



## *Likely Economic Impact to Ireland from the 2006 Ryder Cup*

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### **INTRODUCTION**

From September 19th through September 24th, the top golfers from Europe and the United States will battle for the Ryder Cup on the Palmer Course at the K Club in Straffan, Ireland. The event will include three days of competition, a day for opening ceremonies, and two practice days, and feature some of golf's top players, including European team captain Ian Woosnam and USA team captain Tom Lehman.

As host to the Ryder Cup, Ireland will benefit from the economic activity that accompanies the event. However, measuring the economic benefit of the Ryder Cup and other major sporting events can be problematic, and frequently projections are made without careful thought. Many "economic impact" reports follow neither a consistent methodology nor a conservative approach, and are done largely for public relations purposes. As a result, the reports mislead the public and investors as to the true economic impact of an event.

To illustrate this, consider the well-publicized estimate pegging the economic impact of the 2006 Ryder Cup to Ireland at €130 million.<sup>1</sup> Compare this to the

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1. Fáilte Ireland

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estimated €142.5 million contribution to the Ireland economy that was provided by 138,000 visiting golfers in 2004.<sup>2</sup> It seems unreasonable to believe that an event spanning less than one week can generate an economic impact amounting to more than 90% of the impact from a full year's worth of golfers visiting Ireland.

Our analysis, on the other hand, provides a much more conservative and realistic assessment of the 2006 Ryder Cup's likely economic impact on Ireland. We use a conservative measure of economic impacts to account only for net *new* economic activity that would not have otherwise occurred in the country. We do not double count economic activity that would have occurred in the area regardless of the event, and we do not ignore costs associated with hosting the event.

## LIKELY ECONOMIC IMPACT

We estimate that the 2006 Ryder Cup will have a net economic impact of €43.0 million on Ireland. This includes €26.9 million from direct expenditures that, if it were not for the Ryder Cup, would not have occurred in the area. We also anticipate that each euro of direct economic activity will induce an additional €0.60 of economic benefits for the area, resulting in an indirect economic impact of €16.1 million.

This estimate includes only the impacts directly associated with hosting the Ryder Cup. We do not include potential benefits from investments in promoting Ireland as a destination for golfing or other recreation. In our view these investments could have been made regardless of Ireland's hosting the Ryder Cup. Therefore, we feel the related benefits are better considered economic impacts from tourism promotions, not from the Ryder Cup.

## OUR ASSUMPTIONS

### *Visitor Days and Visitor Expenditures*

The most significant share of positive economic impacts generated by an event like the Ryder Cup comes from spending by visitors who would not otherwise have traveled to the area. For the 2006 Ryder Cup we estimate new visitor expenditures will be €30.3. This includes spending by golf enthusiasts attending the Ryder Cup, golf enthusiasts in the area because of the event but not attending the event, and members of the media from outside of Ireland who are covering the event.

**Visitor Days.** We estimate that the Ryder Cup will generate 137,700 new visitor days for Ireland. This assumes that 25% of those attending the event each day are golf enthusiasts who would not be in Ireland if not for the Ryder Cup. Assuming an average daily attendance of 39,000 over the 6 days of the event, this equates to 9,750 foreign attendees per day, or 58,500 visitor days. We also

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2. Fáilte Ireland

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assume that for every 10 foreign golf enthusiasts at the Ryder Cup, there will be 1 foreign golf enthusiast visiting the country because of the event, but who does not attend the event. This results in an additional 5,850 visitor days. Further, each golf enthusiast is assumed to stay an additional days, bringing the duration of their trip to seven total days.<sup>3</sup> This brings total visitor days from golf enthusiasts to 128,700, to which we add 9,000 visitor days for foreign media covering the event. The foreign media figure includes 2,000 total foreign media members on hand for 75% of the events duration (assumes 50% are present during the first three days, and 100% present on the last three days).<sup>4</sup>

**Visitor Expenditures.** We estimated that a visitor to Ireland would spend an average of €220 per day. This includes spending on meals, travel, lodging, and miscellaneous items, including souvenirs and entertainment. Only spending that stays in Ireland is counted. For example, we assume that €15 from each ticket sale will remain local, with the rest going to the PGA.<sup>5</sup>

We arrived at this estimate, which is detailed in Table 1, “Estimate of Net Economic Benefit to Ireland From the 2006 Ryder Cup,” on page 5, with insight on spending and pricing levels from Amárach Consulting’s Dublin office, and from our past experience in estimating the impact of consumer expenditures as events such as this. We also consulted travel guides and tour packages focusing on Ireland and the 2006 Ryder Cup. Note that these are per visitor figures and account for the fact that its common for hotel costs and car rental costs to be split between two people, on average.

#### *Other Direct Expenditures*

In addition to the visitor spending, Ireland will recognize direct economic impacts from sponsorship investments and from the cost of hosting the event. Combining net new sponsorship expenditures with the cost of hosting the event results in net expenditures of -€3,400,000.

Total sponsorship of the Ryder Cup is estimated to reach €5 million. However, some €3.5 million of this is expected to come from Irish companies and does not represent net new economic activity.<sup>6</sup> As a result, we counted €1.5 million of event sponsorship as a direct expenditure.

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3. This aligns with data from the Central Statistic Office of Ireland showing that the average duration of a visit to Ireland for holiday or recreation purposes was seven days.
  4. Data on foreign visitorship and media provided to AEG by Amárach Consulting, and obtained from Fáilte Ireland.
  5. The precise distribution of ticket proceeds is unknown. Our €15 assumption is consistent with what was assumed in our assessment of the 2004 Ryder Cup and the 2006 Superbowl.
  6. Sponsorship information provided to AEG by Amárach Consulting, and based on review of primary sponsor list on official Ryder Cup web site.

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In terms of the cost to sponsor the event, we only count the €4.9 million paid to the PGA European Tour. Irish news sources have reported that upwards of €10.8 million more was spent, but we conservatively assume that this additional spending stayed with Ireland and does not amount to an economic loss.<sup>7</sup>

### *Indirect Economic Impact*

In total, we estimate that the 2006 Ryder Cup will have an indirect economic impact of €16.1 million on Ireland. To estimate the indirect economic impact of the 2006 Ryder Cup we have applied a multiplier of 1.6. This equates to assuming that for every net new euro of direct expenditure, there will be an additional €0.60 of economic activity generated in the country. This is consistent with the multiplier used in our analysis of the economic impact of the 2004 Ryder Cup and Super Bowl XL.<sup>8</sup>

### *Comparison with the 2004 Ryder Cup and Super Bowl XL Economic Impact*

In September of 2004 the Detroit, Michigan area hosted the Ryder Cup. Our firm prepared a preliminary estimate of the event's economic impact, pegging it at €39.1 million. We also prepared a similar study on Super Bowl XL, which concluded that the event would have a €38.7 million impact on the Detroit area economy.<sup>9</sup>

These estimates are a bit below the €43.0 million figure we determined for the 2006 Ryder Cup. One reason is that we assume visitors will stay longer in Ireland as the country offers more tourism opportunities than are present in the Detroit, Michigan area. We also assume that visitors will spend more while in Ireland than they would in Detroit. This is partly because prices are higher in Ireland and because we feel visitors in Ireland will have more opportunities to spend on shopping, entertainment, and tourism activities throughout the county.

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7. Source: Ryder Cup costs taxpayer €16m but sports fans will still have to pay to view - Deenihan, Wednesday, 24 May 2006
  8. The multiplier is applied to quantify the indirect amount of economic activity that the infusion of net new spending has. For example, consider a pub that employs two extra people to handle the demand created by visitors in town for the Ryder Cup. Presumably, these two extra employees are earning money that they would not otherwise have earned. They in turn spend a portion of that money, creating an indirect economic impact.
  9. Estimates converted from US dollars using an exchange €1 = \$1.26.

**Table 1. 2006 Ryder Cup Estimated Net Economic Impact to Ireland**

<b>Visitor Days</b>		
<b>Golf Enthusiasts</b>		
Avg. Daily Attendance for Ryder Cup	39,000	
Share not from Ireland	25%	
Daily Attendance From Foreign Visitors	<u>9,750</u>	
Event Days	<u>6</u>	
Subtotal: Event Attendee Visitor Day		58,500
Additional Fans Per Day (not attending event)	975	
Event Days	<u>6</u>	
Subtotal: Non-Attendee Visitor Day		5,850
Stay-over Duration (in days)	<u>1</u>	
Subtotal: Golf Enthusiast Stay-over Days		<u>64,350</u>
Total Visitor Days from Golf Enthusiasts		128,700
<b>Media</b>		
Foreign Media	2,000	
Event Days	6	
Avg. Portion Attending Daily	<u>0.75</u>	
Total Visitor Days from Media		9,000
<b>Total: Net New Visitor Days</b>		<u><u>137,700</u></u>
<b>Daily Average Visitor Expenditures</b>		
Food and Drink	€ 60	
Local travel	€ 25	
Accommodations	€ 90	
Local Share of Ticket	€ 15	
Other:	€ 30	
<b>Expenditures Per Visitor Day</b>		<u>€ 220</u>
<b>Total Direct Expenditures by Visitors</b>		<u><u>€ 30,294,000</u></u>
<b>Other Direct Expenditures</b>		
Event Sponsorships	€ 1,500,000	
Cost of Hosting	-€ 4,900,000	
<b>Total Other Direct Expenditures</b>		<u><u>-€ 3,400,000</u></u>
<b>Total Direct Economic Impact</b>		<u><u>€ 26,894,000</u></u>
<b>Indirect Economic Impact</b>		<u><u>€ 16,136,400</u></u>
<i>Multiplier</i>	0.60	
<b>Total Net Economic Impact</b>		<u><u>€ 43,030,400</u></u>

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## CONSERVATIVE “IMPACT” ASSESSMENT

Anderson Economic Group has completed a number of other impact assessments, which often are recognized afterwards as the most reliable and timely available.<sup>10</sup> The basis for this methodology is stated in the book *Business Economics and Finance* written AEG Principal and CEO, Patrick L. Anderson.<sup>11</sup>

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 Dublin attending the Ryder Cup do not have an economic impact on Ireland. Their expenditures are simply a shift in economic activity away from another local activity, like seeing a movie or going to another sporting event. The true economic impact of an event only accounts for net benefits, that is, euros 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 euro spent is transferred out of the local economy, like profits going back to PGA, apparel manufacturers, or hotel management companies.

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10. Previous AEG reports on similar topics include:

- *Likely Impact of Super Bowl XL*, Anderson Economic Group, Feb. 2006.

- *Likely Impact of Delphi Bankruptcy*, Anderson Economic Group, Oct. 2005.

- *Critical Review: Northeast Blackout Likely to Reduce US Earnings by \$6.4 Billion*, 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*, 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*, Anderson Economic Group, 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.

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

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## **ABOUT ANDERSON ECONOMIC GROUP**

Anderson Economic Group specializes in economics, finance, public policy, and market assessments. Our approach to work in these fields is based on our core principles of professionalism, integrity, and expertise. Since our founding in 1996, our analysis has helped publicly-held corporations, private businesses, governments, and non-profit organizations. Our 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; and counties such as Oakland County, Michigan and Collier County, Florida;
- Corporations such as General Motors, Ford Motor Company, The Detroit Lions, SBC Communications, InBev USA, Diageo, and Heineken.
- Nonprofit organizations, such as International Mass Retailers Association, American Automobile Manufacturers Association, Michigan State University, Wayne State University, and the Michigan Manufacturers Association.

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

## **ABOUT AMÁRACH CONSULTING**

Amárach Consulting was established in 1989 as the Henley Centre Ireland, and re-branded in 1998 as Amárach Consulting – to reflect the Irish focus of the business and its core belief that the purpose of commercial research is to highlight business risks and opportunities to its clients in the future. The Group consists of three distinct business organizations; Amárach Consulting, specializing in high quality market research, consulting and analysis; Market Research Partners, specializing in field services and data collection for other agencies, and Research Solutions, which specializes in FMCG research.

Amárach is recognized as Ireland's leading specialists in consumer and business research, trend analysis and market strategies. Among their clients are: AIB, Bank of Ireland, Bank of Scotland, Coca-Cola, Diageo, Heineken, Microsoft, Tesco, Vodafone, and Unilever.

For more information on Amárach, please visit <http://www.Amárach.com>.

## **ABOUT THE AUTHORS**

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**Gerard O'Neill .** Mr. O'Neill founded Amárach in 1989 and has been its chief executive since then. He is Ireland's best known futurist and commentator on the business implications of technological, economic and social change. He studied economics at the LSE before working at The Henley Centre for Forecasting in London. He then became business planning manager in An Post, before setting up Henley Centre Ireland, subsequently re-named Amárach Consulting. Mr. O'Neill is a member of the Marketing Institute, the Irish Direct Marketing Association, The World Futures Society and of ESOMAR. He speaks and writes regularly on the future business impact of change, and has written a number of reports on economic, social and technological trends in Ireland.

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