The 2014 Gay Games: An Economic Impact Study

Dr. Shawn M. Rohlin[1]
Department of Economics
480 Business Administration Building
Kent State University
Kent, OH 44242
(330) 672-1098
srohlin@kent.edu

Dr. Nadia Greenhalgh-Stanley
Department of Economics
Kent State University
466 College of Business
Kent, OH 44242
(330) 672- 1087
ngreenha@kent.edu

[1] Corresponding Author

I. Executive Summary

The 2014 Gay Games were a much anticipated summer event for Northeast Ohio. Attracting roughly 20,000 people from around the world, the Gay Games produced a substantial economic impact. Of the sizeable crowd, nearly 8,000 were competing athletes. Furthermore, approximately 75% of those who participated or attended the Gay Games were non-locals.[2] Approximately $38.8 million of direct economic impact was generated by the Games, which encompass both local and non-local participants and guests. The majority of economic activity generated was spent in the main sectors of the economy, including hotels, gas stations, restaurants, and bars. Using the Cleveland and Akron Regional Input-Output Multiplier Model, the total economic impact was estimated to be $52.1 million of increased economic activity. Furthermore, approximately $20.6 million was generated in increased local incomes, roughly the creation of 726 full-time jobs. The table below summarizes the economic impact of the 2014 Gay Games and demonstrates that the event had an important contribution to Northeast Ohio's economy.

Table 1: Gay Games's Impact on Output, Income, and Employment

Source	Direct Spending	Indirect Spending	Total Spending Impact	Earnings Impact	Employment Impact
Non-local Participants	$13,453,567.82	$5,089,541.63	$18,543,109.45	$6,855,890.63	267.49
Non-local Guests	$16,966,472.13	$6,367,127.29	$23,333,599.42	$8,644,999.72	337.89
Local Import Substitution	$8,377,270.62	$1,873,995.44	$10,251,266.06	$5,086,678.22	120.18
Total:	$38,797,310.58	$13,330,664.36	$52,127,974.94	$20,587,568.57	725.56

[2] Non-local participants are classified as those residing outside of the Akron and Cleveland Metropolitan Statistical Area.

II. Introduction

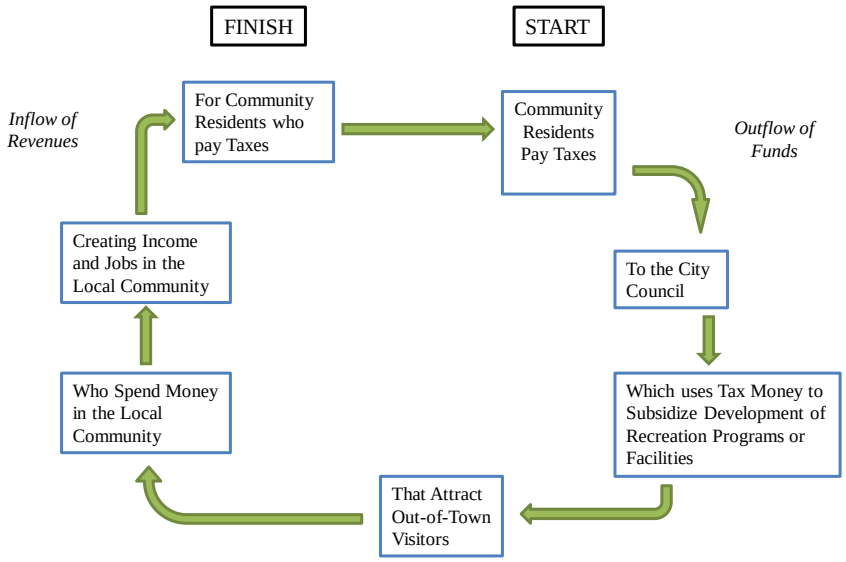
The Gay Games began in 1982. Occurring every four years, the games have continuously switched venues and have attracted a large number of athletes as well as spectators. The most recent Gay Games, the 2010 Games, held in Cologne, Germany, included 9,000 athletes.[3] The 2014 Gay Games consisted of one week of competition based athletic events for participants of all sexual orientations, races, gender, and age. Events included badminton, basketball, bowling, golf, racquetball, softball, swimming, and tennis, as well as many other individual and team sports not listed in this report.[4]

In order to properly estimate the economic impact of the Gay Games, data was collected from post-event surveys that were sent out via email to all participants who registered. The results were then compiled in order to determine the economic impact. Furthermore, an economic methodology consisting of input-output multipliers was utilized in order to calculate both the direct and indirect impact of the Gay Games. First, the direct economic effect was calculated by measuring the amount of cash flow coming from non-local participants. Next, the indirect economic effect of these non-local participants was calculated using the direct cash flow and input-output multipliers. This same methodology was used to calculate the direct and indirect economic effects for event guests. In addition to non-local participants, this study takes into consideration the cash flow that remains as a result of local participants spending their money inside Northeast Ohio rather than traveling to another city in order to participate in this event. The methodology previously explained was used to calculate the economic impact for the Gay Games. A detailed explanation of this process can be found in the appendix.

Lastly, it is important to consider how spending affects a local economy. The following diagram displays how sporting events affect the Northeast Ohio area. John L. Cromptonin proposed this diagram in his book *Measuring the Economic Impact of Visitors to Sports Tournaments and Special Events.*[5] This diagram details how the money spent by all participants generates increased revenue for local business owners, who then create new jobs within the

[3] *Gay Games Frequently Asked Questions.*. http://www.gg9cle.com/gay-games/faqs/
[4] For a complete list of sports, visit http://www.gg9cle.com/participate/sports/
[5] Crompton, John. L., *Measuring the Economic Impact of Visitors to Sports Tournaments and Special Events, Ch. 2* "Understanding the Principles of Economic Impact Studies". Ashburn, VA: National Recreation and Park Association.

community. These new jobs then create increased tax dollars for the local government as the new employees pay taxes on their wages and businesses pay taxes on their revenues.



III. Economic Impact Analysis

After the completion of the Gay Games, a post-event survey was distributed to all participants in order to gather the necessary data needed to complete the economic analysis. The survey consisted of a series of questions inquiring about the dollar amount spent in certain industries, as well as the dollar amount spent by their guests. The advantage of sending the survey after shortly after the event is that the level of spending is still known or easily attainable by each participant and their guests. In total, 1,165 participants responded to the survey. Of these responses, approximately 76 percent were non-locals while the other 24 percent were local residents of Northeast Ohio (Akron or Cleveland MSA).

Table 1 details the overall results from the Gay Games. Non-local guests were the largest driver of economic activity, spending approximately $16.97 million. This direct spending by non-local guests resulted in an estimated indirect spending of $6.4 million. The second largest driver was that of non-local participants who had $13.5 million in direct spending, which led to

$5.1 million in indirect spending. The total spending impact for the games by all sources was calculated as $52.1 million. Furthermore, this event led to an increase in wage earnings of roughly $20.6 million, which resulted in the equivalent of 726 new full-time jobs. The overall total economic impact cannot accurately be compared to previous years as no official past studies have been authored regarding the Gay Games.

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In order to better understand what industries were most affected by this event, Table 2 displays the average conditional expenditure of both local and non-local participants.[6] The largest expenditures of non-local participants and guests by industry were hotels, restaurants, car rental, and other retail establishments. Not surprisingly, industries most affected by large athletic events were heavily patronized by event participants as well as their guests.

Table 2: Non-Local Participant Conditional Average Expenditure

	% who said yes	Conditional Average
Hotels	70%	$981
Restaurants/ Grocery Store	99%	$377
Gasoline	66%	$79
Car rental	30%	$304
Entertainment	78%	$162
Bars/Drinking Places	76%	$168
Retail	80%	$187
Taxi	38%	$59
Parking	59%	$66
Other	7%	$105

footnotes:
These estimates are the amount conditional on having spent money in the industry

Lastly, Table 3 presents the overall summary of the import substitution calculation. These results are gathered from the question on the post event survey which asks whether or not a local athlete would have participated in the games if the event were held outside of the Northeast Ohio area. Of the local participants, approximately 64 percent responded that they would indeed travel

[6] These calculated averages are conditional upon an individual spending money in that industry.

outside Northeast Ohio area in order to participate in the Gay Games. Thus, had northeast Ohio not have hosted this event, these local participants would have taken their total spending of $8.4 million out of Northeast Ohio and "dropped" it into another region. The import substitution number is of interest to Northeast Ohio as it displays the amount of money that would have left the Akron and Cleveland MSAs and been spent in another city.

Table 3: Summary of the Import Substitution Effect

Category	Conditional Average	% Yes	Direct Spending	Indirect Spending	Total Spending Impact	Earnings Impact	Employment Impact
Import Substitution	$1,907.09	0.642	$8,377,270.62	$1,873,995.44	$10,251,266.06	$5,086,678.22	120.18

V. Conclusion

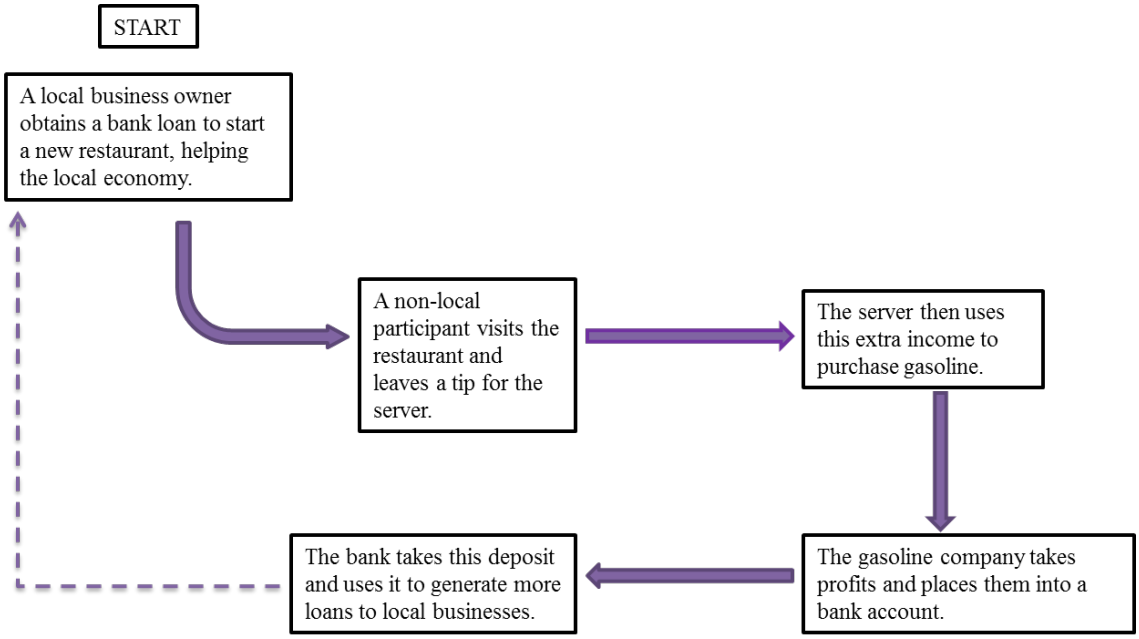
The Gay Games provide an important economic impact for the local Northeast Ohio economy, including higher revenues generated for local businesses and new local jobs. In addition, it increases the reputation of Northeast Ohio as an area that attracts events, tourists, and local community members to support athletic competition. Overall, the Gay Games provide a large positive contribution to Northeast Ohio that is experienced through several sectors of the economy. Furthermore, it encourages local athletes to stay within the local area rather than travel out of town in order to participate in these competitions. These sporting events are vital to Northeast Ohio because they attract non-local participants who spend money and generate increased revenue for local business owners. As Ohio emerges from these economic uncertain times, any positive economic impact should be noted.

Appendix A: Methodology for the Economic Impact Study

The following sections describe in further detail the methodology used in calculating the economic impact of the Gay Games. First, a detailed discussion of non-local participants will be addressed. Next, the detailed approach for calculating "import substitution effect" will be discussed.

1: The Input-Output Multiplier Effect

The economic multiplier is used to determine how an extra dollar spent inside an economy from an outside source flows through that economy. An illustrated example may be useful to understand how this multiplier works.



This cycle is known as the money multiplier effect and is calculated using an input-output multiplier model. The economic multipliers used in this study were purchased from the U.S. Department of Commerce and are constructed to account for region specific attributes. Each sector within the economy has its own individual multiplier.

The non-local economic impact was calculated as follows: each non-local participant was asked a series of questions regarding what industries were patronized as well as the approximate total

dollar amount spent at each establishment. Using the information gathered from the non-local survey participants, it is possible to calculate what percentage of non-local participants actually spent money in these sectors. This process is done by multiplying the percentage of non-locals (from the survey results) who spent money in each sector by the total estimated non-local participants. The product is the total number of non-locals who spent money in each sector. Next, this number is multiplied by the average conditional expenditure of non-locals (again, from survey results) to obtain the direct impact by non-locals. Following the direct impact, the indirect impact is calculated by multiplying the corresponding industry multiplier by the direct impact for each industry. Totaling the direct and indirect impact yields the total economic impact.

2: Import Substitution Effect

Should spending by local participants be calculated and added into the total economic impact? According to Cobb and Olberding, local participants should be considered in any economic impact analysis.[7] The reasoning is as follows: if local participants would have spent their income in Northeast Ohio regardless, then their money is not "new" money. However, had the Gay Games not been held in Northeast Ohio, these locals would have travelled outside of the city and spent their money in another city. Thus, Northeast Ohio would not have received this additional income so this local money should be considered "new" to the local area.

In order to compute the import substitution effect, the post-race survey asked local participants if they would have travelled outside Northeast Ohio and approximately how much money they would have spent if the Gay Games were held in another unspecified location. After obtaining the number of "yes" answers, a percentage of locals who would have ventured outside Northeast Ohio is multiplied by the total number of locals to acquire the total number of participants who engaged in import substitution. Next, the direct spending impact is calculated by taking the conditional average obtained from this survey question multiplied by the aggregate number of participants who participated in import substitution. Furthermore, the indirect effect is calculated through the use of the money multiplier method detailed in the previous section.

[7] Cobb, Steven and Olberding, Douglas J., "The Importance of Import Substitution in Marathon Economic Impact Analysis". *International Journal of Sports Finance*, Vol. 2, 2007, pp. 108-118.