A comparison of Cape Town and Durban business perceptions of the 2010 FIFA World Cup

NURAAN HENDRICKS¹, URMILLA BOB² AND NAADIRA NADASEN²

¹Cape Peninsula University of Technology, Cape Town, South Africa; Email: hendricksn@cput.ac.za
²University of KwaZulu-Natal, Durban, South Africa

Abstract

Local business concerns and perceptions are generally neglected in relation to mega event research. This article focuses on local business sector’s perceptions of the 2010 FIFA World Cup in both Cape Town and Durban, and explores their experiences and impacts in terms of how the business sector was affected and impacted upon as a result of South Africa’s hosting of the event. Specifically, this study aimed to ascertain the potential economic impacts on local businesses in Cape Town and Durban of the 2010 FIFA World Cup. Primary research in the form of questionnaire surveys was conducted three months after South Africa’s hosting of the event with business owners and managers in both cities to determine the perceptions and impacts on their businesses. The data was analysed thematically using SPSS. The findings revealed that there was generally considerable support and positive perceptions relating to South Africa’s hosting of the 2010 FIFA World Cup. However, several major concerns were raised such as the lack of usage of the facilities built specifically for the World Cup, the lack of permanent employment as well as road closures that affected the turnover and income of businesses situated along the sport precinct. Opportunities for local businesses were also a major concern. In hosting future events, it is recommended that relevant government departments and stakeholders such as event managers involve and consult local businesses through the various stages associated with the event in order to leverage benefits for local businesses.

Keywords: 2010 FIFA World Cup, business, perceptions and experiences, Durban, Cape Town

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Introduction

Sport tourism has become an important tourism niche market globally but especially in South Africa. Since the abolishment of apartheid, the country is increasingly being seen as a popular tourist destination, resulting in South Africa making a concerted effort to bid for mega events, especially those of a sporting nature. After hosting an array of large-scale sporting events, in May 2004 South Africa was finally awarded the opportunity to host a mega event, the 2010 FIFA World Cup (Donaldson & Ferreira, 2007).
There is a significant body of literature that focuses on the social, environmental and economic impacts of mega events. In particular, in relation to local impacts the focus tends to be mainly on visitor (especially tourist) and resident impacts, concerns and perceptions. Only a few studies examined the impacts of mega sporting events on the business sector specifically, especially in the South African context (Allmers & Maennig, 2008; McKenna & Bob, 2010). Thus, local business concerns and perceptions are generally neglected. This study focuses on the business sector’s perceptions of the 2010 FIFA World Cup in both Cape Town and Durban, and explores their experiences and impacts in terms of how the business sector was affected and impacted upon as a result of South Africa’s hosting of the event. In order to achieve these objectives, primary research was conducted three months after South Africa’s hosting of the event with business owners and managers to determine the perceptions and impacts on their businesses. Cape Town and Durban were chosen as case studies because both were major host cities during the 2010 FIFA World Cup. Cape Town hosted 8 matches while Durban hosted 7. Both cities hosted a semi-final match. Additionally, both cities are key coastal tourism destinations in South Africa.

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Sport has always been an integral part of the South African culture, and now it is also becoming an increasingly important part of the economy (Bohlmann & Van Heerden, 2005). In support of the above, Emery (2002) also notes that cities and countries around the world are increasingly bidding to host high-profile sporting events as a demonstration of their potential growth strategy, and as a means for achieving strategic corporate objectives. The decision to host mega events, more specifically mega sport events has become increasingly popular over the last two decades (Fourie & Santana-Gallego, 2011). This growing popularity as confirmed by Cornelissen (2007), is due to the increase in disposable income across the globe, changes in lifestyle and consumption patterns, the growing commercial significance of sport as a catalyst for increased consumption, the increase in international television audience as a result of large multinational broadcasting, as well as the sales of sport memorabilia and the retailing of sport celebrities. For South Africa, the hosting of Africa’s first mega event raised expectations among interested parties in terms of what this meant for the country (and the continent) as a whole, the residents as well the business sector (Banjo, 2011).

In an initial study conducted by Grant Thornton in 2003, the firm projected that South Africa’s hosting of the 2010 FIFA World Cup would result in a R21.3 billion contribution to the Gross Domestic Product (GDP), the generation of an estimated R12.7 billion in direct spending, and the creation of approximately 159 000 new employment opportunities (Grant Thornton, 2004). They further indicated that tourism would benefit from the attendance of 400 000 international
visitors to the event, with an expenditure of an estimated R9.3 billion. In a follow up study conducted by Grant Thornton in 2007, it was mentioned that the 2010 FIFA World Cup would create 218 600 sustained construction jobs, with an estimated contribution of R51.1 billion to the GDP (Grant Thornton, 2007). The impact study conducted by South African Tourism (2010), post the event concluded that a total of 309 554 foreign tourists travelled to South Africa, with the primary purpose of attending the event. Furthermore, the report also shows that the total expenditure in South Africa by tourists who came specifically for the 2010 FIFA World Cup was R3.64 billion. This indicates that the projections in terms of tourist arrivals, expenditure by visitors and contribution to the GDP was not realised to its full potential, but the country still benefited from the event.

Economic opportunities, especially related to increased tourist arrivals within the host cities, are deemed to be one of the key benefits of hosting a mega event (Bob & Swart, 2010; Cornelissen, Bob & Swart, 2011). The business sector in particular was viewed as being well placed to derive economic benefits from hosting a mega event. These businesses include the more sophisticated financial services sector, right down to the informal trading sector due to ‘the hundreds of thousands of visitors who visited the country during the event, which resulted in boosted economic opportunities for accommodation, health services, travel services, short-term insurance, event management, logistics, arts, crafts and entertainment’ (South Africa 2010 FIFA World Cup, n.d.). Furthermore, for the South African business community, the event was used as a catalyst to foster growth and development in order to market the country and the continent to the world, as well as to harness the growth of local entrepreneurship.

Chalip and Leyns (2008) argue that even though mega events enable benefits for the business sector of the host destination, only some businesses have the ability to capitalise on sport events due to the fact that the economic impact of an event is highly dependent on visitor expenditure. Furthermore, they suggest that businesses can leverage events through direct and indirect marketing and advertising activities, achievable through sales promotions, extending shopping hours, marketing the establishment with artefacts relevant to the event and offering entertainment to visitors. However, Chalip and Leyns (2008) state that this may not necessarily be required for businesses operating within the sports precinct, as these businesses and their prime location serve as a promotion on its own. Thus, business location is an important variable influencing which businesses are most likely to benefit from a mega event.

Higham (1999) also argues that the hosting of mega events has various negative impacts for the host destination such as the major costs required during the bidding process; economic benefits which are dominated by big businesses, rather than by host communities; increase in rates and rent; social issues, such as
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the displacement of locals, congestion and overcrowding; security issues; as well as under-utilisation of expensive facilities built for the purpose of the event. These can also impact on local businesses as well. Additionally, it should also be noted that even though mega events pose great opportunities for businesses, the benefits may not necessarily be evenly distributed, which leads to the erosion of public support for the events, as was the case of the 1994 Winter Olympic Games, where some businesses flourished, and others were not affected at all (Chalip & Leyns, 2008). The above analysis therefore advocates the need to address the issues associated with the economic gain for the host destination and whether the costs of infrastructure, stadium development, security and marketing are worth the gains from tourism, trade and tickets (Fourie & Santana-Gallego, 2011) in relation to different stakeholders including local businesses. Pre-event business impact studies (Czeglédy, 2009, citing a Grant Thornton survey of 200 medium to large businesses in Africa; McKenna & Bob, 2010) indicate that generally businesses expected to benefit financially from the World Cup. This post-event study examines local business perceptions in Cape Town and Durban.

Methodology

Study setting

The Cape Town Stadium is well suited as a host venue because of its first class setting, its ability to host an event of this magnitude, its rich history, and because of the availability of amenities in the surrounding areas such as restaurants, hotels, guesthouses and attractions that are essential elements for attracting tourists (Cottle, 2010). The Moses Mabhida stadium is located in Durban’s beachfront precinct (McKenna & Bob, 2010), one of the city’s key tourist destinations. The stadium is centrally located and well linked to the city’s infrastructure (Maennig & du Plessis, 2009). Within the areas under study in both cities a range of businesses exist. It is important to note that while there were a few informal traders in the area, only established businesses were targeted for this study.

Survey and sample

For the purpose of the study, a quantitative design involving a questionnaire was used in the data collection process. The survey contained both open-ended and close-ended questions. The scope of the survey included background information on the businesses surveyed, involvement in 2010 FIFA World Cup and related activities, perceived impacts of the World Cup on businesses, concerns related to the hosting of the event, and attitudes towards the future hosting of mega sport events in South Africa. The target population included managers and owners of tourism and non-tourism related businesses situated within close proximity to both host stadia, that is, Cape Town Stadium and Moses Mabhida Stadium in Durban.
In both cities a systematic stratified sampling method was used to conduct face-to-face interviews with 100 businesses in each location. The first business deemed to be closest to the stadium was purposively chosen. The questionnaires were administered three months after South Africa’s hosting of the event. The targeted businesses were restricted to a 2 km radius around the stadia. In each location, the business closest to the stadium was purposively chosen as the first unit of study. Then every 2nd business was chosen until the sample size of 100 was realised.

Data analysis

The Statistical Programme for the Social Sciences (SPSS Version 16) was used to analyse the data. The data were analysed comparatively in the different conceptual categories thematically.

Results and Discussion

This section presents the main findings of the primary research under five specific themes.

Business profile

A range of businesses were interviewed in both Durban and Cape Town. The majority of the businesses were privately owned (93% in Durban and 99% in Cape Town) with the remaining being public enterprises. These privately owned businesses ranged from accommodation and entertainment businesses (especially in Cape Town and Durban’s beachfront areas), food and beverage establishments such as restaurants and convenience stores, health facilities, clothing retail stores and other service sectors (such as spas and banks). In Durban, as a result of the close proximity of Umgeni Road which is part of an industrial zone, transport (car dealerships and fitment centres) and general sales (electrical, kitchen, tiles and paint suppliers) were also present. Most businesses were small and medium enterprises (88% in Cape Town and 92% in Durban), which indicates that the business sector is mainly in its emerging stages, and could be further developed, perhaps with the intervention of government funding or initiatives.

Attendance at matches and support of the 2010 FIFA World Cup

The majority of the respondents (75% in Cape Town and 81% in Durban) indicated that they or their employees had attended matches hosted in the respective cities. Furthermore, all the respondents indicated that they supported the 2010 FIFA World Cup and had a strong interest in the event. Those who did not attend any matches stated that this was because of the high ticket prices and lack of interest in the event.
Profits and business leveraging

Close to a third of the respondents (31% in Cape Town and 30% in Durban) did not disclose the profits generated during the World Cup. Businesses are often hesitant to disclose their profit margins and it was observed that particularly the larger businesses (such as the hotels and banks) did not respond. Among the rest, the main categories identified were R11 000 – R20 000 (16% in Cape Town and 18% in Durban), R51 000 – R60 000 (13% in Cape Town and 8% in Durban), R21 000 – R30 000 (10% in Cape Town and 8% in Durban), R31 000 - R40 000 (5% in Cape Town and 7% in Durban), R51 000 - R60 000 (5% in Cape Town and 3% in Durban) and R41 000 - R50 000 (1% in Cape Town and 4% in Durban). A few stated less than R10 000 and the rest did not know. Most businesses fall into the small to medium sized enterprises with turnover yields usually at a lower rate than it would normally be expected of large enterprises.

Ngonyama (2010) stated that the 2010 event will be a major boost for the local economy, especially for the tourism and hospitality sectors. Furthermore, he contended that tenders submitted for 2010 projects was aimed at complying with the Black Economic Empowerment (BEE) policy in order to generate positive impacts for local small and medium sized businesses. Despite the differences in the profit margins and the unwillingness of a significant proportion of the businesses to disclose this information, it is important to note that almost all the respondents (with the exception of some of the service sector businesses) stated that the profits and the number of customers had increased significantly compared to the same period in previous years. Furthermore, 86% of the respondents in Cape Town and 92% in Durban stated that their businesses were positively impacted by the World Cup. The reasons for the responses were increased tourism, increased income and increased employment. Those who indicated that there were negative impacts identified crime, traffic disruptions and an increase in the price of goods as deterrents. The results indicate that hosting a mega event does have positive economic impacts for businesses in close proximity to the event activities, especially during the hosting of the event. This is because, as stated by Kim, Gursoy and Lee (2006), the economic spin-off effects from mega sport events stem from sport tourists expenditure at the event or the host destination which provide more income generating opportunities for local people and businesses. Thus, the hosting of mega events can accelerate growth for local businesses due to tourist expenditure and increases in turnover during the event.

Various earlier studies such as Hall (1997) indicate that the economic benefits of mega events for the host destination suggest that there are great prospects for local businesses after the event. To determine whether this was realised in the two host cities, respondents were asked to indicate whether their business had secured future deals as a result of the event. Almost all of the respondents (98% in Cape Town and 97% in Durban) indicated that local businesses did not derive
long-term economic benefits. This supports Cornelissen et al.’s (2011) assertion that legacy impacts of hosting a mega event, including economic impacts, are often not realised or sustained. It is evident from the findings that the local business sector in South Africa has generally not accrued economic benefits beyond the World Cup.

Perceived economic impacts of the 2010 FIFA World Cup on local businesses
This sub-section of the article discusses the perceived economic impacts in relation to specific statements pertaining to the 2010 FIFA World Cup using a Lickert-rating with the following response alternatives: strongly agree (SA), agree (A), neutral (N), disagree (D) and strongly disagree (SD). Table 1 presents the findings and also uses the abbreviations CT for Cape Town and D for Durban. Similar responses were revealed from businesses in Cape Town and Durban concerning all the statements. This suggests that local businesses close to World Cup stadia had similar experiences and perceptions.

Table 1: Perceptions regarding economic impacts of the 2010 FIFA World Cup on local businesses (N=100)*

<table>
<thead>
<tr>
<th>Questionnaire statements</th>
<th>SA</th>
<th>A</th>
<th>N</th>
<th>D</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>The World Cup will benefit only the rich and big businesses</td>
<td>41</td>
<td>38</td>
<td>12</td>
<td>15</td>
<td>24</td>
</tr>
<tr>
<td>The hosting of the event led to increased spending in the local area thus ensuring economic benefits to the members of the local community</td>
<td>40</td>
<td>41</td>
<td>22</td>
<td>23</td>
<td>30</td>
</tr>
<tr>
<td>Local businesses in the area increased their sales and profits during the event</td>
<td>50</td>
<td>61</td>
<td>29</td>
<td>27</td>
<td>16</td>
</tr>
<tr>
<td>In the region where the stadium is located, businesses were strengthened</td>
<td>43</td>
<td>38</td>
<td>18</td>
<td>21</td>
<td>32</td>
</tr>
</tbody>
</table>

* Results are presented in percentages.

Chalip (2004) indicates that the economic benefits of hosting events include tourist expenditure, job creation and re-spending within the economy. Turco, Riley and Swart (2002) suggest that direct economic benefits arise from tourists spending money on goods and services at the actual event, and relating to it, such as transport, food, accommodation and memorabilia while indirect economic benefits occur as a result of the direct impacts and include increases in employment levels and in the GDP.

In response to the first statement, 53% of the respondents in both Cape Town and Durban strongly agreed or agree with the statement that the World Cup will only benefit the rich and big businesses. However, the majority of the local businesses also strongly agreed or agreed with the statements that the hosting of the event led to increased spending in the local area thus ensuring economic benefits to the members of the local community (62% in Cape Town and 64% in Durban), that
local businesses in the area increased their sales and profits during the event (79% in Cape Town and 88% in Durban) and that in the region where the stadium is located, businesses were strengthened (61% in Cape Town and 59% in Durban).

The apparent contradiction between the first statement and the others could be attributed to the respondents’ perception of the largest beneficiaries, that is, big businesses and the affluent in society. This suggests that while local businesses did benefit economically, this was not to the extent of the gains which accrued to larger corporations. Additionally, the above findings suggest that there is a feeling of uneven distribution of benefits among businesses. The findings do support earlier results which indicated an increased income generation in the area thereby increasing the standard of living for the local community and economy. This supports reports in some of the literature that illustrate the benefits associated with hosting mega events for local economic development and growth, albeit for a short period as previously discussed (Chalip & Leyns, 2008; McKenna & Bob, 2010).

There were also a significant proportion of neutral responses to all the statements in both Cape Town and Durban. This illustrates that some of the respondents were uncertain about the economic impacts of hosting a mega event on local businesses. This may also suggest that respondents were less concerned with general impacts and more concerned with impacts on their respective businesses specifically.

Hosting of future events

Since the dismantling of Apartheid in 1994, the South African government has made a concerted effort to host events, especially those of a sporting nature. According to the Bureau for Economic Research (2010), events such as the Olympic Games and the FIFA World Cup do not only attract an increased global audience, but also have great potential to change global tourism frequencies, create new tourism destinations and create legacies for host destinations. Whether South Africa should bid to host another mega event remains contentious. While close to two-thirds of the respondents (64% in Cape Town and 67% in Durban) supported South Africa hosting a mega event in the future the rest were unsupportive (31% in Cape Town and 29% in Durban) or did not respond (5% in Cape Town and 4% in Durban). This suggests that the majority of businesses are in support of South Africa hosting future mega events because of the benefits associated with these events. Those who were not supportive stated that it is still unclear what the benefits were and who mainly benefited. Furthermore, there were limited benefits over a short period that raises questions whether public funds were wisely used.
Conclusion and recommendations

The business sector in Cape Town and Durban were generally supportive of the 2010 FIFA World Cup. Their business turnover increased during the World Cup and the majority also participated directly in the event’s activities. Thus, the results indicate that the hosting of Africa’s first mega event helped to boost the local economy, especially during the World Cup period. However, the increase in turnover was not sustained after the event which raises questions concerning the long-term economic legacies associated with hosting a mega event. Furthermore, concerns were raised regarding the distribution of economic benefits, specifically in relation to larger businesses being better positioned to maximise opportunities.

In order to ensure that local and smaller businesses are given an opportunity to capitalise on South Africa’s hosting of large-scale and mega events in the future, it is imperative that government and event organisers undertake a more vigorous marketing and communication approach with all stakeholders, particularly local businesses. Plans need to be developed to create opportunities for local businesses and develop mechanisms for their inclusive participation.

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