: deficit of beds, increased

prices, and overcrowded places [7, p.42]. It is difficult to translate some of these negative effects into monetary values; this can be the reason why it is ignored in most of the papers of economic effect analysis.

The first step to begin with economic analysis of the events is to measure the direct effect of the change in visitor spending within the country. The direct effect is the effect of the tourist spending itself. In addition to the direct effect, tourist spending has other effects that include indirect and induced effects. However, in this article we will concentrate only on direct effects of events.

Measuring direct effects of events can be divided into several stages and may include: expenditures connected with the preorganization of events, visitor expenditures, expenditures of sellers and traders on the event. It should be mentioned that most of the surveys concentrate only on visitor expenditures and exclude the other two factors. This mainly depends on the type of the event. For the purposes of this paper only visitor expenditure is relevant, but other factors will also be defined.

Preorganization of the event is the additional activity of preparation of the place for hosting the event. In case of a musical festival, expenditures will be connected with construction of stages and bars, delivering water, electricity and sewage system. A lot of work is done either using the local labor force or buying construction material from local businesses. Only the purchases from local suppliers should be included in the direct effects of events.

Estimating expenditure of visitors requires important efforts of the researcher. The estimation technique is based on individuals or groups and is calculated using a formula:

$$\text{Tourist economic effects} = \text{number of visits} \times \text{average expenditure} \times \text{multiplier}$$

According to this formula three measures are needed to identify economic effects of the visitors:

1. Estimating number of tourists at the event;
2. Estimating average expenditures of tourists or their groups;
3. Estimating multiplier, which is useful for understanding the secondary effects of the events [8].

Several methods are used to estimate the number of attendants at the event. Unfortunately, there is no universal method, which could be used in every case. The events with gates allow easy count of the visitors. In such cases, it is possible to count the visitors either by entry gate or through ticket sales. Furthermore, many events are free to the public and held in national parks, where it is impossible to organize any entry control. In this case some other indirect methods of data gathering are needed. In every case, though, it is important to separate expenditures of locals to exclude them from analysis. [6, p. 440].

Most of the surveys begin with the estimation of visitor expenditures. The most popular method is the use of questionnaires. A sample of visitors is asked about their expenditures, but in some cases their travel habits are also

interesting for marketing purposes. The sampling is used because it requires less expenditure and time and the result is the same as in the case of total population. Based on surveys, average expenditures are calculated and then multiplied by the number of visitors. The indicator showing ratio of the expenditure over ticket price is different across events and countries where events are held. For example, during the Adelaide festival in 1990, 5.4 dollars were spent on accommodation, food and transport for each 1 dollar spent on tickets [6, p.442].

Tourist expenditure can be measured only with some level of confidence, which creates doubts about the validity of using questionnaires for estimation [9]. The data of expenditures received from the questionnaire should be analyzed carefully, because respondents might have problems remembering past expenditures, or are unsure about or question future expenditures. Data show that the best estimation is possible only when respondents are asked to remember expenditures during the previous 24 hours [2, p.28].

Sampling should be random. In other words, every respondent should have the same chance to be chosen for the questionnaire. For example, if the interviewer avoids asking questions to certain type of visitors, they will not be represented in the survey and the typical visitor's expenditure will not be measured. Representative sampling might be quite difficult. In case surveys are collected at only one place, all attendants will not have a chance to be chosen to respond to the questionnaire. In the case of representative sampling there is no need for weighting. Weighing is the method when one observation is assigned importance or weight in the dataset. In representative sampling, each group has the same chance to be chosen for the interview. Thus, if 10% of respondents say that they are foreigners and 90% says they are local, 10% should be treated as foreigners in a population as well.

Expenditures of the sellers should also be included in total economic effect analysis. Like visitors, the sellers' economic effects are also dependent on geography. There are two types of seller expenditures: tourist seller expenditures and local seller expenditures. The expenditures of local sellers should not be included in the analysis. However, it is also a fact that expenditures of local sellers stay in the economy while tourist sellers leave the economy. This effect is the important challenge for the researcher.

II. THE OVERESTIMATION PROBLEM WITH ECONOMIC EFFECT ANALYSIS

The surveys of economic effects of events are not always independent and fair. The political decision to conduct economic analyses is not motivated by measuring the true effect of the event rather they are conducted to gain public support by adding nonexistent positive effects. Often consultants hired for such purposes, rather than being neutral, tell their clients the things they want to hear: "that their event brought the huge amount of income" [10, p.32]. In some cases the errors are associated with the misunderstanding of major concepts by research companies. However, in some cases research companies choose the methods intentionally to

overestimate the numbers. The comparably less economic effects of events can be translated in less support from the policy makers, and the event might not be financed in the end. Behaving ethically when others do not do so, can harm the rating of the event significantly. As a result it might be rational to overestimate the effects of an event that will allow competing with other event organizers [7, p.35].

It is important to receive the correct standard of measurement in Georgia. In this case non-ethical acts of measurement will not trigger others to show overestimated effects.

To summarize, although economic effect analysis has many drawbacks it is still a very important tool in the hands of real experts.

III. ECONOMIC EFFECTS OF UEFA SUPER CUP

The UEFA Executive Committee has given Tbilisi the opportunity to host a major sports event, the UEFA Super Cup. The UEFA Super Cup is an annual football match between the winners of the champions League and the Europa League. The game was held at Dynamo Arena August 11, 2015. The event attracted football fans to Georgia from all over the world.

Owing to the importance of this match, it was selected as the ideal event for the pilot study to measure tourism's economic effects for Georgia. To identify the sample it was necessary to have the information about the population. According to the Football Federation, the match should have been attended by 10 400 foreign visitors. It was impossible to determine the nationalities of foreign visitors. Varying information was published about the number of returned tickets by Spanish visitors, resulting in uncertainty about the number of the actual visitors from Spain. As a result, the stratified method was replaced by random sampling that would allow identifying real makeup of foreign visitors at the match. The sample consisted of 400 interviews.

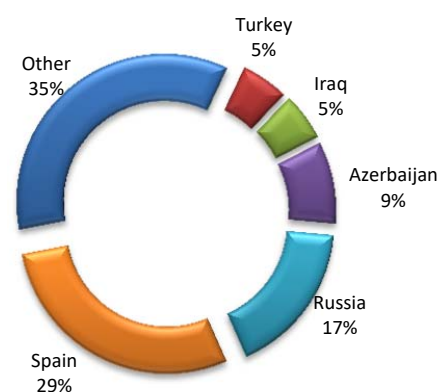


Fig. 1 Distribution of Visitors by Resident Countries

The survey showed interesting results. The majority of the foreign visitors were male (86%), while the largest age group was 21-30 (3%). It is worth mentioning that based on cross

tabulation analysis the larger share of female attendants were Russian at 31,6%, followed by Spanish visitors at 28,9%. As for male visitors, they were from Spain (28,4%) and Russia (14,4%).

Visitors used different means of transport while traveling to Georgia. Air transport was most popular with 84%, followed by land transport at 13%, and railway was only 3%. As for air transport, visitors used 18 different airways. The leader was Turkish Airlines (41,4%), followed by Georgian Airways (13,6%) and Pegasus (11%).

The majority of the visitors stayed in hotels (70.8%); other types of accommodation types were less utilized-Guesthouse and Hostel (13.5%) and rented apartment (8, 6%). The average length of stay was 4.5 nights.

It worth mentioning that 11% of all visitors used tourist packages while travelling to Georgia. The largest segments were Spain at 37,9%, Iraq at 20,7%, Russia at 10,3%, and Poland at 6,9%. The tours across the country were purchased or were planned to be purchased by 27,7% respondents. Visitor expenditure categories are shown in Table I.

TABLE I
VISITOR EXPENDITURES BY CATEGORIES

Expenditures by Categories	Share
Accommodation	41%
Served Food and Drinks	25%
Shopping	13%
Entertainment Services	10%
Local Transport	6%
Other	6%

In total, the average expenditure (including only local air companies and excluding ticket prices) of Spanish visitors was 1868 Lari, while for other visitors it was 1748 Lari. Assuming the event drew 10 000 foreign visitors, the revenue generated was about 17 828 000 Lari. Most of the travelers (97%) indicated they would recommend Tbilisi as a travel destination to their friends and evaluated capital of Georgia as an attractive sport destination.

IV. CONCLUSION

The attempt to make an economic effect analysis was successful in Georgia. All the obstacles and insufficiencies identified during the survey will help to refine methodology and improve the accuracy of the data. The following recommendations should be taken into consideration:

- It is important to create a viable and realistic mechanism to count the number of foreign visitors in all types of events

Although in their statements officials often stress the importance of the events to attract foreign visitors, a viable and realistic methodology of counting them has not been created. The mechanism for counting could be the websites selling online tickets which should/could request ticket purchasers to identify their country of residence. This will add significant value during the planning process of the survey.

- The government entity responsible for the economic

analysis of the event should be identified; the analysis should help the government to decide whether the event should be held in the future. and the government should assume responsibility in case of failure

The reason of nonexistence of economic effect surveys is the lack of accountability and failure to assume responsibility for the event's success. In case the event does not generate big returns, the responsible officials might be blamed for not doing their jobs well. This should not pose an obstacle for research; more transparency is needed related to income and expenditure as well. This will increase the transparency and effective and efficient government spending. As a result only those projects will be financed that have highest return on investment. To ensure this, researchers should be neutral, and not be under pressure from any source, public or private.

- Statistical information should be improved, simultaneous input-output tables need to be constructed to calculate multiplier effects of tourism

The government should support the need for statistical information and its accuracy. Today there are a lot of uncertainties about different statistical data; the main reason for this is the small sample sizes. More financing is needed for statistical information, which is the main indicator of the performance of the government. More information will allow the identification of indirect effects of the events which is based on the multiplier concept at the regional and country level.

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