



Project Report

**Analysis of Economic Benefits
from the Toshiba Classic
Champions Tour Golf Tournament
Newport Beach, California**

Prepared for

The Toshiba Classic

Submitted by

Economics Research Associates

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Introduction/Background

The Toshiba Classic is an annual Champions Tour golf tournament featuring the top players on the PGA Champions Tour. The Tournament has a 14-year history in Orange County, with the event hosted by Newport Beach Country Club in Newport Beach, California.

In addition to promoting a prestigious weeklong event in the region which directly benefits local charities, production of the Toshiba Classic generates substantial economic activity throughout the Orange County region. The Toshiba Classic retained Economics Research Associates (ERA) to conduct an analysis of the economic benefits accruing to the community from hosting the annual event.

ERA wishes to acknowledge the assistance of Toshiba Classic staff and the various businesses and individuals who participated in the study effort.

Summary

Regional economic impact is a term used herein to refer to the economic benefits accruing from the production of, and activity associated with, the Toshiba Classic. The impact is measured in terms of gross revenue/income generated in the region, which is directly linked to employment, payroll, and taxes paid.

The total economic impact related to hosting the golf tournament occurs on two levels: primary and induced. Primary impact refers to the initial, first-round expenditures associated with tournament activities. Induced impact, generally referred to as the “multiplier effect,” results from subsequent rounds of re-spending the first-round primary impact expenditures in the region.

The weeklong Toshiba Classic generates an estimated \$12.05 million in primary economic benefits in the region:

Component	Annual Economic Output (\$000)
Tournament Production	\$ 4,900
Tour Players Goods and Services	525
Spectator Goods and Services	3,774
Hotels and Lodging	684
Media Production	250
Golf Course Improvements	100
Charitable Contributions	1,070
Corporate Sponsorship Activities	500
Other Service Providers	250
Total	\$12,053

The statewide induced, or multiplier, impact is estimated at approximately \$15.67 million, the majority of which accrues to individuals and businesses in Southern California, yielding total recurring annual impact of about \$27.72 million:

	Amount (\$000)
Primary Impact	\$12,053
Induced (Multiplier) Impact	15,669
Total	\$27,722

In addition to the tangible, quantifiable economic benefits generated by the Toshiba Classic, the tournament creates a number of intangible positive impacts. Media coverage of the tournament provides regional and national exposure for Orange County and the Newport Beach community. This “branding” enhances the region’s image and identity, which helps in attracting tourists and businesses to the area. Sporting events such as the Toshiba Classic also serve as lifestyle amenities, creating a focal point for community unity and pride.

Methodology

The Toshiba Classic is an annual pro-am golf tournament format with a field of 80 senior PGA touring professionals. While the tournament itself is a three-day event, staging and conducting the tournament occurs over about a 7-day period, and pre-event planning takes place throughout the year. Typically, about 450 amateur golfers participate with the professionals during the tournament, and a series of charitable fundraising events and sponsorship activities are scheduled.

Attendance at the event generally totals about 85,000 over the three-day tournament, ranking the event among the highest attendance Champions Tour events. The tournament principal sponsors are Toshiba America, Inc., Emulex Corporation, Wells Fargo Bank, and over 100 other participating sponsors. Tournament media coverage is provided by The Golf Channel, with national television viewership over the three-day event, along with other local and national print and news media coverage.

The major components comprising the primary economic activity include the following:

- Tournament Production
- Tour Player Goods and Services
- Spectator Goods and Services
- Hotel and Lodging
- Media Production
- Golf Course Improvements
- Charitable Contributors
- Volunteer Activities
- Corporate Sponsorship Activities
- Other Service Providers

Primary economic impact refers to the impact which occurs in the process of operating and producing the tournament and providing services to attendees and participants.

Measuring the economic impact involved a series of tasks including interviews with tournament staff and key service providers such as local hotel operators, along with an assessment of tournament production, media coverage, and corporate sponsorship activities and expenditures.

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Primary Impact

As outlined above, for analysis purposes, primary impact is comprised of a number of major components.

Tournament Production

Tournament production includes the various local expenditures associated with organizing and producing the weeklong event, including, although not limited to, the following major components:

- Public Relations/Media Services

- Volunteer Supplies/Services
- Hospitality/Entertainment
- Tournament Organization Staff Payroll
- Pro-Am Costs
- Pre-Event Planning
- Executive Committee Expenses
- Marketing, Promotion, and Advertising
- Direct Tourism Expenditures
- Sponsorship Trade Goods and Services

The aggregate tournament production cost, exclusive of charitable contributions and purse funds, are approximately \$4.9 million annually. The production cost is funded from a number of sources including sponsorships (\$1.8 million), the pro-am participation (\$1.7 million), hospitality service revenues (\$1.2 million), and a range of other miscellaneous sources.

Tour Player Goods and Services

Expenditures by tour players and their attending staff, family and friends, related to overnight accommodations, entertainment, local transportation, and miscellaneous goods and services.

Attendees	
Players	80
Staff	80
Family	60
Friends	<u>80</u>
Total	300
Average Stay	7 days
Total	2,100 days
Average Daily Expenditure per Attendee	\$250
Total Expenditure	<u>\$525,000</u>

Spectator Goods and Services

Spectator attendance at the Toshiba Classic averages about 85,000 over the three-day tournament, distributed as follows:

Spectator Residence	Number	Percent
Orange County	68,000	80%
Other Southern California	15,300	18
Out-of-Area Visitors	<u>1,700</u>	<u>2</u>
Total	85,000	100%

Based on typical tour spectator and Orange County visitor expenditure patterns, the approximate distribution of spectator expenditures is estimated as follows:

Orange County Residents (68,000 @ \$40/day)	\$2,720,000
Other Southern California Visitors (15,300 @ \$60/day)	\$ 918,000
Out-of-Area Visitors	
Attendance Days	1,700
Number of Visitors (2 days attendance)	850
Average Days in Orange County	2
Total Visitor Days	1,700
Average Daily Expenditure per Visitor (excluding hotel)	\$80
Total Expenditures (excluding hotel)	\$136,000
Total Spectator Expenditures	
Orange County Residents	\$2,720,000
Other Southern California Residents	918,000
Out-of-Area Visitors	<u>136,000</u>
Total	\$3,774,000

Hotels and Lodging

Local lodging establishments provide accommodations for the tour players and their families/guests, media, sponsors, and out-of-area spectators:

	Average Party Size	Visitor Nights	Room Nights
Tour Players	1.2	2,100	1,750
Media/Sponsors	1.0	1,000	1,000
Spectators	2.0	1,700	850
Other	1.0	<u>200</u>	<u>200</u>
Total		5,000	3,800

At an average of \$180 per room night, total hotel expenditures are estimated at \$684,000:

Room Nights	3,800
Average Rate	\$180
Total Revenue	\$684,000

Media Production

Media-related expenditures consist of the Golf Channel National Television coverage of the event, and local news and print media. The total expenditures related to producing the television coverage, and local media services is estimated at \$250,000.

Golf Course Improvements

Golf course improvements and other expenditures by Newport Beach Country Club in preparation for the Toshiba Classic are estimated at approximately \$100,000 annually.

Charitable Contributions

Charitable contributions to local organizations which are funded by the tournament include the following:

Hoag Hospital Foundation	\$1,000,000
Other Charitable Organizations ¹	70,000
Total	\$1,070,000

¹Includes Explorer Scouts, Boy Scouts, D.A.R., L.A. Conservation Corps, N.A.I.F.A., Marine Corps Scholarship Fund, Fuzzy Kids Foundation, Newport Harbor Lacrosse, Newport Harbor High School Golf Team, Corona del Mar High School Golf Team, Estancia High School Golf Team, and other scholarship and golf development program contributions.

Corporation Sponsorship Activities

There are over 100 corporate sponsors, most of which provide entertainment, transportation, catering, and other guest services. Aggregate local expenditures, excluding on-site tournament hospitality services, are estimated at \$500,000, much of which benefits local restaurants.

Other Service Providers

Estimated at \$250,000.

Total Primary Impact

The primary impact related to the Toshiba Classic is summarized as follows:

Component	Annual Economic Output (\$000)
Tournament Production	\$ 4,900
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Spectator Goods and Services	3,774
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Charitable Contributions	1,070
Corporate Sponsorship Activities	500
Other Service Providers	<u>250</u>
Total	<u>\$12,053</u>

Induced Impact

Total economic impact is the sum of primary impact and induced impact. While primary impact results from initial expenditures, induced impact results from the re-spending of primary impact dollars. In estimating economic benefits stemming from primary impact spending, induced impact is measured by applying a “multiplier” coefficient to the primary impact. The net multiplier represents the ratio of the cumulative effects of re-spending (induced impact) to the primary impact alone.

The coefficients utilized in the direct impact calculations are derived from the Regional Industrial Multiplier System (RIMS II) developed by the U.S. Department of Commerce, Bureau of Economic Analysis. Regional gross multipliers for the various economic sectors relevant to the Toshiba Classic operations generally are in the range of 2.3.

Applying an overall 2.3 composite output gross multiplier (1.3 net multiplier) to the primary impact yields an estimate of total impact:

Level	Economic Impact
Primary	\$12,053,000
Induced (1.3 net multiplier)	<u>15,669,000</u>
Total	<u>\$27,722,000</u>

The 2.3 gross output multiplier relates to the State of California. The multiplier for a smaller region — in this case Southern California — would naturally be smaller as there is greater leakage occurring at subsequent rounds of re-spending the primary impact income. Nonetheless, the relative size and

diversity of the Southern California economy, along with the situs of the original impact expenditures, suggests that the large majority of the induced impact remains in Southern California.

Other Benefits

In addition to the benefits which can be more readily quantified, there are qualitative impacts which are generated from the Toshiba Classic.

Tourism Promotional Value

One of the most important benefits related to hosting the Toshiba Classic is the promotion value generated by print, broadcast TV, and radio media coverage of the event – referred to as “tourism promotional value.” Print and broadcast media coverage resulting from the event creates an awareness of the Orange County, Newport Beach, tournament sponsors, and charity beneficiaries, which, in turn, produces future tourism and business activity in the community.

Newport Beach Country Club

The host of the Toshiba Classic, Newport Beach Country Club, is a major participant in producing the tournament. While the Club receives rent from the Tournament for use of its facilities, it also benefits from the services of the tournament and its celebrity have helped create identify and enhance the overall image of the membership. This benefit, in large part, is reflected in the sharp appreciation of club membership values over recent years.