

Likely Economic Impact of Super Bowl XL

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INTRODUCTION

On Sunday, February 5, 2006, Ford Field in Detroit, Michigan will fill with 70,000 fans, and television sets across the country will tune in to watch Super Bowl XL between the Pittsburgh Steelers and the Seattle Seahawks. In the days leading up to the event thousands more will converge on Metro Detroit, generating an economic impact for the area that will likely exceed that of any other one day event held in the area.

Regardless of how much these visitors spend, or how long they stay, it's a safe bet to assume that Detroit will benefit from hosting the event. The degree to which the economy will benefit, however, is debatable.

Unfortunately, many "economic impact" reports follow neither a consistent methodology nor a conservative approach, and are done largely for public relations purposes. As a result, many such reports mislead the public as to the true economic impact of an event. Our analysis, on the other hand, provides a much more conservative and realistic assessment of the likely economic impact that Super Bowl XL will have on the Detroit area.

Our conservative measure of economic impacts, which we further discuss on page 4, accounts only for net *new* economic activity that would not have otherwise occurred in the area. Other analyses often double count economic activity that would have occurred in the area regardless of the event. A similar error is to ignore the costs of the event. As a result, many of the "economic impact" figures put forth are of great magnitudes, and useful only for public relations.

To illustrate this, consider the well-publicized estimate pegging the Super Bowl's economic impact at \$302 million.¹ By comparison, think of a small state with a healthy tourism industry. One such state, Alaska, realized \$282 million in Gross State Product (GSP) from its arts, entertainment, and recreation industry in all of 2004.²

LIKELY ECONOMIC IMPACT

We estimate that Super Bowl XL will have a net economic impact of \$49 million on the Detroit area. This includes \$30.8 million from direct expenditures that, if it were not for the Super Bowl, would not have occurred in the area. We also anticipate that each dollar of direct economic activity will induce an additional \$0.60 of economic benefits for the area, resulting in an indirect economic impact of \$18.5 million.

This estimate includes only the impacts directly associated with hosting the Super Bowl. We also recognize that hosting this event may have far greater impacts on Detroit, provided that the positive economic momentum started by this event, the 2004 Ryder Cup, the 2005 MLB All-Star Game, and the upcoming NCAA Men's Final Four (2009), spur further redevelopment in the area.

Assumptions

Visitors. In determining our economic impact estimate, we assumed that the Detroit area would be hosting 73,100 visitors who would not otherwise have come during this time. Of these visitors, we assumed that 63,000 fans from out of town will attend the game, while 7,000 more will visit just to experience the events and atmosphere accompanying the game. Each of these visitors is assumed to stay an average of two full days. We also assume that 3,100 members of the media will visit the area, each staying an average of three full days.

Visitor Expenditures. We assume that each of the 73,100 visitors to the Detroit area will spend an average of \$193.33 per day. This includes spending on meals, travel and parking, lodging, and miscellaneous items, including souvenirs and entertainment. For lodging we assume that 70% of all visitors will pay for their lodging.³ We assume an average hotel room cost of \$200, and average room occupancy of 1.5 people.

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1. A 2004 study completed by Dr. David Allardice of Lawrence Technological University estimated that a "typical Super Bowl" experience will have a total economic impact of \$302.3 million on the Detroit region.
 2. 2004 GSP data for Alaska from the United States Bureau of Economic Analysis (BEA).
 3. An analysis and survey done by Arizona State University for the 1996 Super Bowl hosted by Phoenix showed that 22% of those who attended the game from out of town stayed in a private residence (not rented), and 68% of those who came to the area but did not attend the game stayed at a private residence.

Other Direct Expenditures

Ticket Sales. In addition to the visitor spending, we expect some additional direct economic benefits to the area to come from a share of ticket sales that will stay in the area. By assuming that 5% of revenues from all tickets sold at face value (estimate to be \$300) will stay in the area, and that an additional 1,500 tickets will be “scalped” locally at a premium of \$150 per ticket, we estimate the direct impact from ticket sales will total \$1.2 million.

Sponsorship. The host committee for Super Bowl XL generated \$18.5 million in sponsorship revenues to help cover the costs of the event. We assume that 15% of the revenue is from sources that would not have otherwise contributed money to be spent in the Detroit area economy. The other 85% is assumed to be from sponsors that would likely have infused the money into the area economy in some other way. Such sponsors include Ford, General Motors, Chrysler, Comerica Bank, and the multitude of other local firms that have contributed funds to the event.

Civic Costs. Hosting an event like the Super Bowl requires significant civic expenditures on clean-up, public safety, maintenance, and other such items. We assume that such items will have a net cost of \$2 million. The actual cost is likely to be much higher, but we assume additional tax proceeds from the event will help offset these costs.

Sources. In arriving at these assumptions we reviewed a variety of past reports on the topic, including:

- The 2004 Economic Impact Estimate of Super Bowl XL prepared by Dr. David Allardice of Lawrence Technological University.
- A 2000 report by the Atlanta Sports Council on “The Economic Impact of Super Bowl XXXIV on Metro Atlanta and the State of Georgia.”
- An “Impact Analysis of Super Bowl XXXII on the City of San Diego, San Diego County, and the State of California,” prepared by PricewaterhouseCoopers in October 1998.
- An “Economic Impact Analysis of Super Bowl XXX,” prepared by Arizona State University.
- “Economic Impact Analysis” by Victor Matheson, Williams College.
- “Padding Required: Assessing the Economic Impact of the Super Bowl,” by Robert Baade and Victor Matheson.

Indirect Economic Impact

To estimate the indirect economic impact of Super Bowl XL we have applied a multiplier of 1.6, which equates to assuming that for every dollar of direct expenditure, there will be an additional \$0.60 of economic activity generated in the area. This is consistent with the multiplier used in our analysis of the

conomic impact of the 2004 Ryder Cup. In total, we estimate that Super Bowl XL will have an indirect economic impact of \$18.5 million on the Detroit area.

Comparison with Ryder Cup Economic Impact

In September of 2004 the Detroit area hosted the Ryder Cup, a Professional Golfing Association (PGA) event featuring the best American and European golfers. The event lasted for six days, with about 38,000 tickets being sold for each day of the event. Our firm prepared a preliminary estimate of the event's economic impact, pegging it at \$48.7 million. While this is nearly equal to our estimate of the Super Bowl's impact, it is important to remember that the Ryder Cup was much larger than the Super Bowl in terms of the number of tickets that were available.

CONSERVATIVE "IMPACT" ASSESSMENT

AEG has completed a number of other impact assessments, which often are recognized afterwards as the most reliable and timely available.⁴ The basis for this methodology is stated in the book *Business Economics and Finance* written by one of this report's authors, Patrick Anderson.⁵

Unfortunately, many "economic impact" reports do not follow a consistent methodology or a conservative approach, and are done largely for public relations purposes. Our analysis uses a consistent, conservative methodology that avoids double-counting of costs or benefits, properly accounts for the shifting and substitution of economic activity, and does not unnecessarily inflate the impact by using excessive multipliers.

Substitution Effects. To illustrate how a failure to account for the shifting of economic activity can exaggerate an economic impact, consider the following. The expenditures of a family from Southfield attending the "NFL Experience" at Cobo Arena are not having an economic impact on the area. Their expenditures

4. Previous AEG reports on similar topics include:

Critical Review: Northeast Blackout Likely to Reduce US Earnings by \$6.4 Billion, East Lansing, MI: Anderson Economic Group, August 19, 2003; the estimated impact included in this report was later corroborated by a completely independent analysis produced several months later, and the estimate has been included in numerous DoE and US Government publications. *Lost Earnings Due to the West Coast Port Shutdown - Preliminary Estimate*, Lansing, MI: Anderson Economic Working Paper, October 7, 2002; this analysis, which produced an estimate of economic impact many times smaller than that commonly cited in news media reports at the time, was later corroborated by academic research in the US, and was also used by the Australian government in assessing risks of disruptions of maritime ports.

Economic Benefits of Wayne State University, Wayne State University, October 2004. This report uses a much more conservative method for calculating economic impact than that commonly used for colleges, and directly considers the likely substitution effects should university-owned property be converted to private sector use.

5. Patrick L. Anderson, *Business Economics and Finance*, CRC Press, 2004.

are simply a shift in economic activity away from another local activity, like seeing a movie or going to a Pistons game. The true economic impact of an event only accounts for net benefits, that is, dollars brought into the area that otherwise would not have been.

Multipliers. Another reason for the exaggeration is the tendency to use multipliers that exaggerate the indirect impacts of an event. One reason for this is a failure to consider how much of each dollar spent is transferred out of the local economy, like profits going back to Marriott or the NFL.

TABLE 1. Estimate of Net Economic Benefit on Detroit Area From Super Bowl XL

Table 1 continued (.pdf insert)

ABOUT ANDERSON ECONOMIC GROUP

Anderson Economic Group LLC specializes in regional economics, business consulting, and market studies.

AEG's past clients include:

- Governments, such as the states of Michigan, North Carolina, and Wisconsin; the cities of Detroit, MI, Cincinnati, OH, Norfolk, VA, and Fort Wayne, IN; counties such as Oakland County, Michigan, and Collier County, Florida; and authorities such as the Detroit-Wayne County Port Authority;
- Corporations such as GM, Ford, Delphi, Honda, Metaldyne, Taubman Centers, The Detroit Lions, PG&E Generating; SBC, Gambrinus, Labatt USA, and InBev USA; automobile dealers and dealership groups representing Toyota, Honda, Chrysler, Mercedes-Benz, and other brands; and
- Nonprofit organizations, such as Michigan State University, Wayne State University, Van Andel Institute, the Michigan Manufacturers Association, International Mass Retailers Association, American Automobile Manufacturers Association, Automation Alley, and the Michigan Chamber of Commerce.

For additional information, see the AEG web site at: <http://www.andersoneconomicgroup.com>.

ABOUT THE AUTHORS

Scott D. Watkins. Mr. Watkins is the Director of Marketing and Administration at Anderson Economic Group. In this role he oversees the firm's administrative staff and procedures and implements marketing strategies.

Mr. Watkins also works as a Consultant on projects involving economic and policy analyses. Among the clients for whom he has worked are the Michigan Manufacturers Association, Michigan State University, Wayne State University, General Motors Corporation, Michigan Chamber of Commerce, Michigan Retailers Association, and the City of Detroit.

Prior to joining Anderson Economic Group, Mr. Watkins was an Analyst in the automotive market and planning group at J.D. Power and Associates, where he performed qualitative and quantitative research and analysis. Mr. Watkins also held a marketing assistantship with Foster, Swift, Collins, and Smith P.C.

Mr. Watkins is a graduate of Michigan State University with a B.A. in Marketing from Eli Broad College of Business and a B.A. in International Relations from the James Madison College.

Patrick L. Anderson. Mr. Anderson founded Anderson Economic Group in 1996, and serves as a Principal in the company. In this role he has successfully

directed projects for state governments, cities, counties, nonprofit organizations, and corporations in over half of the United States.

Mr. Anderson has written over ninety articles published in periodicals such as *The Wall Street Journal*, *The Detroit News*, *The Detroit Free Press*, *American Outlook*, *Crain's Detroit Business*; and monographs published by the Mackinac Center for Public Policy, The Economic Enterprise Foundation of Detroit, the Ethan Allen Institute in Vermont, and the Heartland Institute of Chicago. His book *Business Economics and Finance* was published by CRC Press in August 2004. His paper "Pocketbook Issues and Presidency," co-authored with Mr. Geckil, was awarded the 2004 Mennis award for the best submitted paper to *Business Economics* by the National Association of Business Economics.

Mr. Anderson is a graduate of the University of Michigan, where he earned a Masters degree in Public Policy and a Bachelors degree in Political Science. He has been a member of the National Association for Business Economics since 1983.

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Table 1: Estimate of Net Economic Benefit on Detroit Area From Super Bowl XL

Visitors to area

Game attendees

Ford Field capacity	65,000
Additional seating added for Super Bowl	5,000
Share of game attendees from out of area	<u>0.9</u>

Subtotal 63,000

Visitors not attending game (a)

visiting media	3,100
visiting fans	7,000

Subtotal 10,100

Average length of stay (days)

visiting media	3
visiting fans	2

Total Visitor Days 149,300

Visitor expenditures per day

Food and drink		\$	45
Misc travel in area		\$	10
Parking, auto in-area		\$	15
Lodging, average price per night	\$ 200.00		
Share paying for accommodations	0.7		
Average room occupancy	<u>1.5</u>		
Average lodging expense		\$	93
Other:		\$	30
Total visitor expenditures per day		\$	<u><u>193</u></u>

Total direct expenditures by visitors \$ 28,864,667

Table 1: Continued

Other Direct Expenditures in Area		
Local share of ticket sales (b)	\$ 1,050,000	
Local scalper premiums (c)	\$ 150,000	
Non-local sponsorship (d)	\$ 2,775,000	
Total other direct expenditures		\$ 3,975,000
Additional civic costs (net of revenues) (f)		\$ (2,000,000)
Total Direct Economic Impact		\$ 30,839,667
Indirect Economic Impact		\$ 18,503,800
Multiplier	0.6	
Total Direct and Indirect		\$ 49,343,467

Notes:

- (a) The Super Bowl Host Committee indicates over 3,000 credential media are expected (<http://www.sbxl.org/faq/>)
- (b) 5% of total ticket revenue assuming 70,000 tickets sold at \$300 per ticket
- (c) Assumes 1,000 tickets re-sold by local "scalpers" to visitors with \$150 per ticket service fee
- (e) Assumed to be 15% of Super Bowl XL Host Committee Revenue (\$18.5 million)
- (f) Estimate of expenditures by local and state governments to host the event, net of any revenues generated because of event