Does the location of arts festivals matter for the economic impact?*

Melville Saayman¹, Andrea Saayman²

¹ Institute for Tourism and Leisure Studies, North-West University, Potchefstroom Campus, Private Bag X6001, Potchefstroom 2520, South Africa
² School of Economics, Risk Management and International Trade, North-West University, Potchefstroom Campus, Private Bag X6001, Potchefstroom 2520, South Africa
(e-mail: eknas@puk.ac.za)

Received: 14 May 2004 / Accepted: 3 April 2005

Abstract. While cultural events are primarily hosted to enhance, expand and celebrate a certain culture, the economic role that these events play in the host towns are often overlooked. The economic importance stems from the expenditure by attendants that filters through the local economy, stimulating output in the economy. This note makes use of primary data obtained from visitor (demand side) and business (supply side) surveys to determine the local economic impact of the three leading arts festivals in South Africa. The results indicate that the location and size of the town is an important factor in the impact of the event on the town and the region.

JEL classification: L83, R12, Z11

Key words: Impact analysis, economics of the arts, tourism, South Africa

1 Introduction

Tourism is not only one of the dominant forms of consumption in today’s world; it is also the world’s leading export earner. As such, it creates landscapes where

---

* This article forms part of a research project sponsored by the National Research Foundation. The authors would like to thank Prof. Christo Boshoff (UPE) who assisted with the surveys at KKNK, Prof. Geoff Antrobus and Ms. Jen Snowball (Rhodes University) for the Grahamstown surveys and valuable inputs, as well as the attendees at the RSAI International conference in Port Elizabeth, South Africa (2004) for their comments. Thanks also to the reviewers who helped in shaping the article into its current form.
cultural production, in the form of cultural events, thrives. Meanwhile, it brings about or aims at regional or local regeneration, development and sustainability (Terkenli 2002). What has become evident is that many countries, including South Africa, are using events to market the country, generate income, create a favourable image and attract investment. Based on this, South African Tourism has implemented an events strategy and policy in order to expand domestic and foreign tourism. Consequently, many cities and towns have either developed their own festivals or they are bidding to host different types of events (such as World Cup soccer matches and cricket matches, for instance).

Events can create linkages between people and groups within communities, and between the community and the rest of the world. Numerous events are partially or wholly in the public domain, so community goals and impacts should be prominent in their management (see Hall 1992). Saayman (2004) points out that events have long been viewed as a tool for economic development. The economic importance of these events stems from the expenditure by attendants that filters through the local economy, stimulating output in the economy.

Because different types of tourists have different spending patterns, the spatial and regional-local development impacts differ. While multiplier analysis is most frequently used to determine the indirect and induced effects of visitor expenditure, they tend to vary considerably across businesses and locations, rendering them insufficient for determining the local economic impact of the event. Walpole and Goodwin (2000) show that primary data obtained from visitor (demand side) and business (supply side) surveys result in better estimates for local economic impacts.

This note draws on this methodology and aims to show that the location and size of the town/city plays an important role in the impact of the event on the town. The three leading arts festivals in South Africa – the Klein Karoo Nasionale Kunstefees (Oudtshoorn), the National Arts Festival (Grahamstown) and the Aardklop festival (Potchefstroom) – are the subject of this research. The focus is not so much on the actual size of the impact, but on the difference between various contributing factors that determine the economic impact for the different locations (i.e., spatial development).

In order to achieve the above objective, the note is organised in the following way. The literature review follows the introduction. Thereafter the method of research and the results will be discussed and lastly certain conclusions and recommendations will be made.

2 Literature review

International tourism is a rapidly growing sector of many developing countries, and as such has emerged as an important component of export-oriented development programmes (Goodwin et al. 1997, 1998). Proponents of the industry as a development tool cite numerous potential economic benefits for host countries, including increased foreign exchange earnings, increased employment
opportunities, improved socio-economic conditions, and a greater market stability than traditional commodity exports (Eadington and Redman 1991; Lea 1988; Yeoman et al. 2004).

In recent years, festivals and special events have become one of the fastest growing types of tourism attractions (Crompton and McKay 1997; van Heerden 2003; Getz 1997; Thrane 2002). Therefore, according to Gursoy et al. (2003), it is not surprising to see that the number of conceptual and empirical studies on festivals and special events has been increasing rapidly. Numerous communities have been actively hosting or developing new festivals and events as leisure and cultural pursuits for residents as well as for their economic and community development benefits (Getz 1993; Frisby and Getz 1989).

One of the great advantages of events is that it can create a demand in a time that might be regarded as off-season. Therefore it can be regarded as a marketing tool, but also as a generator of income. Other benefits or objectives of events include increased community pride and spirit, strengthening of traditions and values, greater participation in the related theme of the event, adaptation of new social patterns or cultural forms through exposure at the event, marketing benefits (which include branding and creation of a positive image), increased volunteerism and community group activity, intercultural interaction and co-operation, and economic benefits (Ritchie 1984; Getz 1997, p. 44).

The economic benefits flow from the fact that the tourism industry consists of a number of different but interlinked service industries, particularly accommodation and catering, food processing and beverages, transport, as well as entertainment and other support services (Paton 1985, p. 64). Therefore tourist spending has an impact on various sectors of the economy. In an article on the spatial impacts of tourist spending in South Africa, Saayman et al. (2000) showed that the impact of spending by domestic tourists differs from that of spending by foreign tourists, and as such benefit provinces or regions differently.

Gelan (2003) indicates that the spatial dimensions of economic impact studies is often a controversial issue, since the area/region on which the economic impact study will be conducted needs to be clearly defined. According to Stynes (1999, p. 12) this is a neglected, but important, aspect of local economic impact studies, since a proportion of total spending by visitors might not have been incurred in the local community. The subject of the study could be defined as the host community, identified either as a geographic region on a map or as a region within a given radius from the site of the event. The economic impact of an event is likely to vary inversely with the distance from the core region, with lower impacts experienced on the periphery.

In addition to the above-mentioned spatial dimension, the magnitude of tourism’s impact on the economy is dependent on the magnitude of leakages from the economy (mainly via imports) and the ability of the economy (or region) to create

---

backward linkages (Niedermeier and Smith 1995; Strydom and Lourens 1995, p. 51). A large multiplier means that there are few leakages from the system and that the community benefits more from the expenditure during the event. However, literature relating to economic multipliers indicates that leakages are high in small regions (Ryan 1996, p. 343; Saayman and Saayman 2003).

3 Methodology

Measuring the economic impact of events has a well-established but somewhat problematic methodology. This analysis would normally make some estimation of the cash injection into a region by visitors to the event and then apply the relevant multiplier to arrive at a final monetary estimate of the economic impact. Gelan (2003) indicates that there are three controversial issues that need to be addressed when determining the economic impact of an event, namely (i) which spending to include, (ii) what multiplier to use and (iii) the spatial area under evaluation.

The first issue, which expenditure to include in the analysis, asks the question whether local expenditure and that of expenditure switchers (secondary motive participants) should be included. The debate on whether to include local spending in the economic impact analysis has attracted a lot of attention. By asking people who attend the festival how much they spent, without distinguishing between tourist and visitor spending, sponsors and promoters of the events obtain inflated numbers and values, which they use to persuade taxpayers (Gelan 2003, p. 409). Crompton (1999) indicates that local spending could be included if there is evidence that the event had kept some community members from making trips elsewhere. Gelan (2003) concludes that the inclusion of local spending in the analysis can enhance the accuracy of the economic impact assessment.

Crompton (1999) explains that expenditure switching is evident in “time-switchers”, who are tourists who organise their visit to the host community to coincide with the event, and in “casuals”, who are tourists that are in the area due to another reason, but who are also attending the festival. Since the expenditure of these visitors would have taken place in the community regardless of the event, there is strong support for excluding their expenditure when determining the economic impact of the event.

The multiplier to be applied is the second area of concern, since multipliers differ considerably between sectors and locations. Archer (1976) indicates that the multiplier value is the ratio of the direct, indirect and induced changes to the initial direct change in employment, income or output. The correct or relevant multiplier to apply is not often readily available, since few regions or municipal areas have detailed economic data to construct a formal input-output model. The input-output model is a popular tool to determine the size of the multiplier and the impact of visitor spending on the economy of a country (see Kottke 1988; Zhou et al. 1997; Randall and Warf 1996; Saayman et al. 2000). Regional input-output models (RIMS) are helpful tools, often used to determine the extent of multipliers in local economies (see Frechtling and Horvath 1999; Wang, 1997), but they are not everywhere available.
Walpole and Goodwin (2000) are therefore correct in commenting that large-scale techniques are often inappropriate to determine local economic impacts where necessary data are often unavailable. They propose the use of direct estimation from primary data sources, obtained through surveys of businesses (supply side) and tourists (demand side). This methodology is also applied in this article.

Concerning the third issue, namely the spatial area under consideration, this article limits the area of study to the municipal boundaries of the towns, and no regional impact is considered. To account for spending by visitors on products not offered by the community, Gelan (2003) proposes the use of capture ratios to exclude the expenditure of imported products brought by visitors to the event.

As noted above, the focus of the article is on the difference between the various determinants of the economic impact (identified above as local versus visitor spending, multiplier and capture ratios) for the different festivals and the impact that location has on the determinants.

3.1 Surveys

As recommended by Walpole and Goodwin (2000), surveys were conducted amongst tourists and businesses to estimate the demand and supply of products and services at arts festivals. Three demand and supply surveys were administered at the three major arts festivals in South Africa during 2003. The first festival is the Klein Karoo Nasionale Kunstefees (KKNK), held annually in March in the small town of Oudtshoorn in the Small Karoo. The second festival is the Grahamstown National Arts Festival (NAF), held annually in the small town of Grahamstown in the Eastern Cape. The third festival of importance is the Aardklop Arts Festival, held annually in Potchefstroom in the North-West Province of South Africa.

At each of the three festivals, 400 visitor questionnaires were interviewer administered and the “recall method” was used in which respondents have to recall their spending. A destination-based survey was undertaken, where interviews were held on-site during the event. Different sites were chosen to limit response bias towards a certain group of festinos (the local word used to describe festival goers). Respondents were chosen randomly and the survey was distributed over the duration of the festival.

The questionnaire contained questions regarding the demographic details of the respondents and their behaviour during the festival. The aim of these questionnaires was, inter alia, to determine the total expenditure of visitors at the festivals and the origin of the visitors. Key questions asked in the survey included the length of stay at the festival and the expenditure of visitors on different spending components, since Wilson (1984, p. 88) indicated that these are key determinants of the magnitude of the economic impact of tourist spending, together with the number of visitors. To estimate the number of visitors, the number of tickets sold as well as the average number of tickets bought also had to be determined.
As proposed by Gelan (2003), local residents were included in the survey. To determine the expenditure by local residents, they were asked whether they spent more on items at the festival than during a normal week and how much more they spent on the various items.

At each of the festivals a business survey was also conducted, where approximately 50 questionnaires per festival were interviewer administered. The aim of the questionnaire was to determine which businesses benefited from the festival as well as to determine the magnitude of leakages from the economy. To aid in the determination of leakages from the economy, additional information was obtained from the festival organisers on the appropriation of ticket fees and donor fees.

4 Results

4.1 Background and demographics

Arts festivals in South Africa have an interesting history. Due to the domestic changes and subsequent budgetary cuts from national government, artists had to do something to survive, and the only solution at the time was to organise arts festivals. In developing countries, contrary to developed countries, the arts are not high on the national spending priority list due to other basic needs including basic service delivery (water and sanitation), health, and education. Many of the large cities have state theatres and smaller theatres where arts performances are hosted, but not to the extent that it can be labelled an arts “festival”. In South Africa an arts festival denotes the broader definition of arts, as defined by Walker et al. (2002), and include music, theatre, dance, visual arts as well as more popular styles such as popular music and puppet shows. To develop all these arts forms necessitated a shift from government-supported activities towards the private sector taking charge by means of sponsorship.

The first arts festival and also the oldest (30 years), namely the Grahamstown National Arts Festival (NAF), was primarily supported by one corporate institution which is also different from the current state of affairs, where a great number of sponsors collectively take responsibility. Without these sponsors festivals in South Africa would not take place. For years the NAF was the only major arts festival in South Africa where both new and existing artists had the chance to present their work. These festivals created the platform for growth of the arts in South Africa and for the first time artists are doing well in general. With the success of the Grahamstown National Arts Festival came the second and third largest arts festivals namely KKNK (10 years) and Aardklop (7 years).

All these festivals are held in rural towns where the total infrastructure of these towns is used for productions, which include schools, town halls and even shops. The past five years festivals in larger cities have been mushrooming but with less success. The rationale for this is that South Africans who live in cities tend to travel to rural areas to attend arts festivals, which works well for the three largest festivals. These visitors rate it as a holiday rather than just a visit to the arts.
festivals and therefore all these festivals are also structured to coincide with school holidays in South Africa. Hence, the festivals in larger cities attract fewer visitors than those in more rural areas.

The Klein Karoo Nasionale Kunstefees (KKNK) takes place annually in Oudtshoorn for 8 days in March/April. It is an Afrikaans festival that offers visual and performing art, including cabaret, music theatre, classical music, jazz and popular music, and 162,100 tickets for performances were sold in 2003. It is therefore not surprising that white (89 percent), Afrikaans-speaking (93 percent) persons are the main attendees at the festival. Of the respondents, 6 percent were locals, 3 percent indicated that the festival is not the main reason for their visit to Oudtshoorn, while the remaining 91 percent were visitors at the festival. For most respondents the visit to the festival was not the first time and on average respondents has attended the festival 3.1 times. On average, respondents attend 3.6 shows while at the festival, travel in groups of 4.9 (although only paying for 2.4 persons) and spend 4 nights (4.8 days) at the festival, mostly camping (36 percent) and with family and friends (22 percent). Travelling by car is the main mode of transport.

Grahamstown annually hosts the Grahamstown National Arts Festival (NAF) for 9 days in June/July. The NAF was the first major annual arts festival held in South Africa and differs from the other festivals in that the medium is not identified as Afrikaans. The demographics of the festinos therefore also differ markedly, with more that 50 percent of the respondents being English-speaking and only 56 percent being white South Africans. The festival is also more of a “young person’s festival”, with roughly 60 percent of respondents being between the ages of 18 and 35 years. The average number of times that the respondents have visited the festival is 6.7 times. Own transport (66.5 percent) is mostly used to reach the festival and the average travel group is 4.8 (although financially responsible for only 1.8 persons). Visitors spend an average of 5.44 nights (or 6.1 days) at the festival. Almost a third (28 percent) of the respondents were locals and 65 percent of the visitors indicated that they were there solely for the festival. On average a festino attended 4.8 shows while at the festival and in total 95,913 tickets were sold at the festival.

The Aardklop National Arts Festival takes place annually in Potchefstroom for 5 days at the end of September. All genres of classical music, theatre, children’s and street theatre, dance, cabaret, rock, jazz, literature and visual art are included in the festival, and although the festival is focused on Afrikaans, it accommodates other language activities as well. As with the KKNK, most festinos are Afrikaans-speaking (89 percent), white, South Africans. On average, the respondents visited the festival 2.4 times, with most (58 percent of respondents) visiting the festival for the first or second time and only 5 percent who have visited the festival 5 times or more. The respondents travel in groups of 3 (although only paying for 2.5 persons on average) and stay at the festival for 2.5 days (2 nights), mainly with family and friends. 14 percent of the respondents were locals and 73 percent of the remaining 86 percent were there exclusively for the festival. On average, festinos attend 4.5 shows while at the festival and a total of 88,567 tickets were sold for the festival in 2003.

Papers in Regional Science, Volume 85 Number 4 November 2006.
Table 1 presents a brief summary of these statistics on festinos at the three festivals.

<table>
<thead>
<tr>
<th></th>
<th>Aardklop</th>
<th>KKNK</th>
<th>NAF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Location</td>
<td>Potchefstroom</td>
<td>Oudtshoorn</td>
<td>Grahamstown</td>
</tr>
<tr>
<td>Language</td>
<td>Afrikaans</td>
<td>Afrikaans</td>
<td>English</td>
</tr>
<tr>
<td>Respondent breakdown</td>
<td>14% locals</td>
<td>6% locals</td>
<td>28% locals</td>
</tr>
<tr>
<td></td>
<td>86% visitors</td>
<td>94% visitors</td>
<td>72% visitors</td>
</tr>
<tr>
<td>Length of festival</td>
<td>5 days</td>
<td>8 days</td>
<td>9 days</td>
</tr>
<tr>
<td>Length of stay</td>
<td>2.5 days</td>
<td>4.8 days</td>
<td>6.1 days</td>
</tr>
<tr>
<td>Average number of times attending this festival</td>
<td>2.4</td>
<td>3.1</td>
<td>6.7</td>
</tr>
<tr>
<td>Travel party</td>
<td>2.9</td>
<td>4.9</td>
<td>4.8</td>
</tr>
<tr>
<td>Average number of tickets bought</td>
<td>4.5</td>
<td>3.6</td>
<td>4.8</td>
</tr>
<tr>
<td>Total tickets sold</td>
<td>88,567</td>
<td>162,100</td>
<td>95,913</td>
</tr>
</tbody>
</table>

Table 2. Total festinos and distribution of festinos

<table>
<thead>
<tr>
<th></th>
<th>Aardklop</th>
<th>KKNK</th>
<th>NAF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total festinos</td>
<td>49,204 (100%)</td>
<td>108,067 (100%)</td>
<td>35,967 (100%)</td>
</tr>
<tr>
<td>Visitors</td>
<td>42,905 (87.2%)</td>
<td>93,306 (86.4%)</td>
<td>29,029 (80.8%)</td>
</tr>
<tr>
<td>Locals</td>
<td>6,299 (12.8%)</td>
<td>14,761 (13.6%)</td>
<td>6,938 (19.2%)</td>
</tr>
<tr>
<td>Visitor breakdown</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due to even</td>
<td>36,426 (84.9%)</td>
<td>90,320 (96.8%)</td>
<td>26,213 (90.3%)</td>
</tr>
<tr>
<td>Other reasons</td>
<td>6,479 (15.1%)</td>
<td>2,986 (3.2%)</td>
<td>2,816 (9.7%)</td>
</tr>
<tr>
<td>Visitor days</td>
<td>123,010</td>
<td>540,333</td>
<td>219,401</td>
</tr>
</tbody>
</table>

Table 1 presents a brief summary of these statistics on festinos at the three festivals.

4.2 Visitor breakdown

As indicated in the methodology, the issue of which spending to include and which to exclude remains a controversial topic in estimating the economic impact of an event. It is therefore necessary to determine the distribution of festinos at the different festivals. Table 2 presents a breakdown of the festinos in terms of locals, visitors and time-switchers. The calculations are based on the total number of tickets sold, the average numbers of tickets bought, the origin of the festinos and the reasons why the festinos are attending the festival.

The number of festinos is often a point of dispute between festival organisers and sources of more officially derived figures (such as these). Having more visitors is often seen as a component of “prestige” and success, especially in the light of the recent increase in the number of arts festivals and events in general in South Africa. Snowball and Antrobus (2003) thus indicate that it is also necessary to distinguish between visitor numbers and visitor days. Visitor days can be calculated by aggregating the number of festinos per day. Naturally, those festinos that
stay four days will be counted four times. This is a useful method to compare different festivals, but it has no effect on the economic impact calculation per festino.

According to Table 2 there are more visitors to Aardklop that attend the event due to other reasons (i.e., more time-switchers), than either of the other two festivals. The reason for this is that Aardklop, which takes place in Potchefstroom, has more other activities to offer, because it is the largest of the three towns under examination. Potchefstroom also offers other events that coincide with the festival, such as sports events and conferences. Because of its size, Potchefstroom has the infrastructure and suprastructure to host more activities simultaneously. However, since these events are major attractions to these cities, it is often felt that the spending of time-switchers should be included, since the attendance of the other events would decline if the event did not coincide with the festival.

It is useful to emphasise from a social point of view the importance of involvement of local communities in the festival. Generally local communities strongly support the festivals. Furthermore, the involvement of the community increases with time; hence there is more community involvement in Grahamstown than in Potchefstroom.

From a location point of view it is also necessary to identify the origin of the festinos at the festival. An investigation of the data indicates that main sources of visitors (locals excluded) to Aardklop are Gauteng (52.8 percent), North-West (18.4 percent) and the Free State (12.6 percent). Visitors to the KKNK mainly come from the Western Cape (51 percent), Eastern Cape (24.4 percent) and Gauteng (16.2 percent), while visitors to the NAF mainly come from the Eastern Cape (23.5 percent), Western Cape (21.1 percent) and Gauteng (19.8 percent). It is therefore clear that a particular festival attracts most of its visitors from its own and neighbouring provinces.

As noted in the discussion of the methodology, the location of the impact is limited to the municipal area in which the festival takes place. Figure 1 displays a map of South Africa to indicate the location of Oudtshoorn (KKNK), Grahamstown (NAF) and Potchefstroom (Aardklop). It also shows the main markets, i.e., the areas from which visitors to the various arts festivals (as described above) originate. This is important in determining the spatial implications of the festival locations vis-à-vis their main market.

4.3 Spending according to market

The magnitude of the economic impact of an event relies not only on the number of visitors and the classification of visitors (as described above), but also on the magnitude of their expenditure. Since different festivals receive visitors from different provinces, the total expenditure of these visitors is indicated in Table 3. Note that the total expenditure includes all expenditures on accommodation, transport and parking at the festival, show tickets, souvenirs, shopping, food and restaurants, alcoholic and non-alcohol drinks and tobacco products. The figures presented in Table 3 are also the average total expenditure, and not average
expenditure per day. These figures should thus be viewed in the light of the fact that Aardklop festinos stay for only 2.5 days, those visiting the KKNK 4.8 days and festinos visiting the NAF 6.1 days.

It is evident that visitors from Gauteng spend the most at all three festivals. This may be attributed to Gauteng being the province with the highest income levels in South Africa. Attracting more visitors from Gauteng would therefore be worthwhile for any festival, and Aardklop in Potchefstroom is the best located to take advantage of this (see Fig. 1).

The results also indicate that locals spend less than visitors, which may be attributed primarily to the fact that locals spend nothing on accommodation. An

---

**Table 3.** Total average expenditure (in Rand) per festino according to type of festino and origin of festinos

<table>
<thead>
<tr>
<th></th>
<th>Aardklop</th>
<th>KKNK</th>
<th>NAF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Locals</td>
<td>448.40</td>
<td>928.13</td>
<td>881.05</td>
</tr>
<tr>
<td>Visitor:</td>
<td>1,165.28</td>
<td>2,363.92</td>
<td>2,054.10</td>
</tr>
<tr>
<td>Gauteng</td>
<td>1,260.20</td>
<td>3,335.57</td>
<td>3,071.60</td>
</tr>
<tr>
<td>Western Cape</td>
<td>NA</td>
<td>2,085.61</td>
<td>1,788.40</td>
</tr>
<tr>
<td>Eastern Cape</td>
<td>NA</td>
<td>1,964.62</td>
<td>1,607.20</td>
</tr>
<tr>
<td>North-West</td>
<td>886.00</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Free State</td>
<td>1,074.43</td>
<td>NA</td>
<td>NA</td>
</tr>
</tbody>
</table>

---

Fig. 1. Map of South Africa and main markets of the various festivals
interesting observation is that festinos from the province in which the festival is held spend less than other visitors at Aardklop (North-West) and NAF (Eastern Cape). This may be attributed to the fact that there are more day visitors from these provinces, or to the fact that less is spent on travel and on accommodation because these visitors stay with family or friends. At the KKNK, which is held in the Western Cape Province, this is not the case, although spending of Western Cape festinos is far below that of Gauteng festinos. This supports the notion that festinos from richer provinces (such as Gauteng and the Western Cape) are bigger spenders.

While the spending of visitors and locals are important components that influence the magnitude of the economic impact, the model is also extended to include the spending of the festival organising committee. The committee earns income from the rental of souvenir stall space, ticket fees and sponsorships. Their expenditure includes the payment of artists (which absorbs approximately 80 percent of the ticket fees), the renting of equipment and venues as well as marketing and personnel costs. The proxy that will be used for total spending by the festival committee is the sponsorships earned and the income from the rental of craft market space (R7.1 million for KKNK; R4.2 million for Aardklop; R13 million for NAF).

4.4 The multiplier and economic impact

The multiplier that should be applied is a controversial issue, as pointed out in discussion of the methodology. Since there are no regional input-output models available for the South African economy and no detailed economic data on the three local economies, determining the appropriate multiplier remains a problem. The type of multiplier that should be applied is the sales multiplier, which is defined by Pollock et al. (1994) as “the additional local economic impacts as monies are respent by local merchants to purchase supplies and services”. As indicated in the literature, the magnitude of the multiplier is dependent on the magnitude of leakages in the local economy – more leakages imply lower multipliers. The survey among businesses in the three towns aimed to determine the size of stock leakages from the local economies. The results of the survey are indicated in Table 4.

The Table indicates that leakages are higher in the small town of Grahamstown (NAF) than in Potchefstroom (Aardklop) and Oudtshoorn (KKNK), which are both larger towns. If the average of the leakages is calculated, 66 percent of stock is bought outside Potchefstroom, 70 percent of stock is bought outside Oudtshoorn and 87 percent of stock is bought outside Grahamstown. If a simple Keynesian multiplier is defined as $1/\text{leakages}$ and calculated for each town, the corresponding multipliers are 1.52 for Aardklop, 1.43 for the KKNK and 1.15 for Grahamstown.

While the multiplier is an important component, Gelan (2003) also indicates that spending that does not accrue to the host community should be disregarded. For this purpose he proposes the use of capture ratios. The capture ratios that were
Table 4. Stock leakages of the three towns

<table>
<thead>
<tr>
<th>Type of business</th>
<th>Aardklop</th>
<th></th>
<th>NAF</th>
<th></th>
<th>KKNK</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>% Stock bought outside</td>
<td>Number</td>
<td>% Stock bought outside</td>
<td>Number</td>
<td>% Stock bought outside</td>
</tr>
<tr>
<td>Guesthouse</td>
<td>3</td>
<td>22.5</td>
<td>0</td>
<td>0</td>
<td>4</td>
<td>21.9</td>
</tr>
<tr>
<td>Bookshop</td>
<td>2</td>
<td>95</td>
<td>1</td>
<td>95.5</td>
<td>2</td>
<td>95</td>
</tr>
<tr>
<td>Bottle store</td>
<td>5</td>
<td>19</td>
<td>3</td>
<td>95.5</td>
<td>4</td>
<td>51.2</td>
</tr>
<tr>
<td>Boutique</td>
<td>6</td>
<td>85</td>
<td>4</td>
<td>95.5</td>
<td>2</td>
<td>95</td>
</tr>
<tr>
<td>Butchery</td>
<td>1</td>
<td>85</td>
<td>1</td>
<td>95.5</td>
<td>2</td>
<td>35</td>
</tr>
<tr>
<td>Café/Takeaways</td>
<td>5</td>
<td>51</td>
<td>6</td>
<td>65.5</td>
<td>4</td>
<td>52.5</td>
</tr>
<tr>
<td>Cycle shop</td>
<td>1</td>
<td>95</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>95</td>
</tr>
<tr>
<td>Florist</td>
<td>1</td>
<td>95</td>
<td>1</td>
<td>95.5</td>
<td>3</td>
<td>91.7</td>
</tr>
<tr>
<td>Gift shop</td>
<td>1</td>
<td>85</td>
<td>1</td>
<td>75.5</td>
<td>2</td>
<td>51.3</td>
</tr>
<tr>
<td>Hardware store</td>
<td>1</td>
<td>95</td>
<td>2</td>
<td>90.5</td>
<td>3</td>
<td>91.7</td>
</tr>
<tr>
<td>Other</td>
<td>5</td>
<td>52</td>
<td>8</td>
<td>94.3</td>
<td>10</td>
<td>67.5</td>
</tr>
<tr>
<td>Petrol station</td>
<td>2</td>
<td>65</td>
<td>2</td>
<td>95.5</td>
<td>2</td>
<td>95</td>
</tr>
<tr>
<td>Pharmacy</td>
<td>3</td>
<td>95</td>
<td>2</td>
<td>95.5</td>
<td>2</td>
<td>95</td>
</tr>
<tr>
<td>Restaurant/Coffee shop</td>
<td>8</td>
<td>62.5</td>
<td>11</td>
<td>79.1</td>
<td>5</td>
<td>87</td>
</tr>
<tr>
<td>Supermarket</td>
<td>4</td>
<td>90</td>
<td>2</td>
<td>95.5</td>
<td>4</td>
<td>75</td>
</tr>
</tbody>
</table>
determined here relied strongly on the information obtained from the organisers (about the distribution of food, beverage stalls and souvenir stalls between locals and non-locals and the employment of services of non-locals in organising the festivals). Because all three towns are relatively small to medium-sized towns with little or no industry, most of the products sold are “imported” from other areas and sold at the festival by non-locals. The mark-up assumed is 30 percent for all the categories, except restaurants, where a 50 percent mark-up is accepted. The capture ratios thus apply to the categories of food and restaurants, alcoholic drinks, non-alcoholic drinks, retail, tobacco, souvenirs and festival committee expenses. Capture ratios are not applied to accommodation and transport at the festivals, since these services are all provided by locals and the first round spending of the visitors thus accrue to the host community. These ratios for each festival are indicated in Table 5.

Table 5 also indicates the estimated economic impact of each of the three festivals. The direct impact is the sum of total festino and organiser spending in the local community (as captured by the capture ratios), while the total impact is the direct impact multiplied by the multiplier. It is evident that the KKNK has the greatest economic impact (both in aggregate and in per household terms), followed by the NAF and then Aardklop. Several factors may be responsible for this, including the length of the different festivals, the size of the festival (in terms of the number of available tickets) the magnitude of sponsorships and the presence of expenditure switchers.

Note that the estimations in Table 5 exclude the spending of expenditure switchers. If their spending is included, the total impact of Aardklop would be R23.2 million; that of the KKNK would be R95.8 million and the total impact of NAF would be R33.8 million.
5 Conclusion

The aim of this note was to determine whether the location of an arts festival influences the magnitude of the economic impact of the festival. The methodology proposed by Gelan (2003) to measure local economic impacts, was applied. That methodology has been applied here successfully for the first time to arts festivals. This application of the methodology is also innovative since it was extended to analyse the impact that location has on the magnitude of the economic impact. The research proved that location plays and important role in arts festivals as elaborated below.

Firstly, it has been established that the location of an arts festival to a large extent determines the origin of festinos at the festival. Secondly, festinos from different provinces spend different amounts at a festival and therefore influence the magnitude of the economic impact of the festival on the town. Thirdly, the size of the location in terms of its infrastructure and suprastructure is also important, for the better the infrastructure and suprastructure, the easier it becomes to host other events, thereby attracting a wider audience. Fourthly, regional governments in developing countries should focus on establishing new events in small towns, since it contributes significantly towards income generation in these towns. Preferable these towns should be easily accessible from high-income areas to attract high spending individuals. Lastly, is evident that location is only one aspect that influences the magnitude of the economic impact. Other aspects that have a great influence on the economic impact of an event include: the size of the festival in terms of ticketed shows, the length of the festival and corresponding length of visitor stays at the festival, since spending more time at the festival means spending more money at the festival, and the magnitude of sponsorships, since these festivals are good examples of how private sponsorships can be used to sustain and grow the arts.

References


*Does the location of arts festivals matter for the economic impact?* 583


