IMPACT EVALUATION OF EVENTS AS FACTORS OF CITY TOURISM COMPETITIVENESS

Akvile Cibinskiene
Kaunas University of Technology, Lithuania, akvile.cibinskiene@ktu.lt

Abstract
Tourism is an important sector of economy. Tourism destinations compete with each other seeking to attract more tourists, because their spending has positive impact on the economy. Therefore, the competitiveness of tourism destinations became an important issue of scientific researches. City may be considered as tourism destination. The competitiveness of the city can be defined as the ability of the city to highlight its local tourist attractions and provide goods and services for tourists better than other cities do. Events may be considered to be a factor of city tourism competitiveness because they can attract visitors to the city and encourage them to spend money, which makes significant economic impact on city tourism and the economy. Seeking to evaluate the economic impact of an event as a factor of city tourism competitiveness, the primary data sources should be used, paying attention to the expenditures of new visitors, excluding expenditures of “time-switchers” and “casuals”.

Keywords: destination competitiveness, event tourism, event impact evaluation.

JEL Classification: L83, R11, Z11.

Introduction
Tourism is one of the largest and fastest growing sectors of the global economy. Recently tourism is accepted as one of the world’s leading and most dynamic economic activities. Tourism has become an important economic sector in many parts of the world, and many regions, states, and local areas have identified expenditures by visitors as a potential source of economic growth. Paton (1985) states, that the economic benefits flow from the fact that the tourism industry consists of a number of different but interlinked service industries, particularly accommodation and catering, food processing and beverages, transport, as well as entertainment and other support services. Therefore, tourist spending has an impact on various sectors of the economy. (Saayman, Saayman, 2005) Tourism is considered of value in economic development for its considerable income generating properties and its ability to provide jobs (Williams, Shaw, 1998).

Various territorial units (countries, cities, regions, etc.) compete seeking to attract tourist. This provides the reason to analyze, to study, to evaluate and to compare the competitiveness of appropriate territories. According to Nancy et al. (2008), since visitor spending can contribute to the local economy, many communities seek to enhance tourism and visitor-oriented activities. Communities have used a variety of strategies to attract visitors; some have focused on natural amenities or historical attractions in their local areas, while others have developed infrastructure to enhance their ability to host a variety of entertainment events; e.g., concerts, sporting events, conventions, or trade shows (Nancy et al., 2008).

Events are an important motivator of tourism, and figure prominently in the development and marketing plans of most destinations. The roles and impacts of planned events within tourism have been well documented and are of increasing importance for destination competitiveness (Getz, 2008). City as a kind of tourism destination is also motivated to attract visitors with different kinds of events, strengthen it’s competitiveness and generate economic benefits.

While cultural events are primarily hosted to enhance, expand and celebrate certain culture, the economic role that these events play in the host towns is often overlooked. The economic importance stems from the expenditure by attendants that filters through the local economy, stimulating output in the economy (Saayman, Saayman, 2005). In the context of city tourism competitiveness, the economic impact of events and methods for it’s evaluation should be analysed, as the number of events in an appropriate territory can be defined as a factor of tourism competitiveness.

The object of the research: models for the evaluation of the economic impact of an event.
The aim of the research: to investigate the models for the evaluation of the economic impact of events as factors of city tourism competitiveness.
Methods of the research: comparative, structural and logical analysis of scientific literature.
Competitiveness of tourism destinations

With the recognition of the economic impact of tourism, the tourism industry came to be regarded as a powerful economic source for many countries all over the world (Kayar, Kozak, 2007). With the improvements to the tourism industry, and a better quality infrastructure for tourism, individuals began to spend more of their disposable income on travel and tourist activity. As a result of increasing competition, countries operating in the international tourism market are continuously forced to search for the best way of providing customer satisfaction (Turanli, Gueneren, 2003). Navickas, Malakauskaite (2009) pay attention to the evaluation of tourism industry competitiveness. In other words, competition between popular tourist destinations increases the efforts made to establish competitive advantage (Cimat, Bahar, 2003). Furthermore, the international tourism industry is becoming an increasingly competitive marketplace where only the best-managed tourism destinations are likely to prosper (Bahir, Kozak, 2005, Buhalis, 2000). Consequently, countries attempting to become popular tourist destinations invest ever greater efforts in order to achieve competitive advantage. As a further consequence, measuring performance against competitors grows in importance as a strategic issue (Pearce, 1997).

Tourism is now widely accepted as being of central importance to the success of the economic development of many countries. For this reason, a cross-country analysis of what drives competitiveness in tourism provides some useful comparative information to inform business strategy, and is of additional value to those public authorities wishing to improve their tourist environments. Knowing which competitiveness factors are more effective in determining a country’s competitive position is beneficial for the identification of their strengths and weaknesses, increasing tourist numbers and tourism revenues and also to enhance the tourism development of the country (Bahir, Kozak, 2005).

Hassan (2000) defines destination competitiveness as the ability of a destination to create and integrate value-added products that sustain its resources while maintaining market position relative to its major competitors. The concept of destination competitiveness is based largely on the many factors involved in both the micro and the macro environments. A review of the literature of destination competitiveness indicates that considerable research has been conducted to examine the factors that affect and measure destination competitiveness (Kayar, Kozak, 2007).

Cities in the field of tourism compete not only internationally (due to sports championships and so on.), but also at national level (in order to attract more tourists). Bruneckiene et al. (2010, 2012) analyze the measurement of urban competitiveness. So city tourism competitiveness can be excluded as a part of urban competitiveness. City may be considered as tourism destination, then the competitiveness of the city can be defined as the ability of the city to highlight their local tourist attraction, provide the goods and services for tourists better than other cities do. The main measurable result of this competition is the number of tourists visiting the city, and their length of stay (Cibinskiene, 2012).

Event tourism as a factor of tourism competitiveness

The term “event(s) tourism” was not widely used, if at all, prior to 1987 when The New Zealand Tourist and Publicity Department (1987) reported: “Event tourism is an important and rapidly growing segment of international tourism...“ (Getz, 2008).

In recent years, festivals and special events have become one of the fastest growing types of tourism attractions (Getz 1997, Thrane 2002). Therefore, according to Gursoy et al. (2003), it is not surprising to see that the number of conceptual and empirical studies on festivals and special events has been increasing rapidly (Saayman, Saayman, 2005).

Events can create linkages between people and groups within communities, and between the community and the rest of the world. Saayman (2004) points out that events have long been viewed as a tool for economic development. The economic importance of these events stems from the expenditure by attendants that filters through the local economy, stimulating output in the economy. One of the great advantages of events is that it can create a demand in a time that might be regarded as off-season (Getz 1997).

In the scientific literature studied, events can be classified into two groups: local events and mega events. Both of these types of events can be subdivided into: business events (meetings, conventions, exhibitions, etc.), sport events, festivals and other cultural celebrations. According to Getz (2008) it is also possible to classify events on the basis of their place attachment, being the degree to which they are associated with, or institutionalized in a particular community or destination. Mega events are typically
global in their orientation and require a competitive bid to 'win’ them as a one-time event for a particular place. By contrast, “hallmark events” cannot exist independently of their host community, and “local” or “regional” events are by definition rooted in one place and appeal mostly to residents.

Destinations local government must decide what they want from events (the benefits), and how they will measure their value. In this destination context economic values have always prevailed, and this preoccupation might very well constitute a limitation on the sustainability of events (Getz, 2008).

Getz (1997) indicates the following most obvious reasons for the popularity of the local festival as a tourism promotion tool, which can be attributed not only to local festivals, but to events in general:

1) festivals increase the demand for local tourism (Smith, Jenner 1998);
2) successful festivals can help recreate the image of a place or contribute toward the exposure of a location trying to get on the tourism map (Kotler, Haider, Rein, 1993);
3) the strategic placement of a festival in the local tourism calendar can help extend the tourism season.

Events can be assigned to the factors of city tourism competitiveness, because they can attract visitors to the city as well as their expenditures, therefore making significant economic impact for the city tourism. For the city as a tourist destination it is important to attract visitors to the events. Therefore the events in the city should be not only planned, organized and promoted, but their economic impact should also be evaluated.

Specifics of evaluation of the event tourism economic impact

Events provide important recreational opportunities for local residents and, in many destinations, they form a fundamental component of the destination’s tourism development. As many events require financial assistance from governments and businesses in order to be staged, post-event evaluations are required by such agencies that need to assess the value of their investments. Evaluation is also required by event organisers who need to justify their activities to a diverse set of stakeholders, which includes sponsors, funding agencies, economic and tourism development agencies, special interest groups, and the community at large (Jago, Dwyer, 2006).

The earliest journal articles on economic impact of events were by Della, Bitta, et.al. (1978), and Davidson and Schaffer (1980). The first truly comprehensive event impact research was conducted on the Adelaide Grand Prix (see Burns et al., 1986). Since then, a number of scholars have lamented the lack of consistency used in event impact studies (Dwyer, Forsyth, Spurr, 2005, Uysal, Gitelson, 1994). However, to date, event research has tended to focus on particularly economic impacts (Getz, 2000, Harris, Jago, Allen, Huyskens, 2001, Hede, Jago, Deery, 2003), with limited published research on the approaches of individual organisations to other forms of evaluation. Grado, Strauss and Lord (1998) examined conferences and conventions, and Dwyer (2002) provided an overview of convention tourism impacts. Solberg, Andersson and Shibli (2002) examined “business” travelers to events, notably the media and officials. (Getz, 2008).

Efforts to develop stadiums, convention centres, and other visitor-oriented facilities often require public investment or support, and local economic benefits are frequently cited as a justification for public investment in such facilities (Crompton, 2004). As a result, public entities often request estimates of the economic impact associated with these facilities and/or the events they host (Crompton, 1995, Porter 1999). However, economic impact analyses of sports facilities and other entertainment events have come under increasing criticism in recent years, with a number of authors suggesting that these studies often seriously overstate the economic benefits accruing to host communities (Crompton, 2004, Matheson, 2002). At the same time, other analysts have found that visitors to sports events, festivals, and other visitor-oriented and event related activities can produce very substantial economic impacts for the host area (Hodur et al., 2006, Chhabra et al., 2003).

The conceptual rationale for undertaking economic impact studies is illustrated in Figure 1. It shows that residents of a community pay funds to their city council in the form of taxes. The city council uses a proportion of these funds to subsidize production of an event of development of a facility. The event or facility attracts non-resident visitors who spend money in the local community both inside and outside of the event or facility that they visit. This new money from outside of the community creates income and jobs in the community for residents. This completes the cycle; community residents invest the tax funds, and they receive the return on their investment in the form of new jobs and more household income (Crompton et al., 2001).
Economic benefits of events and event facilities flow from three distinct sources:
1) facility construction (if applicable),
2) facility/event operations, and
3) expenditures related to event attendance and participation (Nancy et al., 2008).

The three key problems associated with the various methods used for evaluating the economic performance of special events are:
1) inclusion of expenditure that is not new to the host region. For example, there have been many cases where the expenditure of local residents has been included, or the travel expenditure of visitors who would have come to the region irrespective of the event.
2) Over estimation of attendee numbers and their expenditure.
3) Inappropriate use of economic models which has led to multiple counting of the impact, thus inflating the final result (Jago, Dwyer, 2006).

There are two types of economic models that are used to evaluate the economic impact of an event, namely, Input-Output (I-O) and Computable General Equilibrium (CGE).

Once the direct economic impact associated with an event or activity has been estimated, attention turns to estimating the secondary (indirect and induced) economic impacts. These arise from the spending and re-spending of the initial expenditures (direct impacts) within the study area economy and are sometimes termed “multiplier effects”. (Nancy et al., 2008) As in other studies of this kind, the main source of empirical data is a comprehensive sample survey of visitor expenditure. This expenditure is the main motor driving income change and is thus a key element in understanding local economic growth (Flesenstein, Fleischer, 2003).

An advantage of CGE models over I-O models is that they can make specific assumptions about the availability of factors of production, such as to what extent their supply can be increased, and to what extent there is an excess supply of some factors (as with unemployment of labour).

The main criticisms of constraining statements of CGE modelling are:
- CGE models are not needed for other than very large events,
- CGE models are not necessary for events held in regional areas,
- the choice of economic model does not matter since adjustments can be mad to I-O results to make them more realistic,
- CGE models require too many assumptions, which makes them to complex to use,
- CGE models are costly and are often not available in various regions.

On the basis of such arguments, I-O analysis is often selected as the preferred approach over CGE modelling in economic event impact evaluation. While aware of some of the limitations of the I-O method, Tyrrell and Johnson (2001) assume that the technique has an important role to play in event assessment (Dwyer, Forsyth, 2005).
The most pervasive shortcomings of past impact analyses appear to involve problems in properly defining the direct economic impact of tourist events (Tyrell & Johnson, 2001, Baade & Matheson, 2001, Chhabra et al., 2003). In particular, many studies have not properly distinguished between the direct economic impact of an event and the total expenditures of event participants and visitors. Total expenditures are all expenditures by event visitors and participants. Direct economic impacts represent new money or new spending, i.e. spending that would not have occurred in the absence of the event (Nancy et al., 2008).

Gelan (2003) indicates that there are three controversial issues that need to be addressed when determining the economic impact of an event, namely which spending to include; what multiplier to use and the spatial area under evaluation (Saayman, Saayman, 2005).

The first issue, which expenditure to include in the analysis, asks the question whether local expenditure and that of expenditure switchers (secondary motive participants) should be included. The debate on whether to include local spending in the economic impact analysis has attracted a lot of attention. Crompton (1999) indicates that local spending could be included if there is evidence that the event had kept some community members from making trips elsewhere. Gelan (2003) concludes that the inclusion of local spending in the analysis can enhance the accuracy of the economic impact assessment (Saayman, Saayman, 2005).

In 1993 Wang and Irwin outlined some or the most typical data collection problems and provided a discussion of the difference between expenditures of residents and non-residents. Crompton (1995) provided a through and comprehensive discussion of key considerations and potential methodological shortcomings of impact assessments of sports facilities and events, including problems with “time switchers” and “casuals”. Dwyer et al. (2000) included in his framework for assessments, fiscal impacts (public revenue) and intangible impacts, both benefits and costs. Tyrell and Johnston (2001) emphasized the importance of addressing participants motivation for attending an event and, in contrast to Wang and Irwin (1993), pointed out that local attendee expenditures could have a positive economic impact provided the attendees would have travelled outside the local area to attend a similar event in the absence of the local event (Nancy et al., 2008).

A large local, expenditure driven, multiplier generated by an event is not, in itself, a sufficient indicator of local gain. It says little about the costs involved in producing an event, the distribution of the local gains to local people, or how much better off the local area would have been in the absence of the event (Getz, 1997). Economic impact can be expressed by a variety of different indicators, but almost all of them involve use of the multiplier concept. This concept recognizes that when visitors to some event spend money in the city, their initial direct expenditures stimulate economic activity and create additional business turnover, personal income, employment, and government revenue in the town (Crompton et al., 2001).

While multiplier analysis is most frequently used to determine the indirect and induced effects of visitor expenditure, they tend to vary considerably across businesses and locations, rendering them insufficient for determining the local economic impact of the event. Walpole and Goodwin (2000) show that primary data obtained from visitor (demand side) and business (supply side) surveys result in better estimates for local economic impacts (Saayman, Saayman, 2005). Walpole and Goodwin (2000) are, therefore, correct in commenting that large-scale techniques are often inappropriate to determine local economic impacts where necessary data are often unavailable. They propose the use of direct estimation from primary data sources, obtained through surveys of businesses (supply side) and tourists (demand side) (Saayman, Saayman, 2005).

Summarizing there can be stated, that seeking to evaluate the economic impact of the event as the factor of city tourism competitiveness, the primary data sources (surveys or the demand and supply sides) should be used, paying attention to the expenditures of new visitors, excluding expenditures of “time-switchers” and “casuals”.

**Conclusions**

Tourism is important economic sector because of increasing numbers of tourist. Tourist’s expenditure makes positive economic impact not only for the service industries, which serve tourists directly, but also for local governments, which can feel this economic impact through the collected taxes.

Different territories, regions, countries compete seeking to attract tourists, therefore, destination competitiveness became an important issue. In this context the city tourism competitiveness can be excluded and defined as the ability of the city to highlight their local tourist attractions, provide goods and services for tourists better than other cities do.

Economic impact of the event is important because of the expenditures of its visitors/tourists. The main measurable result of city tourism competitiveness is number of tourists and the length of their stay.
Thus, if events attract more tourists to the city, then the number of events can be defined as the factor of city tourism competitiveness.

For the evaluation of economic impact of event in the city, two types of economic models can be used namely, Input-Output (I-O) and Computable General Equilibrium (CGE). After the comparison of these two models and their application, it may be concluded, that I-O analysis is often selected as the preferred approach over CGE modelling in event evaluation.

Seeking to evaluate the economic impact of the event as the factor of city tourism competitiveness, the primary data sources should be used. In preparing survey questionnaires, attention should by paid to the questions for the visitors in order to group them into new visitors, “time-switchers” or “casuals”.

References


