

Economic Impact of the 2011 NBA All-Star Game on Los Angeles County

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Executive Summary

Micronomics was asked to ascertain the economic impact of the 2011 NBA All-Star Game on Los Angeles. We have concluded that hosting this game is likely to produce at least \$85 million in increased economic activity for the Los Angeles market. This includes a minimum of \$60 million in expenditures associated with increased tourism in connection with events held during All-Star week and an additional \$25 million in expenditures by local residents and businesses. The estimated impact represents a significant increase over the revenue impact in 2004, the last time the game was held in Los Angeles.

Background

In June 2009, the National Basketball Association (NBA) announced that STAPLES Center had been selected to host the 60th NBA All-Star Game. The All-Star Game and related events will take place in Los Angeles during All-Star week, with marquee events from Friday, February 18 through Sunday, February 20, 2011. All-Star weekend events other than the game include: i) T-Mobile Rookie Challenge & Youth Jam; ii) NBA All-Star Jam Session presented by adidas; and iii) NBA All-Star Saturday Night, which is comprised of Haier Shooting Stars, PlayStation Skills Challenge, Foot Locker Three-Point Shootout and the Sprite Slam Dunk Contest.¹

The 2011 All-Star Game will mark the fifth time the competition has been held in Los Angeles.² The 2004 All-Star Game, the last to be hosted at STAPLES Center, attracted 19,662 spectators to the live event.³ Overall attendance at 2004 All-Star weekend functions was reported at approximately 100,000,⁴ and the Los Angeles Convention and Visitors Bureau estimated that these events brought significant revenue to the city.⁵

¹ "Los Angeles and Staples Center to host NBA All-Star 2011," Staples Center Press Release, June 8, 2009.

² Los Angeles previously hosted the All-Star Game in 1963, 1972, 1983 and 2004. "NBA All-Time Attendance," NBA's Hoopedia website (<http://hoopedia.nba.com>).

³ "NBA All-Time Attendance," NBA's Hoopedia website (<http://hoopedia.nba.com>).

⁴ Washington, April M., "Big Game, Big Names, Big Payoff: Officials say benefits outweigh burden of NBA All-Star Game," Rocky Mountain News, January 20, 2005.

⁵ Stevens, Joe, "All-Star events add to L.A.'s Aura: Impact on city more than just economic boon," Daily News of Los Angeles, February 13, 2004.

Economic Impact of Hosting the 2011 NBA All-Star Game

Our analysis addresses three components of the economic impact of the 2011 All-Star Game. The first is direct spending by visitors to Los Angeles attracted by the All-Star Game and related activities. This direct spending includes expenditures on transportation, accommodations, food and beverage, entertainment and shopping, as well as ticket purchases and other expenditures on All-Star weekend events.

The second component includes revenue from ticket sales to local residents and businesses for All-Star weekend events. Given the marquee nature of these events, these expenditures provide a net contribution to the local economy in that they exceed “normal” levels of spending on entertainment by local individuals and business entities over the course of a typical February weekend.

The third component is the multiplier effect understood by economists to reflect the circulation of incremental spending within the local economy. All-Star weekend events provide increased income for all manner of individuals – taxi and limousine operators, ticket takers, restaurateurs, hotel employees, etc. Recipients of this income use at least a portion to make purchases that they otherwise would not have made, thereby producing another round of beneficiaries. These multiplier impacts are directly attributable to the All-Star Game since they would not occur if the game was played elsewhere.

Methodology for Calculating Visitor Direct Spending

Since the 2011 All-Star Game will be held at the same Los Angeles venue as the 2004 All-Star Game, and since events planned for All-Star weekend in 2011 are similar to those that took place in 2004, the experience in 2004 is useful for predicting what can be expected in 2011. Accordingly, we examined economic activity during the 2004 All-Star weekend,⁶ and, in particular, the behavior of visitors to Los Angeles in connection with the 2004 All-Star Game. This proved to be a good starting point for estimating likely visitor spending in 2011.

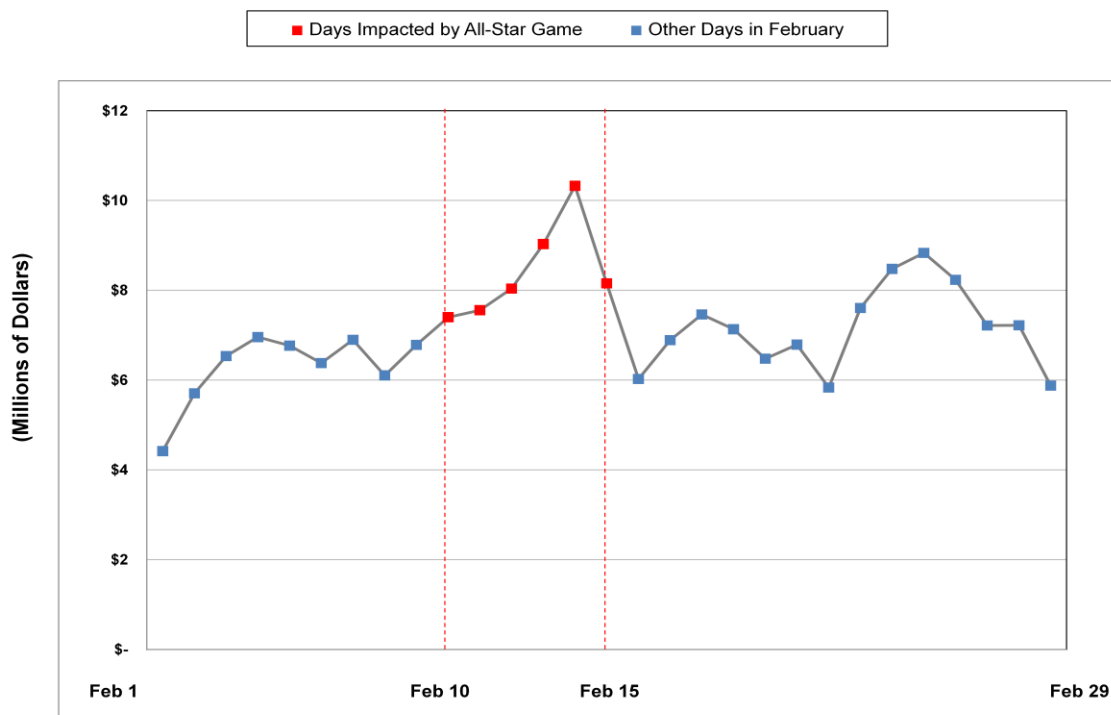
Our study of 2004 indicated that room revenues at Los Angeles County hotels were substantially higher than normal over several days prior to and during All-Star weekend. Both occupancy levels and room rates were affected. At least six days surrounding the 2004 All-Star Game exhibited above average room revenue (see Figure 1 and Table 1). We also determined that no

⁶ LA Inc., The Los Angeles Convention and Visitors Bureau, “LA Lodging Report: 2004 NBA All-Star Weekend.” LA Inc., The Los Angeles Convention and Visitors Bureau, “LA Travel Stats 2007,” February 2008. Smith’s Travel Research Trend Report.

other significant events explain these increases during the affected period. Accordingly, we concluded that the revenue uptick was wholly attributable to the 2004 All-Star weekend.⁷

Next, we examined daily room revenue during the entire month of February 2004 (the month in which the All-Star Game was held). On the basis of this review, we determined that average daily room revenue between February 1 and February 29, except for the six days impacted by All-Star weekend (February 10 through February 15), provides a meaningful estimate of revenue during the impacted period but for the All-Star Game.

Figure 1: Daily Room Revenue, LA County, February 1 - 29, 2004



Source: Smith's Travel Research Trend Report.

It seems clear that no fewer than six days were impacted by the 2004 All-Star weekend. In reaching that conclusion, we considered the timing of the All-Star Game and the absence of other significant events during the immediate period before and after the game, as well as visitor arrival/departure patterns relating to the event. Visitors, particularly event set-up staff and other work crews, would have required several days on-site to prepare for the events. Since main events began Friday, February 13, and since crews would have required at least two to three days of set-up and other preparation time, the first visitors would have needed room accommodations

⁷ The 2004 All-Star weekend took place over a three-day holiday, which may have impacted the effect of the 2004 All-Star Game on room revenue. However, this observation does not affect our analysis because the 2011 All-Star Game also will take place over a three-day holiday weekend (Presidents' Day in 2011 falls on Monday, February 21, the day after the 2011 All-Star Game is scheduled). Other differences between 2004 and 2011 do exist, including population growth over the intervening seven-year period, technological changes and evolved consumer tastes. On net, we determined that differences between 2004 and 2011 are minor.

no later than the night of Tuesday, February 10. Most visitors would have stayed through the All-Star Game on Sunday, February 15, and departed Monday. In fact, room revenue data reflect this pattern.

We also determined that daily room revenue for each of the six impacted days was significantly greater than average room revenue for all other days in February 2004. Moreover, several of the days included in our analysis of the impact of the All-Star game in 2004 likely experienced inflated room revenue due to the presence of other Los Angeles events in that year, including the Grammy Awards (February 8, 2004), the Nissan Open Golf Tournament (February 19 through 22, 2004), and the Screen Actors Guild Awards (February 22, 2004). Since all of these functions took place in February, our baseline room revenue in 2004 likely is overstated, causing us to understate the true impact of the All-Star game that year on hotel room revenues.

Notwithstanding this point, we calculated average room revenue for the six days impacted by All-Star weekend events, and compared it with average room revenue on all other days during the month. The difference between the two represents incremental room revenue attributable to the All-Star Game. We found that an additional \$9.7 million was generated (i.e. approximately \$1.6 million per night over six nights).

According to the Los Angeles Convention and Visitors Bureau, accommodations comprise only 29 percent of total visitor expenditures in Los Angeles.⁸ Based on the incremental room revenue generated, we determined that total visitor direct spending associated with the 2004 All-Star Game was at least \$33 million. We used Consumer Price Index data to adjust for 2011 prices.⁹ Accordingly, total visitor direct spending associated with the 2011 All-Star Game is estimated to be approximately \$36 million. These calculations are set forth in Table 2.

Local Ticket Sales for Marquee All-Star Events

The calculations described above focus on spending generated by visitors to Los Angeles, and do not include direct spending by local residents that would not have occurred but for the All-Star Game. All-Star weekend includes three nights of marquee events (plus other related activities), All-Star Saturday Night and the All-Star Game itself. Taken together, these events push expenditures by local residents and business entities above levels that would exist but for the game. Based on ticket price information for the marquee events, we estimate ticket sales to local individuals and business entities for All-Star Saturday Night and All-Star Game in 2011 to be

⁸ According to the Los Angeles Convention and Visitors Bureau's tourism statistics, domestic visitor expenditures in Los Angeles comprise: Transportation (30%); Accommodations (29%); Food and Beverage (20%); Entertainment (12%); and Shopping (9%). LA Inc., The Los Angeles Convention and Visitors Bureau, "LA Travel Stats 2007," February 2008.

⁹ U.S. Department of Labor, Bureau of Labor Statistics, "Consumer Price Index – All Urban Consumers, Los Angeles-Riverside-Orange County Area, 2000 – June 2010" (www.bls.gov).

approximately \$14.5 million. Almost all of these expenditures are over and above entertainment expenditures that would have been made by locals but for the All-Star game.

Multiplier Effect

Economic multiplier models are used to estimate the additional impact from the circulation of direct spending through the local economy. These models reflect the relationship between inputs and resulting economic outputs, and recognize the impact that an increase or decrease in economic activity in one sector of the economy can have on economic activity in other sectors.

The Minnesota IMPLAN Group, Inc. compiles data that provide the framework for an economic multiplier model used to measure output gains resulting from increased spending in sectors such as transportation, food and beverage, entertainment and shopping. Based on the estimated incremental visitor spending noted above, direct spending associated with the 2011 All-Star Game would result in a secondary economic impact of approximately \$23 million. Together, the overall economic impact associated with visitor spending is almost \$60 million. Including local ticket sales for marquee All-Star events would result in a secondary economic impact of approximately \$10.5 million, and an overall economic impact of about \$25 million. Altogether, the total economic effect associated with the 2011 All-Star Game is estimated at approximately \$85 million.

Other Considerations

Aside from the direct and immediate economic impact, other factors contribute to the economic benefits of hosting an All-Star Game. No attempt has been made to quantify these benefits.

Visibility

The All-Star Game has a global reach, which provides invaluable publicity for the host city.¹⁰ Even Los Angeles, which regularly hosts widely-broadcasted Hollywood and sporting events, benefits from additional publicity arising from the 2004 All-Star Game. For example, Associate Vice President of the Los Angeles Convention and Visitors Bureau, Carol Martinez, pointed out that television coverage “will show how beautiful the weather here is in February. People on the East Coast will be watching and freezing, and they’ll look at this as a vacation spot.”¹¹ Associated economic benefits, though difficult to tally, are likely significant for Los Angeles.

¹⁰ Skeets, J.E., “All-Star 2010 by the numbers,” Yahoo! Sports website (<http://sports.yahoo.com>), February 11, 2010. Washington, April M., “Big Game, Big Names, Big Payoff: Officials say benefits outweigh burden of NBA All-Star Game,” Rocky Mountain News, January 20, 2005.

¹¹ Stevens, Joe, “All-Star events add to L.A.’s aura: Impact on city more than just economic boon,” Daily News of Los Angeles, February 13, 2004.

In the longer term, the ability to consistently host major events such as the All-Star Game will bolster a host city's reputation as an attractive place to visit and live.

Public Services

Visitors on hand for All-Star weekend require additional public services, which may induce incremental government spending. Services including additional police protection, traffic and crowd control, and cleaning are required. Spending for these incremental services also may contribute to the overall economic of the game.

Corporate Sponsorship

The broad reach of All-Star weekend events has attracted the participation of corporate sponsors. Main sponsors pay to be associated with All-Star weekend events (e.g. the NBA All-Star Jam Session presented by adidas) and smaller sponsors contribute financial assistance in exchange for event association. Marketing opportunities for corporate sponsors have included advertising at All-Star event venues and media broadcasts, organizing corporate events and parties over All-Star weekend, and creating promotions that tie-in with All-Star events (e.g. T-Mobile offered free tickets to All-Star events to customers who purchased qualifying phones).¹² While the bulk of sponsorship funds are paid to the NBA, some of this economic activity spills over and impacts the local economy.

Community Outreach

NBA Cares, the league's community outreach initiative, organizes a series of community service projects and events in conjunction with All-Star weekend every year. These involve basketball players and other NBA partners, and are designed to benefit the host city's local community. Events in the past have included fund raising for charities, visits to hospitals and schools, and basketball sessions with youths and Special Olympics athletes.¹³ The social impact of such philanthropic activities is clear, and the economic benefits, though difficult to quantify, are likely to be significant, particularly over the long run.

¹² Lefton, Terry, "All-Star activation: Big plans for a big venue," Street & Smith's Sports Business Journal website (www.sportsbusinessjournal.com), February 8, 2010.

¹³ NBA Cares website (http://www.nba.com/nba_cares).

Conclusion

The 2011 NBA All-Star Game and related events are expected to bring significant benefit to Los Angeles County. The economic impact is estimated to produce at least \$85 million in increased economic activity. This includes:

- Approximately \$60 million in expenditures associated with increased tourism. This includes incremental expenditures on accommodations, transportation, food and beverage, entertainment and shopping, as well as the economic multiplier effect associated with this spending.
- Approximately \$25 million in increased spending by local residents and businesses.

**TABLE 1
AVERAGE DAILY ROOM REVENUE
LA COUNTY
FEBRUARY 1 - 29, 2004**

Date	Room Revenue ¹
(1)	(2)
1. Sunday, February 1	\$4,417,537
2. Monday, February 2	5,703,942
3. Tuesday, February 3	6,535,224
4. Wednesday, February 4	6,957,682
5. Thursday, February 5	6,766,672
6. Friday, February 6	6,378,455
7. Saturday, February 7	6,897,966
8. Sunday, February 8	6,103,629
9. Monday, February 9	6,783,153
10. Tuesday, February 10	7,401,120
11. Wednesday, February 11	7,556,876
12. Thursday, February 12	8,038,721
13. Friday, February 13	9,029,468
14. Saturday, February 14	10,325,984
15. Sunday, February 15	8,156,071
16. Monday, February 16	6,024,283
17. Tuesday, February 17	6,889,888
18. Wednesday, February 18	7,461,968
19. Thursday, February 19	7,132,649
20. Friday, February 20	6,475,475
21. Saturday, February 21	6,789,162
22. Sunday, February 22	5,832,869
23. Monday, February 23	7,606,028
24. Tuesday, February 24	8,476,743
25. Wednesday, February 25	8,832,044
26. Thursday, February 26	8,232,440
27. Friday, February 27	7,216,231
28. Saturday, February 28	7,219,737
29. Sunday, February 29	5,875,761
30. Average daily room revenue for February (Lines 1-29)	\$7,141,992
31. Average daily room revenue for days impacted by 2004 NBA All-Star weekend events² (Lines 10-15)	\$8,418,040
32. Average daily room revenue for other days in February (Lines 1-9 and 16-29)	\$6,809,110

Note: ¹Room revenue refers to revenue generated from the sale or rental of hotel rooms.

²The six days impacted by 2004 NBA All-Star weekend events include Tuesday, February 10, 2004 through Sunday, February 15, 2004.

Source: Smith's Travel Research Trend Report.

**TABLE 2
TOTAL EXPENDITURES BY VISITORS
ASSOCIATED WITH 2011 NBA ALL-STAR WEEKEND EVENTS
LA COUNTY**

1.	Average daily room revenue for days impacted by 2004 NBA All-Star weekend events	\$8,418,040
2.	Average daily room revenue for other days in February 2004	\$6,809,110
3.	Additional average daily room revenue (Line 1 - Line 2)	\$1,608,930
4.	Number of days impacted by 2004 NBA All-Star weekend events	6
5.	Additional room revenue (Line 3 x Line 4)	\$9,653,578
6.	Proportion of visitor expenditures on accommodations	29%
7.	Total expenditures by visitors associated with 2004 NBA All-Star weekend events (Line 5 / Line 6)	\$33,288,200
8.	Inflation adjustment factor*	1.07
9.	Total expenditures by visitors associated with 2011 NBA All-Star weekend events (Line 7 x Line 8)	\$35,736,876

Notes: *Latest data available for the Los Angeles-Riverside-Orange County area Consumer Price Index is 225.877 (June 2010). The annual average for 2006 was 210.4. The inflation adjustment factor is calculated as $225.877 / 210.4 = 1.07$. This was used as an estimate to adjust total visitor expenditures to 2011 prices.

Source: Lines 1, 2 and 4: Table 1, "Average Daily Room Revenue, LA County, February 1 - 29, 2004."

Line 6: LA Inc. The Convention and Visitors Bureau, LA Travel Stats 2007, February 2008, p. 4.

Line 8: US Department of Labor, Bureau of Labor Statistics, "Consumer Price Index - All Urban Consumers, Los Angeles-Riverside-Orange County Area, 2000 - June 2010" (www.bls.gov).

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About Micronomics

Micronomics is an economic research and consulting firm founded in 1988. It is engaged in antitrust analysis, the valuation of intellectual property, the calculation of economic damages, wage and hour litigation, sports and entertainment economics, statistics and econometrics, and the collection, tabulation and analysis of economic, financial and statistical data. Clients include law firms, publicly and privately held businesses, and government agencies.

About the Authors

Roy Weinstein is an economist and President of Micronomics. Mr. Weinstein has been engaged in economic research and consulting since 1969. Areas of expertise include industrial organization, antitrust economics, the valuation of intellectual property, wage and hour litigation, statistics, econometrics, and the calculation of economic damages. He has testified as an economic expert in numerous jurisdictions and has spoken before the American Bar Association, the National Association of Attorneys General, the National Association of Business Economists, and the Los Angeles County Bar Association. Mr. Weinstein's articles have been published in the *Journal of the Patent and Trademark Office Society*, *The Journal of Law and Technology*, and the *Antitrust Bulletin*. Mr. Weinstein received his Bachelor of Business Administration degree *cum laude* with honors in Economics from City College New York and his Master of Arts degree in Economics from the University of Chicago. He is a recent recipient of the Career Achievement Award from the Business and Economics Alumni Society of the Baruch School at City College.

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