

Net Economic Impact of Detroit Tigers' 2008 Opening Day and Regular Season Attendance

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INTRODUCTION

On Monday, March 31, 2008 the Detroit Tigers will take the field for the first game in one of the franchise's most anticipated seasons. Key off-season additions have many looking forward to a possible World Series appearance this year. Fans have fueled record ticket sales, forcing the franchise to cease the sale of many season ticket packages. Many regular-season games are sold out before a pitch has even been thrown.

Opening Day is the unofficial start to spring for Detroit baseball fans. Many will celebrate by spending the day at Comerica Park in Detroit. This annual rite provides a significant economic benefit to the greater Detroit area.¹ In this paper we estimate the economic impact that opening day game attendees will generate, as well as the net economic impact stemming from attendee spending during the entire 81 home game season.

LIKELY ECONOMIC IMPACT: OPENING DAY

We estimate a net economic impact of \$4.54 million will be generated by fans attending opening day at Comerica Park. This includes total expenditures of nearly \$3.4 million by the game's attendees. Of this amount we assume \$558,000 substitutes for other economic activity or immediately transfers out of the area, leaving a direct economic impact of \$2.84 million. The respending of these direct expenditures within the region generates an additional indirect economic impact of \$1.70 million in the greater Detroit area.

1. We consider the greater Detroit area to include Wayne, Oakland, and Macomb counties.

To arrive at this economic impact estimate we have assumed:

Attendance. Opening day tickets are sold out, and given the significant interest in the 2008 team we are assuming attendance of 43,500. This includes standing-room-only tickets, and the addition of 500 to 700 seats in the outfield.²

Attendee Expenditures. We assume that each person attending the opening day game will spend \$7.50 on parking (or \$15 for a car containing 2 people), and an additional \$40 on food, drinks, souvenirs, and entertainment before, during, and after each game. These expenditure levels are higher than what we assume for other regular season games, as opening day is viewed as more of a one-time special event, or even an annual tradition, by many fans.

Ticket Sales. According to seating and price information on the Detroit Tigers web site, the average ticket price for the 2008 season appears to be between \$20 and \$25 dollars, so we have assumed a \$22.50 average ticket price.³ We further assume that, for opening day, some attendees will pay a “scalper’s premium” for their ticket. With this in consideration we assume the average ticket price increases to \$30 for opening day.⁴

We also account for revenue sharing with Major League Baseball, by which some portion of ticket sales go directly to the league. According to the Detroit Tigers Baseball Organization, only a “negligible” portion of the ticket price is paid to Major League Baseball. We conservatively allocated 5%, before the scalper premium, for MLB.⁵

Substitution Effect. We assume a 15% substitution effect. This is to say that 85% of all spending is net new spending. This is a lower substitution effect than what we assume for regular season games because of the anticipation that many have for the opening-day game, the game’s tradition of drawing large crowds even in seasons of poor team performance, and the relatively few number of events available that would qualify as a “substitute” to attending an opening-day game.

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2. Plans for the addition of seats to Comerica Park prior to opening day were reported by the Detroit Free Press on February 27, 2008. The story was accessed online at: < <http://www.freep.com/apps/pbcs.dll/article?AID=/20080227/SPORTS02/802270423/1050/rss15> <http://mlb.mlb.com/det/sponsorship/ratings/index.jsp>>
 3. Detroit Tigers’ Web Site, accessed on March 18, 2008. <http://detroit.tigers.mlb.com/det/ball-park/seating_pricing.jsp>
 4. This is a conservative assumption. A 3/18/08 review of tickets for the opening day game, as being sold on stubhub.com, shows ticket prices ranging from \$44.99 for an upper reserved seat (a \$12 ticket zone), to \$1,250 for an infield box seat in row 7 (a \$42 ticket zone).
 5. This information was originally obtained in 2006. We are not aware of any changes in Major League Baseball policies that would change this assumption.

All of this helps stimulate expenditures that would not occur if not for the opening-day game.⁶

Economic Multiplier. To estimate the indirect economic impact of the Tigers' opening-day game, 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 analyses of the economic impact of the 2006 Ryder Cup, Super Bowl XL, and other Detroit Tigers' games, including the 2006 playoffs.⁷

ECONOMIC IMPACT: 2008 REGULAR SEASON GAMES

After opening day the Tigers continue the 2008 regular season with an additional 80 home games. Though many of these games will lack the day-long celebrations and near-record crowds that come with opening day, they will still draw large numbers of fans, and generate significant economic activity for the greater Detroit area.

By the end of the regular season we estimate that the spending by attendees at Detroit Tigers' home games will have generated a \$117.3 million economic impact in the greater Detroit area. This includes net new expenditures (after substitution) of \$905,000 per game, which generate an indirect economic impact of \$543,000 per game, for a total per game economic impact of \$1.45 million.

This per-game total is lower than the opening day impact because we assume less will be spent, on average, at regular season games, and more of the spending at regular season games would be substituted for in the regional economy. These assumptions are further presented below.

Assumptions

Attendance. Multiple media sources have reported that Detroit Tigers tickets for all 2008 regular season games sold quickly during the off season, and attempts by this paper's author to find tickets for regular season games confirmed that there is very limited availability. Based on this we are assuming a near-sellout crowd of 40,000 at each home game.⁸

Attendee Expenditures. We assume that each person attending a regular season game will spend \$5.00 on parking (or \$10 for a car containing 2 people), and an

6. A 15% substitution effect was also used in our 2006 estimate of the economic impact stemming from attendance at Detroit Tigers' playoff games.

7. These and other past economic impact analyses from Anderson Economic Group are available on our web site, <http://www.AndersonEconomicGroup.com>.

8. One of the many articles covering the rapid ticket sales was found in the Detroit News, and is available at <http://www.detnews.com/apps/pbcs.dll/article?AID=/20080301/SPORTS0104/803010413/1129>.

additional \$20 on food, drinks, souvenirs, and entertainment before, during, and after each game. These expenditures levels are lower than we have assumed in past years as a result of recession fears, continued high unemployment in Michigan, and signs of reductions in consumer spending.

Ticket Sales. According to seating and price information on the Detroit Tigers web site, the average ticket price for the 2008 season appears to be between \$20 and \$25 dollars, so we assume \$22.50 for an average ticket price.⁹

We also account for revenue sharing with Major League Baseball, by which some portion of ticket sales go directly to the league. According to the Detroit Tigers Baseball Organization, only a “negligible” portion of the ticket price is paid to Major League Baseball. We conservatively allocated 5% to MLB.¹⁰

Substitution Effect. We assume a 50% substitution effect. This is to say that half of all spending is net new spending which would not occur in the area if the Detroit Tigers did not take the field.

Economic Multiplier. To estimate the indirect economic impact of the Tigers’ regular season attendance increase we have again used a multiplier of 1.6, which is consistent with our playoff calculation.

COMPARISON WITH OTHER EVENTS

In February 2006, Detroit hosted Super Bowl XL. The event drew 70,000 fans to the Detroit area. Our firm prepared an estimate of the event’s economic impact, pegging it at \$49.3 million. Also in 2006 we estimated the economic impact of Detroit Tigers’ playoff games. For first round games we estimated a \$3.9 million economic impact per game, league championship games had a \$5.5 economic impact per game, and World Series games each had a \$9.5 economic impact.¹¹

CONSERVATIVE “IMPACT” ASSESSMENT

AEG has completed a number of other impact assessments, which are often recognized afterwards as the most reliable and timely available. The basis for this methodology is stated in the book *Business Economics and Finance* written by Patrick L. Anderson.¹²

9. Detroit Tigers’s Web Site, accessed on March 18, 2008. <http://detroit.tigers.mlb.com/det/ball-park/seating_pricing.jsp>

10. This information was originally obtained in 2006. We are not aware of any changes in Major League Baseball policies that would change this assumption.

11. 40% of ticket revenue was assumed to go to MLB during the playoffs, where as only 5% of ticket revenue from opening day and other regular season games is allocated to the league. Also in 2006 we provided an estimate of the economic impact stemming from Detroit Tigers’ regular season attendance increases. This is not comparable to the analysis in this paper, which estimates economic impact from total attendance, not just increased attendance.

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 Warren attending a game at Comerica Park rather than going to dinner and a movie do not have a net economic impact on the area—their expenditures are simply a shift in economic activity away from another local activity. There would be a net economic impact, however, if they went to the game in addition to going to the dinner and movie. The true economic impact of an event only accounts for net benefits, that is, dollars spent in the area otherwise spent elsewhere or not at all.

Multipliers. Another source of exaggeration in other reports is the tendency to use multipliers that overstate the indirect impact 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, such as profits from a restaurant or hotel chain going back to headquarters outside of the area.

SOURCES

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

- “Economic Impact of Big Ten Football Games in Michigan,” AEG for Michigan’s University Research Corridor, October 2007.
- “Economic Impact: Attendance for Cubs Playoff Games,” AEG Working Paper 2007-10, October 2007.
- “Economic Impacts from 2006 Detroit Tigers’ Game Attendance,” AEG Working Paper 2006-09 #2, October 2006.
- “Likely Economic Impact to Ireland from the 2006 Ryder Cup,” AEG Working Paper 2006-09, June 2006.
- “Likely Economic Impact of Super Bowl XL,” AEG Working Paper 2006-10, January 2006.
- The 2004 Economic Impact Estimate of Super Bowl XL prepared by Dr. David Allardice of Lawrence Technological University.
- “Padding Required: Assessing the Economic Impact of the Super Bowl,” by Robert Baade and Victor Matheson.

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

Economic Impacts: Detroit Tigers Baseball on Metro Detroit Area

Table 1. 2008 Opening Day Game Attendance

Attendance		43,500
Avg Ticket Price	\$	22.50
Scalper Ticket Price Premium	\$	8.00
Additional Expenditures	\$	40.00
<i>Food, drinks, etc. (per person)</i>		
Parking (per person)	\$	7.50
Total Expenditure Per Game	\$	3,393,000.00
less:		
MLB Share of Ticket Price (5%)	\$	(48,937.50)
Substitution Effect (15%)	\$	(508,950.00)
equals:		
Direct Economic Impact	\$	<u>2,835,112.50</u>
apply multiplier of 0.6		
Indirect Economic Impact	\$	<u>1,701,067.50</u>
TOTAL ECONOMIC IMPACT	\$	<u>4,536,180.00</u>

NOTE: The substitution effect is assumed to be lower on opening day than during the rest of regular season as many view it as a one-time event, and attending the game on opening day is less likely to substitute for some other form of expenditure that would have occurred regardless of the event being held. The 0.6 multiplier matches that used in our 2006 Super Bowl and Ryder Cup Economic Impact Reports. Both are online at www.AndersonEconomicGroup.com. It also matches that used on our previous Detroit Tigers economic impacts. Attendance and ticket prices are AEG estimates based on review of past data.

Table 2. 2008 Total Regular Season Game Attendance

Avg Attendance Per Game		40,000
Avg Ticket Price	\$	22.50
Additional Expenditures	\$	20.00
<i>Food, drinks, etc. (per person)</i>		
Parking (per person)	\$	5.00
Total Expenditure Per Game	\$	1,900,000.00
less:		
MLB Share of Ticket Price (5%)	\$	(45,000.00)
Substitution Effect (50%)	\$	(950,000.00)
equals:		
Direct Economic Impact	\$	<u>905,000.00</u>
apply multiplier of 0.6		
Indirect Economic Impact	\$	<u>543,000.00</u>
TOTAL ECONOMIC IMPACT PER GAME	\$	<u>1,448,000.00</u>
IMPACT OVER 81 HOME GAMES	\$	<u>117,288,000.00</u>

NOTE: Attendance assumes near sell-out for all games. Additional expenditure estimate revised down from our 2007 estimates given slow economy. Substitution assumes that 25% of the game related spending is net new, and the rest would have occurred in the region even if the Tigers did not play. Takes into consideration fans coming in from outside of area and the availability of similar entertainment opportunities in the region.

ABOUT ANDERSON ECONOMIC GROUP

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

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- 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.
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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. He 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. He is also the editor of *The State Economic Handbook 2008* as published by Palgrave MacMillan, as well as the forthcoming 2009 edition.

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

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