EVALUATION OF THE BIG CULTURAL EVENT

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Abstract

Big events have been one of the fastest growing segments of the tourism industry with cities and countries competing to host such activities. Event promoters emphasize often their potential for the hosting cities to attract tourists and their associated expenditures. The paper provides a theoretical overview of the measurement of economic benefits of big events and description of current state of the research field in Slovakia. Paper also contains case study from Košice city in Slovakia. This case study describes the possibility and basic outcomes for evaluation of big event related to the title European Capital of Culture (ECoC), which was awarded to Košice city for 2013 together with Marseille in France.

After the literature review, the main tool for evaluation of economic impact of big event on local economy seems to be different types of multipliers. Authors shortly describe the basis methodological approaches of using I-O multipliers, Keynes multipliers and so called off-the-shelf multipliers. In the conclusion authors discuss about possibility of usage different multipliers in condition of the Slovak Republic.

Keywords: economic impact, big events, evaluation methodologies

1 INTRODUCTION

There were only few events that can be defined as big event organized in Slovakia from 1993. Researchers have therefore only few possibilities to evaluate economic impact of such activities. Methodological approaches are therefore underdeveloped in Slovakia. Nowadays Slovakia is hosting country of Košice European City of Culture 2013. This event allows us to adjust methodological approaches used for big event evaluation in foreign countries to condition of the Slovak Republic.

This paper is divided in three parts. First part is dedicated to description of current state of big event evaluation in condition of the Slovak Republic. Second part describes the methodological approached used in foreign countries, based on literature and studies review. This part is before all, focused on use of different types of multipliers.
Third part presents basic outcomes for evaluation of economic impact of future big event connected to the title Košice European Capital of Culture in 2013.

2 BIG EVENTS EVALUATION IN SLOVAKIA

Big events can be defined as “one-time or recurring events of limited duration, developed primarily to enhance the awareness, appeal and profitability of a tourism destination in the short and/or long term. Vokoun, J. Brzica, D., 2006. Mega-events are best understood as large-scale cultural (including commercial and sporting) events, which have a dramatic character, mass popular appeal and international significance. Two central features of contemporary mega-events are firstly, that they are deemed to have significant consequences for the host city, region or nation in which they occur, and secondly, that they will attract considerable media coverage. Horne, J., Manzenreitner, W., 2006.

There are only few examples of organization of big events with global importance in Slovakia. Therefore also methodologies for evaluation of impact of big events on Slovak economy are underdeveloped. There exist several metrologies for big events evaluation developed mainly in the USA or UK, but these methodologies need to be adjusted for Slovak conditions. In Slovak professional journals there are no studies or articles dealing with evaluation economic impact of big events on local economy. In Slovakia studies focus on evaluation of economic importance of large FDI on Slovak economy predominate among researchers; see Damborský, M., Wokoun, R, 2010; Piteková, J., 2009; Spišiak, P., Kulla, M., 2009; Vokoun, J., Brzica, D., 2006. These studies evaluate mainly primary economic importance (turnover, employment etc.), without using methods for evaluation of economic impacts, based on measuring of additional expenditures in the local economy. The only exception is the study focused on evaluation of economic impact of Economic University in Bratislava on Bratislava city. Rehák, Š., 2009.

Before description of the case studies we will describe the common methodologies used for evaluation of economic impact on local economy divided in two separate groups – evaluation of “Big sport events” and evaluation of “Big cultural events”. Description of these methodologies is based on our own assessment of different academic and consultancy studies evaluation the “Big events” for example: Blake, A., 2005; Breen, H., Bull, A., Walo, M., 2001; Gelan, A., 2003; Gratton, CH., Shibli, S., Coleman, R., 2006; Humphreys, B., Prokopowicz, S, 2007; Lee, CH., Taylor, T., 2005; Pricewaterhousecoopers and department for culture media and sport, 2012. The second source was the literature review made by the Impact 08 team focused on measuring of large scale cultural event - see Langen, F., Garcia, B., 2009.
3 BIG EVENT ECONOMIC IMPACT METHODOLOGIES

There are several aspects to be considered before selecting methodology for big event economic impact evaluation. First aspect is the level of evaluation (local, regional or national). Second aspect is the time of evaluation (ex-ante or ex-post), third is the type of the event and last it is the objective of evaluation. According to the available literature the objective of evaluation can be focused on finding the best possible alternative (e.g. feasibility study or cost benefit analysis) or for evaluation of operational cost effectiveness. To meet these types of objectives typical methods of financial analysis can be applied. The second group of objectives are focused on quantification of additional economic impact of the event on local economy. According to the aim of this paper, we will further focus methodologies meeting the second group of objectives.

Economic impacts (effects of new economic activities) are usually divided in three groups: direct impact; indirect impact and induced impact. Direct impacts are connected to increased demand in the region. Indirect impacts are results of increased income of the influenced economic sector. Induced impacts are impacts of employees and induced investments, which will occur nearly in all economic sectors (housing, transport, services etc.).


Available studies use different approach for evaluation of big events, but most of them are based on quantification of different forms of multipliers. In general multipliers are quoted as being of three types:

1. Type I – Include direct or initial spending on a project as well as indirect spending (i.e. business to business). These may also be known as first order multipliers;
2. Type II – As in type I plus “induced” effects (from i.e. increased household spending from wages earned). These higher order effects are calculated using Input-Output analysis;
3. Type III – include the direct, indirect and induced spending but are modified according to spending patterns and demographics.

The method of multiplier deriving can be also different and must be chosen with focus on objective of evaluation. In the theory we can find three basic method for multiplier deriving.

1. (neo)Keynes models – based on disaggregation of gross domestic products to components of effective demand – with presumption of behavioural inertial of economic subjects.
3. CGE models – models of Computable General Equilibrium are based on I-O models.
4. Regional multiplier models – again based on I-O model but with regional data, where purchased from other region are entered as regional import and sales to other regions as regional export.


According to the literature and studies survey the most of studied use for multiplier quantification the I-O model or quantification based on Keynes multiplier or some kind of local multiplier (e.g. LM3).

Methodology for economic impact evaluation cab be found e.g. in Crompton, J., 2010. The basic outcome for estimation of economic impact is following formula:

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\text{Economic impact of the visitors spending} = \text{number of visitors} \times \text{average spending per visitor} \times \text{multiplier.}
\]

It will depend on used multiplier, what kind of economic impact (direct, indirect or induces) will be estimated using this formula. According to Crompton, J., 2010, there are four steps involved to quantify result:

1. define who qualifies as a visitor;
2. estimate the number of visitors attracted to the region or city by the event;
3. estimate the average level of spending of visitors in the local area;
4. Determine the ripple effects of this new money through the community by applying appropriate multipliers.

Quantification of appropriate multiplier will depend of availability of suitable data (statistics) on regional or local level. In some cases (this is the example of Slovakia) regional or local data to quantify I-O multiplier are not available – therefore national multiplier must be derived. Quantification of local multiplier (LM3) is on the other side based on extensive primary research, which is very time spending and expensive. The quantification of LM3 multiplier consists of three rounds. The first round of LM3 multitiert quantifies how much visitors spend on the event in total (number of visitors x average spending per visitor). The aim of second round is to find out how much of the initial spending (in restaurants, hotels etc.) are spent in the local economy. The last round, again find out how did the suppliers of the subjects from the second round handled with the money (how much of the money were spend in local economy). Based on these three round local multiplier is quantified.
4 CASE STUDY – KOŠICE EUROPEAN CAPITAL OF CULTURE 2013

In September 2008 Košice city was awarded by the title of European Capital of Culture for year 2013 together with Marseille in France. Apart from the social and cultural change that should be realized in Košice, the ECoC program will also have strong economic impact on the local economy. This economy impact will be realized in Košice city in several dimensions:

- Investment to cultural infrastructure in the city.
- Cultural program in 2013 - with strong possibility to attract tourist to Košice city.
- New, relatively big cultural, organization with employee to manage cultural programme and new cultural infrastructure in 2013 and after.

**Košice ECoC 2013 cultural infrastructure**

To ensure aims of the projects which ensures to Košice the title ECoC 2013 several investments to cultural infrastructure in the city will be needed. In total 20 investment projects were identified for funding in connection with ECoC 2013. Slovak government allocated nearly 71 mil. EUR through the Regional Operation Program for funding these investment projects. Most of these funds were dedicated to reconstruction of existing cultural infrastructure or to reconstruction of old unused buildings to new cultural infrastructure.

One of the most interesting project is reconstruction of old army storage for the laboratory of Living culture programme (Culture Park). This new cultural centre will have three main roles: a city centre for support culture and creativity, a cultural centre and the city exhibition areas.

Second project is the rebuild of old unused swimming pool into new modern "Kunshalle" (first in Slovakia). Last investment project is the "SPOTs project". The aim of the project is decentralization of culture from the city centre to suburban areas. It is the reconstruction of former heat exchange stations build in the 60s and 70s in the centre of residential complex and served for the heat redistribution for flats. In Košice suburban areas there are more than 200 of such stations. Five of these stations in several residential areas will be reconstructed to small cultural and community centres.

All of these investments are in the realization phase at the present and will be finished by the end of 2012. From the evaluation point of view these investment will have relatively high short term economic impact on the local economy.

**Cultural program during 2013**

Cultural program for the 2013 is very extensive and according to the plan several times a week there will be some cultural activity organized in the city in connection with ECoC. More than thirty big key cultural events are plant in 2013 and more than 150 smaller cultural activities. The program budget for 2013 is around 3,2mil. EUR. From evaluation point of view the economic impact is mostly from the cultural

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1 For more information about program visit http://www.kosice2013.sk/en/
programme visitors spending. The cost for the program are not very important, because most of these costs are dedicated to cultural performers and will be spend out of the Košice region.

New cultural organization

To be able to ensure activities planned for 2013 as well as to be able to ensure long term sustainability of the developed cultural infrastructure relatively strong organization must be established. In Košice the organization Košice 2013 NGO, was established for this purpose. In case Košice were not awarded by the ECoC title there will not be need for such organization.

At the present (Jun 2012) Košice 2013 NGO employs 36 people and these numbers should be 58 for 2013 and later. Total planed budget for wages of these employees is 850 thou. EUR a year. This is again important for evaluation of economic impact, because most of this money will be spend in the local economy.

These three dimensions of evaluation will make difference in evaluation of ECoC 2013 form evaluation of WCH 2011.

Evaluation methodology

Evaluation of the event like ECoC is more complex. There exists methodology for delivering evaluation of ECoC program developed by the ECoC policy group\(^2\) the organization of the ECoC activities should have long term impact on the local economy. Therefore a time scale for the research and complex evaluation must be defined in details. According to European Capital of Culture Policy Group, 2010 the time scale for evaluation should be as follows:

- Research methodology development and description of baseline (1-2 years prior to event year)
- Extensive research evaluation of economic impacts (event year)
- Research and post-event comparison (1-2 years after event year)

I order to ensure holistic approach to evaluation as well as to ensure comparability of different evaluation studies among different ECoC cities and years European Capital of Culture Policy Group, 2010 offer six themes and several priority indicators to be evaluated.

1. Cultural vibrancy and sustainability
2. Cultural Access and Participation
3. Identity, Image and Place
4. The Philosophy and Management of the Process
5. European Dimension
6. Economic Impacts

\(^2\) for more information see http://ecopolicygroup.wordpress.com/category/impact-research-ecocs/
5 CONCLUSION

The main aim of the article was to introduce the current state of big events evaluation in Slovakia as well as to describe the methodologies usually used for evaluation in other countries. Next aim of the paper was to, on examples of case study, introduce research activities of representatives of Faculty of Economics at Technical University of Košice.

In Slovakia there is lack of possibilities to evaluate "big events" therefore the methodology is also underdeveloped in Slovakia. From the methodological point of view, most of the evaluation techniques focused on quantification of the economic impact on the local economy is based on different forms of multipliers. There are several possibilities of multiplier quantification and between the most used belongs I-O multipliers, simple Keynes multipliers or so called off-the -shelf multipliers as LM3 multiplier. It is also very important to ensure high quality input data from primary research - to be able to calculate net impact of analysed event.

In the case study Košice ECoC 2013 we will need to adjust more than one multiplier to evaluate economic impact of the ECoC on Košice city. As it is described, we expect three multiplication effects in the local economy. First based on infrastructure investments, second based on spending of visitors in 2013 and the last on spending of Košice 2013 NGO in the local economy. At the present we are working on suitable multipliers selection and adjustment. Also first base line report will be ready by the end of the year based on research of secondary statistical data and on pilot primary research among Košice visitors (planed for September - October this year).

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Evaluation of the Big Cultural Events


