

Making reservations on the economic hype: Pro sports have little effect on tourism dollars

October 16 2019



Credit: CC0 Public Domain

Government and tourism officials love to tout the economic boon that professional sports bring to their cities.

Now picture those conventional claims as a basketball floating through the air.

Between the ball and the rim is a lanky, versatile 7-foot center, portrayed here by West Virginia University economists.

Rejected.

Pro sports do not translate to increased tourism dollars in terms of hotel demand, based on recent findings by Brad Humphreys, professor, and Adam Nowak, associate professor, of the John Chambers College of Business and Economics.

Humphreys and Nowak studied data, covering 2002 to 2017, from hotels within four miles of the Staples Center in Los Angeles. The arena is home to the NBA's Lakers and Clippers and the NHL's Kings.

Their report, published in the peer-reviewed journal *Economic Inquiry*, found "little evidence supporting the idea that a heavily used, sports-focused local economic development project substantially impacts local hotel demand."

On days when the Lakers, Clippers or Kings played at Staples Center, average daily room rates declined. Because of that, revenues dipped for hotels on NHL [game](#) days and increased only modestly on NBA game days.

Overall, the increase in rooms rented was not large enough to overcome the reduced average daily rate, leading to no change in hotel revenues.

"The key takeaway is there's no evidence supporting the idea that pro sports attracts a substantial amount of tourists on a sustained basis," Humphreys said. "People always claim that pro sports generate

important economic benefits to tourism. But those are just claims. There's no evidence."

Humphreys said the research team, which includes former WVU economics student Yulia Chikish, Ph.D. '19, now a visiting professor at State University of New York-Purchase College, and Crocker Liu, of Cornell University, chose the Staples Center because it is the most utilized pro sports arena in the country. It's the only venue in the NBA shared by two teams.

Broken down by sport, hotels received about \$3 less per room on an NHL game day than a non-NHL game day. Hotels also rented 95 fewer rooms and earned \$23,000 less in revenues on hockey game days.

Hotels also charged lower average daily rates on NBA game days. However, unlike on NHL game days, hotels rented more rooms, about 200 per night, on NBA game days.

Humphreys said hotels cut rates during sporting events in an attempt to fill up rooms. Yet based on their research, that approach backfires because the overall revenues are unchanged. And in the case of hockey games, hotels lose money.

"Sometimes you'll have people visiting L.A. but they'll stay away from the Staples Center," Humphreys said. "They figure traffic will be a mess for NHL and NBA games."

Interestingly, the results even showed that hotel performance improved near the Staples Center during prolonged work stoppages, such as player strikes, in the NHL and NBA during the sample period.

The researchers cited a previous study on Charlotte, N.C. and its NBA and NFL games that reported similar results on hotel trends.

The bottom line for Los Angeles, Humphreys believes, is that the city will continue to draw tourists who visit for Hollywood, good weather and other attractions. Pro sports just aren't a main selling point for the "City of Angels."

College football towns, on the other hand, may tell a different story.

Humphreys is currently researching [hotel](#) demand near Southeastern Conference football stadiums on game weekends.

"We know college football is different from living in Morgantown," he said. "We observe some hotels jacking up room rates 400 percent on SEC home football games."

More information: Yulia Chikish et al. SPORTS-LED TOURISM, SPATIAL DISPLACEMENT, AND HOTEL DEMAND, *Economic Inquiry* (2019). [DOI: 10.1111/ecin.12820](https://doi.org/10.1111/ecin.12820)

Provided by West Virginia University

Citation: Making reservations on the economic hype: Pro sports have little effect on tourism dollars (2019, October 16) retrieved 27 April 2024 from <https://phys.org/news/2019-10-reservations-economic-hype-pro-sports.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.