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## The Economics of Sport

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## **Overview**

- The sports economy
- Supply and demand
- Organisational models
- Funding models
- Some challenges



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## **Measuring the size of the sport economy**

- Satellite Accounts project supported by the Commission
- Final demand (consumer expenditure and intermediate goods)
- Accounts for 2004 produced by Austria, Cyprus, UK; to be delivered by 2011 for France, Germany and Hungary
- UK Data:
  - 3% of consumer spending
  - 2.2% of gross value added
  - 2.1% of total employment



**Where  
economic  
activity takes  
place in  
sport**

<b>Group</b>	<b>Consumer spending £m</b>	<b>Gross Value Added (£m)</b>	<b>Employment ( '000)</b>
Agriculture		388	7.8
Energy drinks	184	43	0.6
Wearing apparel	2763	110	4
Footwear	1371	2	0.1
Publishing	876	363	8
pharmaceuticals	158	27	0.3
Shipbuilding and repair	640	503	15
Bicycles, motorcycles	740	40	1
Sports goods	1676	158	6.1
Hotels, catering	2067	502	29
Ancillary transport services	64	651	14
Telecommunications	2335	2136	33.4
Banking and finance		122	1.4
Market research		209	4.8
Accounting		172	3.9
Education	173	1032	54
Recreation Services	8878	14854	344.2
<i>(including...Health and fitness</i>	<i>1980</i>		
<i>spectator sport</i>	<i>756</i>		
<i>other sports participation</i>	<i>1720</i>		
<i>sports betting )</i>	<i>3318</i>		
<b>Total</b>	<b>23,588</b>	<b>22,881</b>	<b>586.6</b>

source: 2004 Sport Satellite Account for the UK



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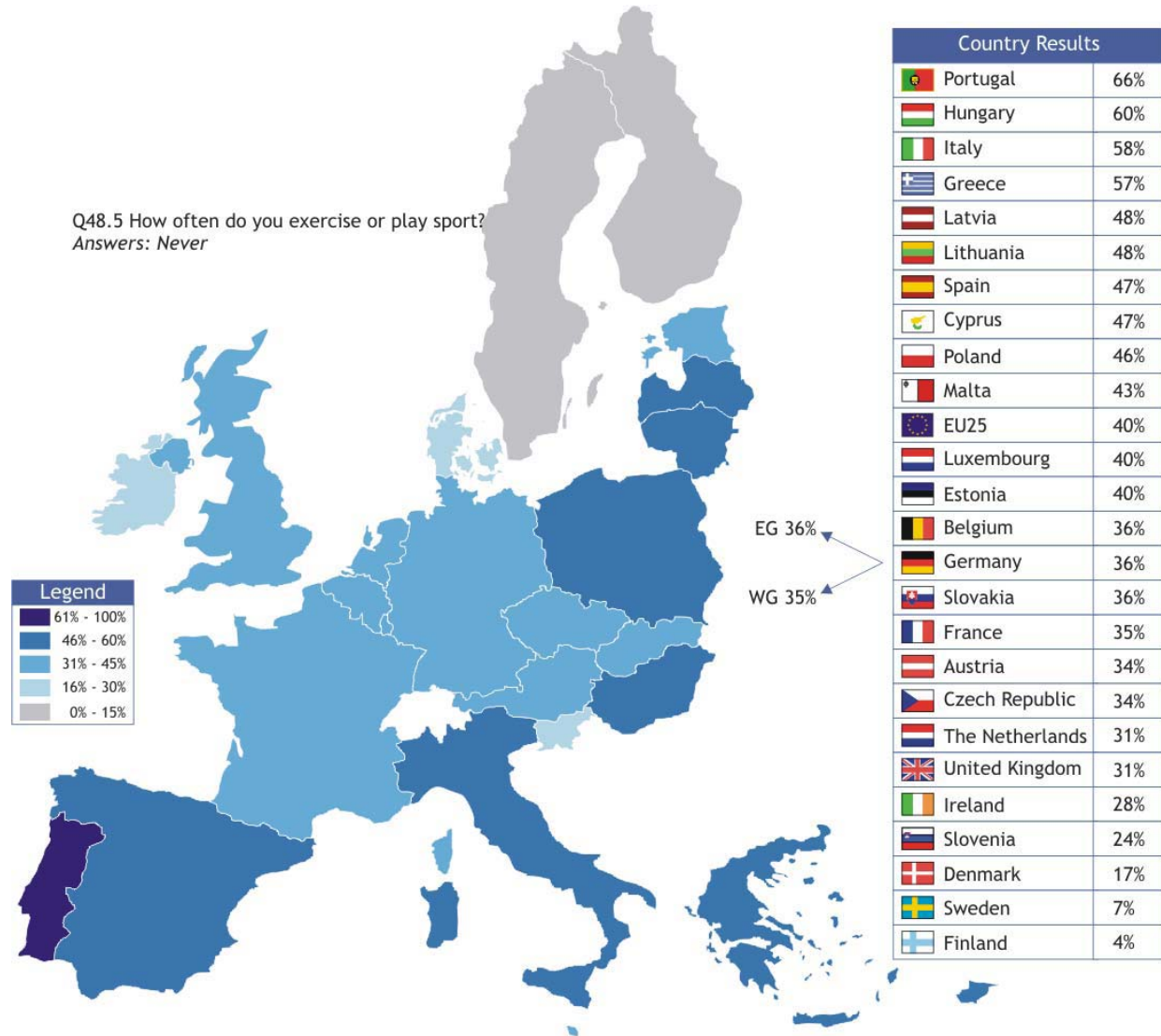
## Why do Europeans take part in sport?

To improve one's health	78%
To develop physical performance	46%
To relax	43%
To have fun	39%
To be with friends	31%
To improve self-esteem	24%
To make new acquaintances	19%
To achieve objectives	18%
To develop new skills	16%
To build character/identity	15%
To stimulate the spirit of competition	15%
To help disadvantaged people to integrate into society	10%
To meet people from other cultures	9%
DK/NA	2%
Others	1%



# How often do Europeans take part in sport?

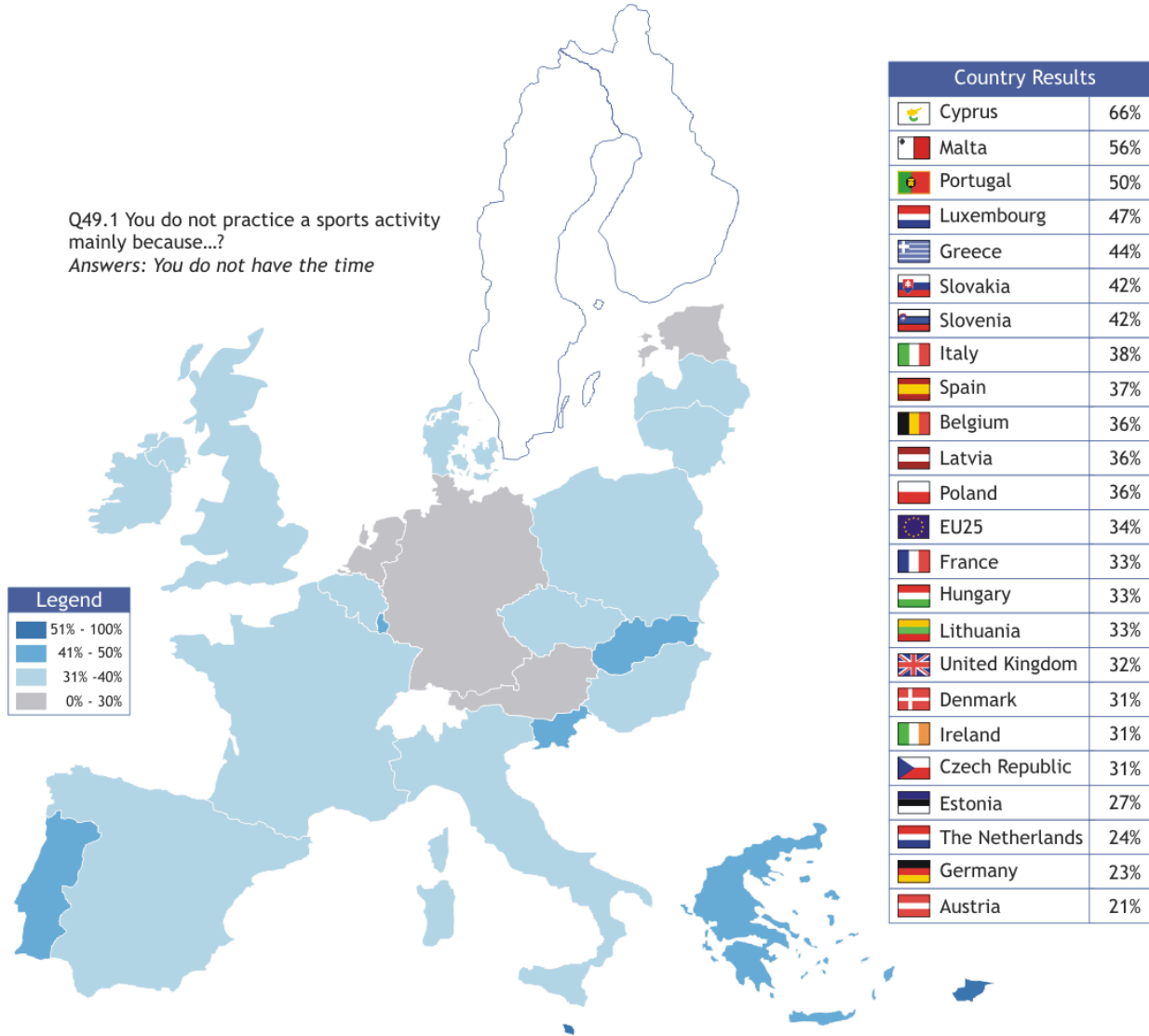
Q48.5 How often do you exercise or play sport?  
Answers: Never





# What are the obstacles to Europeans participating in sport?

Q49.1 You do not practice a sports activity mainly because...?  
Answers: You do not have the time



WG 24%  
EG 20%



**Reasons for  
not  
participating  
in sport**

**Reasons for Not doing Sport (% of sample)**

	No Time	Too Expensive	Don't Like Sport	No Facilities	Other
Austria	21.5	3.9	33.4	2.1	39.1
Belgium	39.3	2.8	19.7	2.5	35.7
Cyprus	66.9	3.6	7.3	1.2	21
Czech Rep.	34	3.2	18.2	5.3	39.3
Denmark	30.4	2.9	19.9	1.2	45.6
Estonia	25	5	19.3	4.5	46.2
Finland	14.9	0	23.4	2.1	59.6
France	33.6	4	24.8	4.3	33.3
Germany	22	3.6	33	1.7	39.7
Greece	44.4	3.3	20.7	5.6	26
Hungary	28.4	1.8	22.3	3.6	43.9
Ireland	29.7	1.7	17.8	2.6	48.2
Italy	46.9	7.4	27.6	2.9	15.2
Latvia	33.3	3.9	15.2	6.1	41.5
Lithuania	30.4	4.1	23.3	4.1	38.1
Luxembourg	45.9	1.9	24.2	1.9	26.1
Malta	47.6	0.9	24.4	1.3	25.8
The Netherlands	23.2	6.5	25	1.5	43.8
Poland	35.7	2	21.2	3.9	37.2
Portugal	44.9	5.3	17.3	4	28.5
Slovakia	41.6	2.2	19.3	7.4	29.5
Slovenia	41.2	2	12.1	1.2	43.5
Spain	36	1.9	24.9	1.2	36
Sweden	26.1	2.9	31.9	2.9	36.2
United Kingdom	29.3	2.3	16.5	2	49.9
<b>EU25</b>	<b>35.6</b>	<b>3.4</b>	<b>21.6</b>	<b>3.4</b>	<b>36</b>

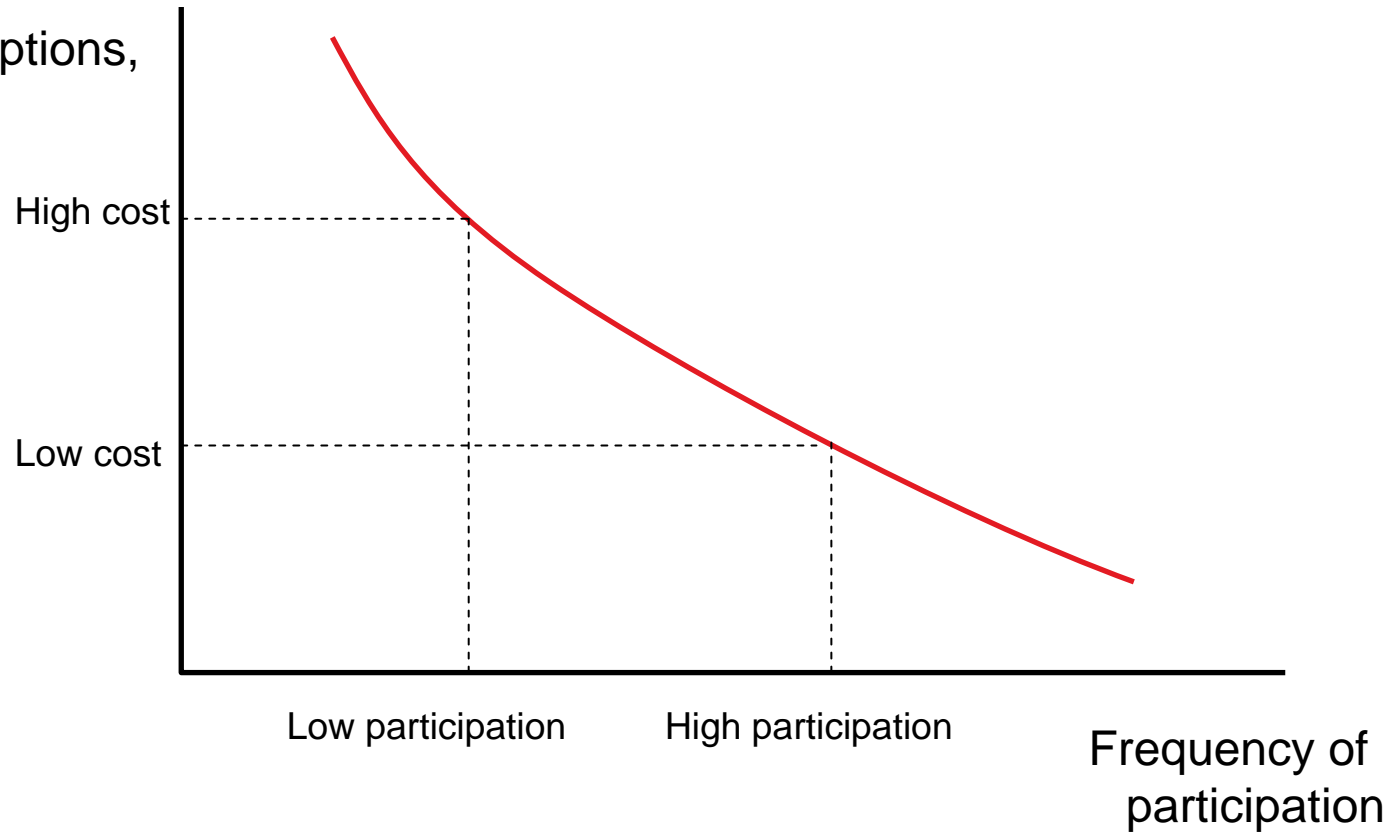
*Notes:* Data are from the Eurobarometer 2004 autumn survey. "Don't Know" answers are excluded from the calculations.



## Demand depends on perceived costs

Cost factors:

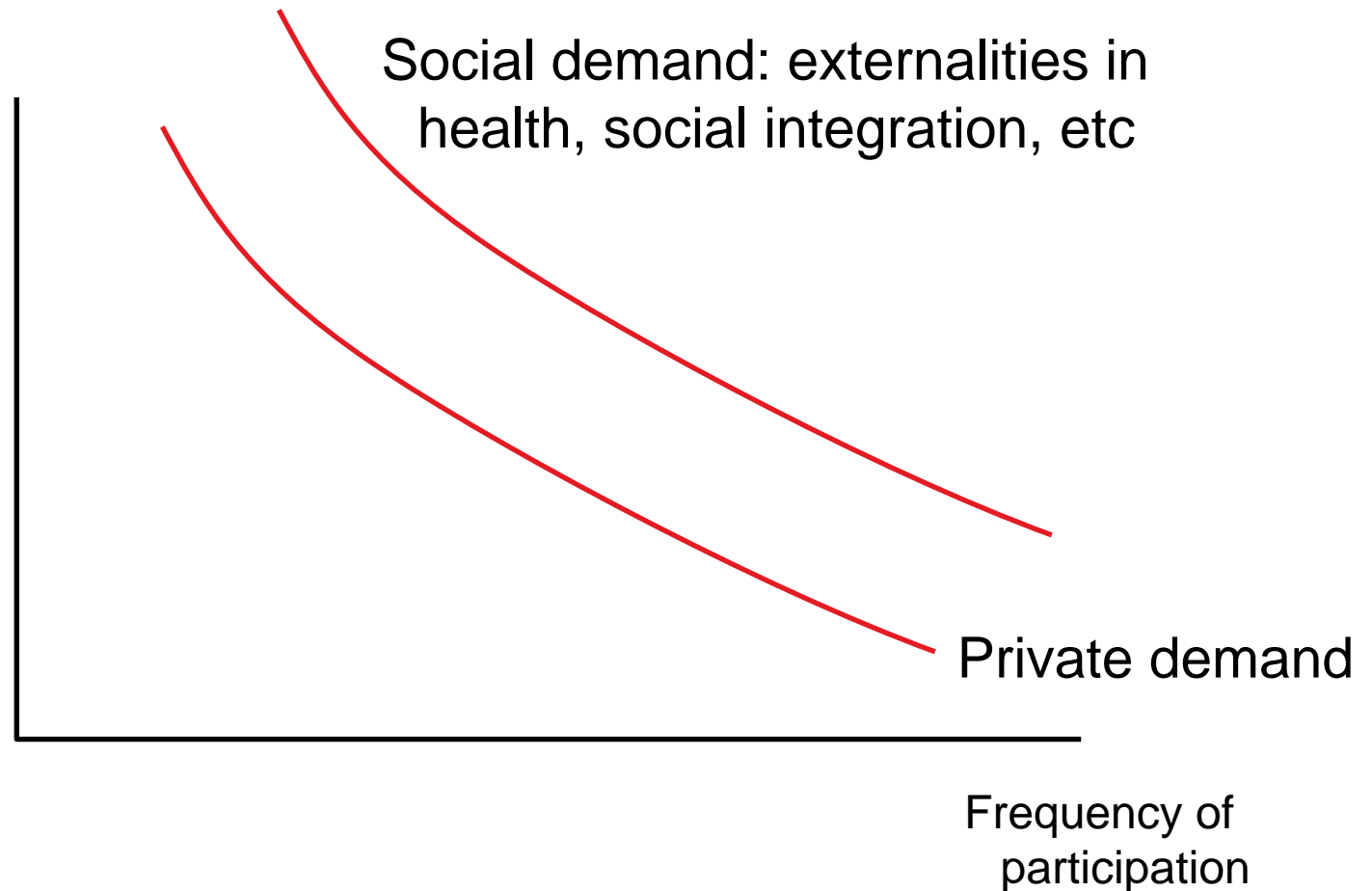
time, subscriptions,  
facilities





## Social benefits exceed private benefits...

Cost factors:  
time, subscriptions,  
facilities

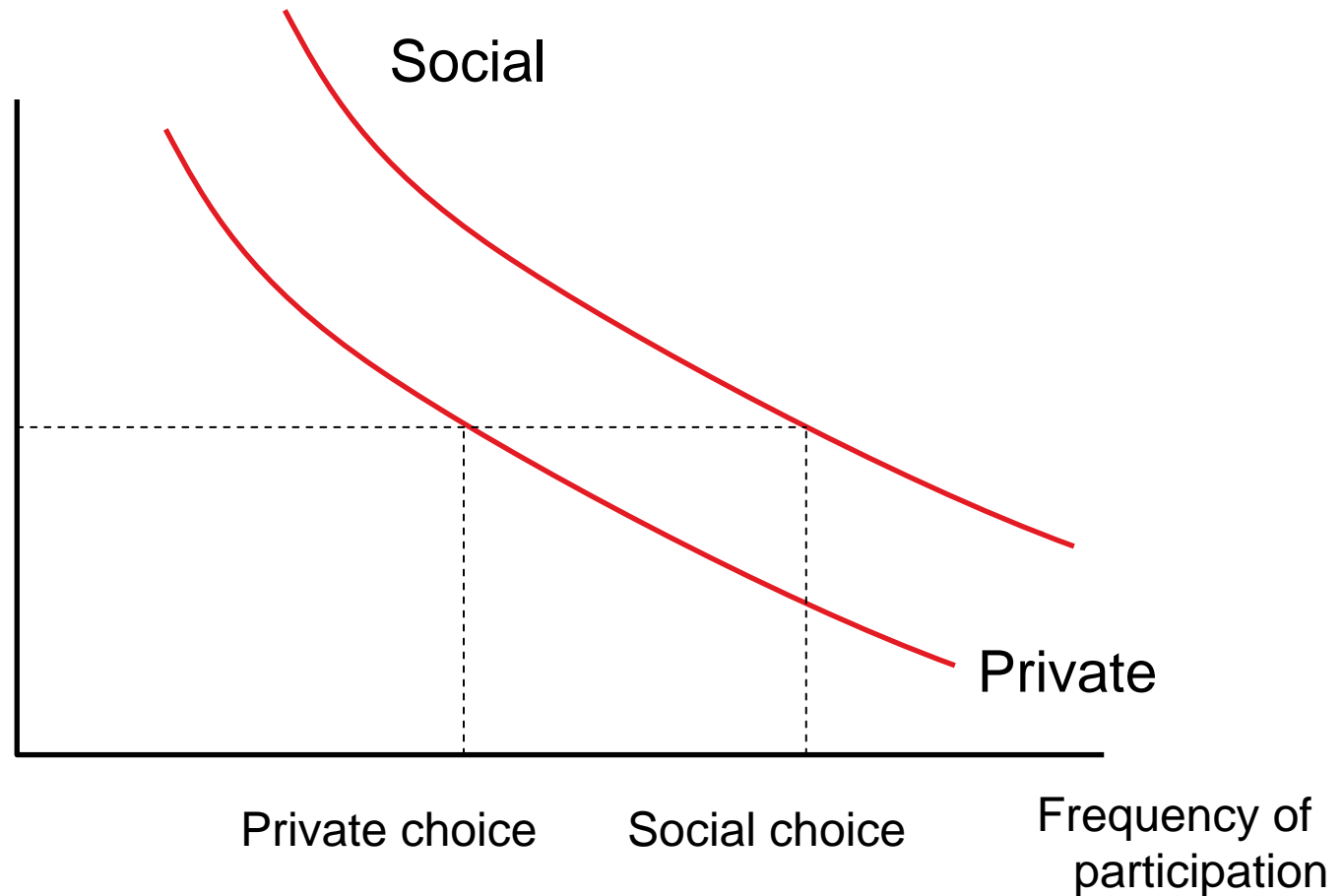




**...therefore private consumption choices are below socially optimal levels**

Cost factors:

time, subscriptions,  
facilities





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## **Suppliers of sports services**

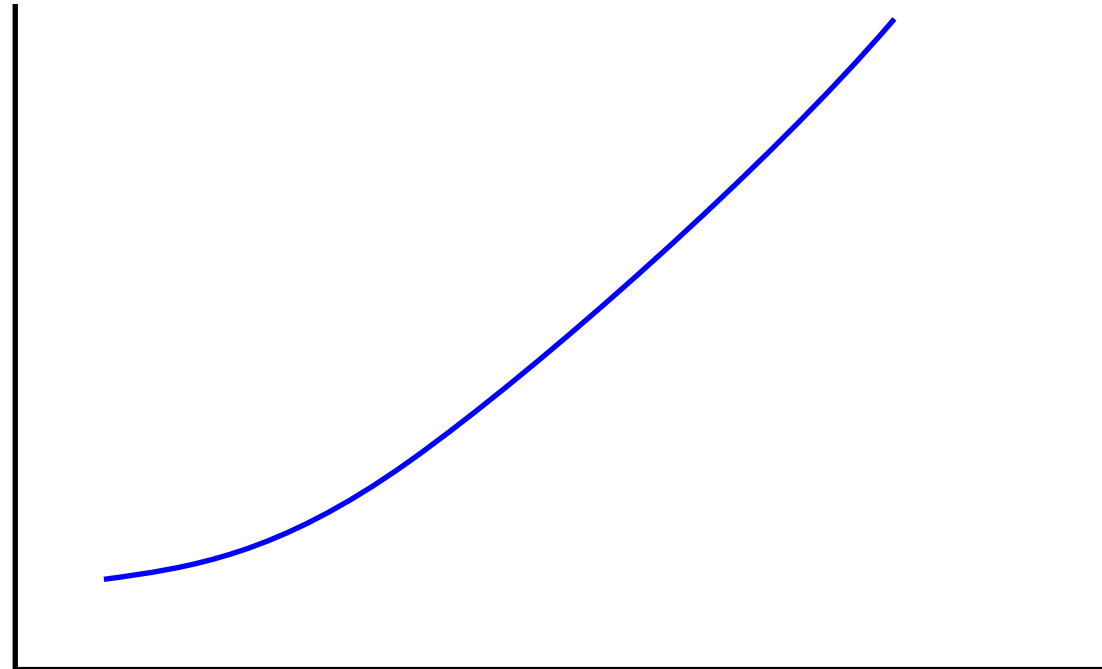
- Clubs affiliated to national federations
- School sport
- Private leisure and fitness club
- Public space
- Resources required for participation
  - Buildings and equipment
  - Leisurewear
  - Food and beverage
  - Transport services
  - Financial services



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## The supply model

Revenue  
generators:  
Subscriptions,  
subsidies,  
voluntary  
contributions

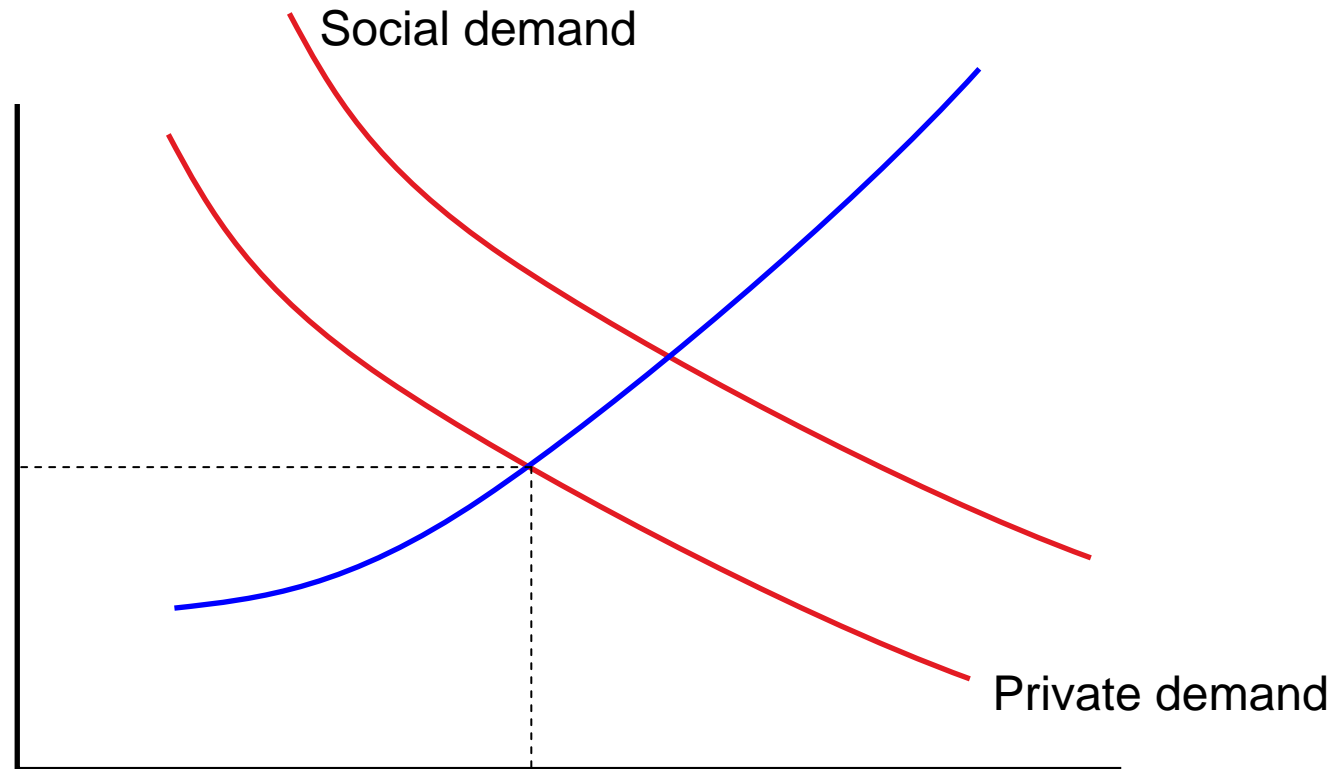


Frequency of  
participation



## Private market equilibrium

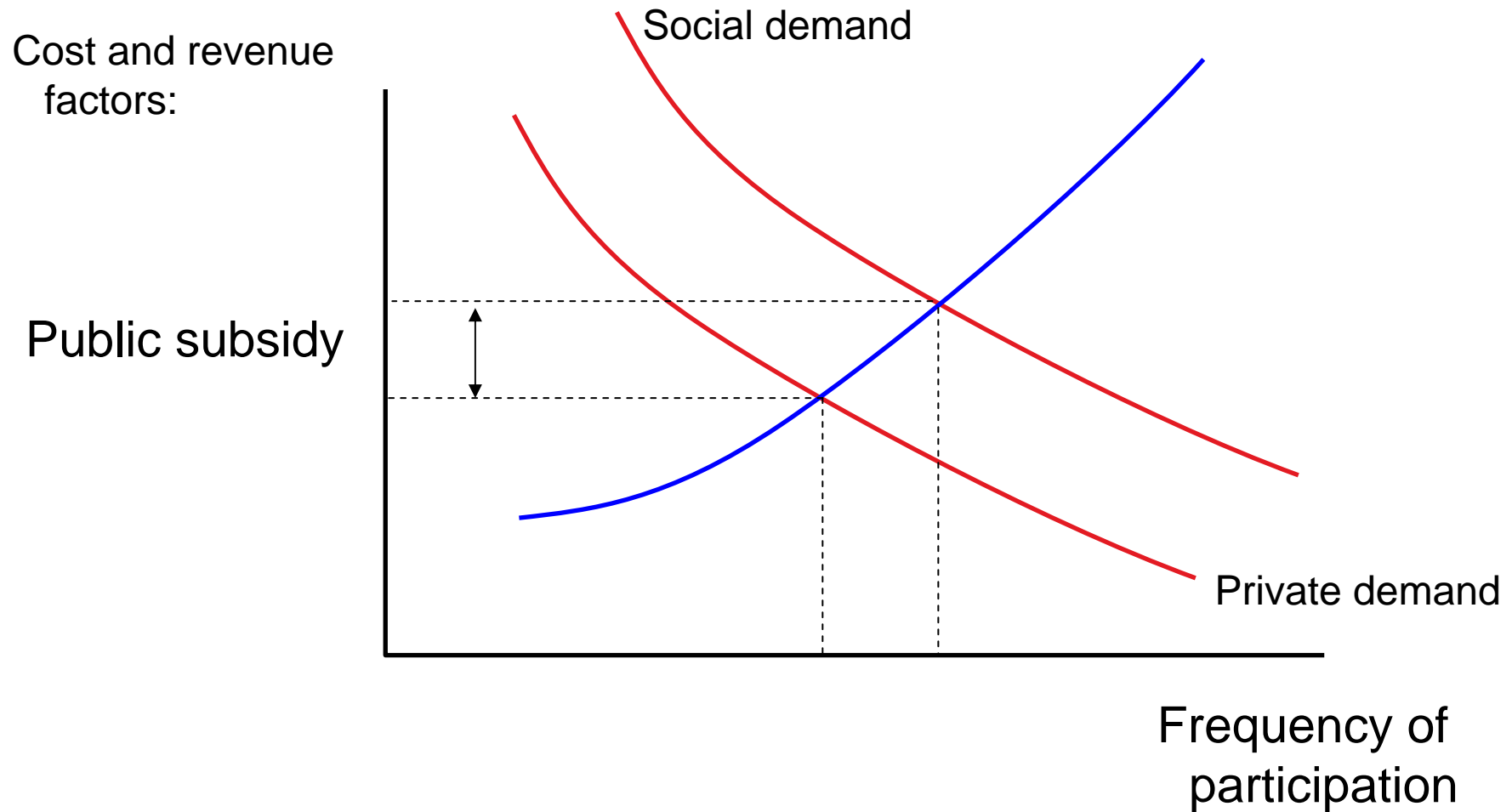
Cost and revenue factors:



Frequency of participation



## Social market equilibrium achievable through public subsidy





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## **Organisations: Clubs and volunteerism**

- A large part of the activity delivered by volunteers
- Volunteer participation currently under threat due to
  - Increasing time pressures
  - Increased regulation
  - Changes in social attitudes
- Without volunteers sports activity will decline significantly
- Cost of substituting professional staff very high



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## **Organisations: the role of government**

- Government funds a large part of sports activities
  - Schools
  - Municipal facilities
  - Elite sports
- Government motivations
  - Health
  - Social cohesion
  - National prestige



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## **Organisations: the private sector**

- Professional clubs increasingly commercial organisations
- Private sports clubs (e.g. fitness gyms) – often competing for same members as traditional sports clubs
- Sports goods industry important as
  - Suppliers
  - Sponsors
  - Innovators



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## **Funding models for amateur sport**

- Subscriptions
- Voluntary work
- Sponsorship
- Public subsidies (central government, local government, state lotteries)
- Solidarity payments



## Challenges

- Can we identify socially desirable levels of sports participation?
- Can sports participation across the EU be brought to socially desirable levels?
- Can the club system underpinned by voluntary work survive?
- Can public subsidies be maintained?
- Can public subsidies be properly targeted?
- Can clubs work more closely with government and the private sector without compromising principles?
- Can solidarity payments make a significant contribution?
- Can contributions from sports related businesses make a significant contribution?