

# Impact of 2010 World Cape on Small, Medium and Micro-enterprises in the Western Cape



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# Executive Summary

Depending on the expectations held in anticipation of the World Cup, one could view the event as having lived up to expectations or falling far short. Regardless of the expectation held, it is important to note that in this sample of 561 SMME's there was some impact of the World Cup on the firms. There were 9 firms that were established specifically for the World Cup, and none of these firms intend to close their businesses now that the World Cup has ended. There were 64 firms who hired additional workers specifically for the World Cup. The firms created a total of 364 jobs, and on average these firms hired 6 additional workers each. An estimated 80 percent of these jobs were created in the Cape Metropole, 4 percent in Stellenbosch and 16 percent in Knysna. These jobs were spread across a number of industries, however they were primarily linked to hospitality and tourism.

In the absence of the World Cup the 9 new firms in this sample would not have been established; and the 364 jobs would not have been created. The Department of Economic Development and Tourism plans to have a follow-up to this study to determine the long-term impact of the World Cup on these firms. This report clearly shows that businesses in the Cape Metropole benefited the most. The reason for this is that tourists most likely wanted to stay in the area closest to the stadium. However, benefits such as job creating also spread as far as Knysna during a season that usually does not attract as many tourists (outside of the Oyster festival, which coincided with the last 10 days of the World Cup).

The Department of Economic Development and Tourism plans to have a follow-up to this study to determine the long-term impact of the World Cup on these firms. The expected long term benefits of hosting the world cup may yet materialise and it is perhaps too soon to tell whether or not South Africa's growth potential has been significantly affected.

# Introduction

African governments appear to be attaching increasing importance to sport mega-events (Cornelissen, 2004:43) and in May 2004, South Africa won the bid to host the 2010 FIFA World Cup. The tournament ended 11 July 2010 and opinion was that it was successful. For example, FIFA secretary general Jerome Valcke said “I think that we can say that South Africa brought a new benchmark in terms of the World Cup. That's what we will have to achieve with 2014 and the World Cup in Brazil<sup>1</sup>.” Hosting of the tournament aside, the impact of the event is not certain. The purpose of this paper is to explore the impact of the hosting the FIFA World Cup 2010 on small, medium and micro-enterprises in the host city of Cape Town and its satellite areas.

Many countries use the hosting of mega-events as part of their development strategy (Alegi [2001] and Maguire [1999] in Cornelissen, 2004:42). The South African government was no exception and aimed at “...ensuring a lasting social legacy and spreading the benefits derived from hosting the event to the rest of the continent” (DEAT, 2005:5), but at the same time cautioned that expectations needed to be managed, lest there be overinvestment in tourism products (DEAT, 2005:35). South Africa’s 2010 World Cup bid “emphasised a strong developmental agenda and stressed that the tournament should improve the living conditions of previously disadvantaged individuals” (Standish *et al*, 2010:12). The elements of this agenda included:

- a commitment to construct facilities in areas that are disadvantaged;
- the notion that facilities development should stimulate further initiatives;
- the enhancement of disadvantaged communities’ sport programmes;
- job creation;
- provision of affordable housing;
- small business support;
- provision of an integrated transport system and community consultation.

(Hiller [1998 and 2000] in Standish *et al* 2010:12)

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<sup>1</sup> Available online: <http://news.bbc.co.uk/sport2/hi/football/africa/9030486.stm>. Accessed 25 October 2010

The intention was to broadly spread the benefits of hosting the event beyond large established businesses to small, medium and micro enterprises (SMMEs). This focus is based on the fact that SMMEs are recognised as being engines of growth, important for poverty reduction and play a particularly important role in developing countries<sup>2</sup>. Furthermore, they are essential for a competitive and efficient market<sup>3</sup>. The importance for employment can be seen in the fact that in OECD countries SMMEs account for between 60 and 70 percent of employment<sup>4</sup>.

With regard to the event, it is not surprising that FIFA gave the event a thumbs up when one considers that the organisation is estimated to have earned record revenue of R25bn tax free<sup>5</sup>. It should, however, be borne in mind that successful hosting of the tournament is distinct from the impact on the host country. Hosting the World Cup involved public sector investment related to the project of R33,7bn between 2005 and 2010 (National Treasury [2010] in du Plessis and Venter, 2010:7) with the expectation that economic benefits would flow to the country. Broadly, these potential benefits are based upon three time frames; preparation for the tournament, the event itself, and the tournament legacy (du Plessis and Venter, 2010:3). The claimed impact of these mega-events are the positive effect on employment, additional spending in the community hosting the event, increased tourism numbers, increased media coverage allowing for image enhancement of the country, as well as intangible social benefits such as civic pride (Standish *et al*, 2010:13).

Generally public perception was that hosting the event would be beneficial. In the HSRC's FIFA 2010 World Cup Research Project, a longitudinal study polling perceptions towards the event, 74 percent of respondents believed that the main benefits would be economic growth, job creation and putting South Africa on the international map<sup>6</sup>. Over three waves of the survey, roughly a third of the population expected to benefit personally through jobs.

This public optimism was also extended to SMMEs. SME Survey's 2009<sup>7</sup> survey polled 2 500 business and financial decision makers at SMMEs<sup>8</sup> telephonically across South Africa. In

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<sup>2</sup> Available online: [info.worldbank.org/etools/docs/library/49256/fan.pdf](http://info.worldbank.org/etools/docs/library/49256/fan.pdf). Accessed 15 October 2010

<sup>3</sup> *ibid*

<sup>4</sup> Available online: [http://www.oecd.org/about/0,3347,en\\_2649\\_34197\\_1\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/about/0,3347,en_2649_34197_1_1_1_1_1,00.html). Accessed 15 October 2010.

<sup>5</sup> Available online <http://www.economist.com/node/16595089>. Accessed on 04 October 2010.

<sup>6</sup> Available online [http://www.hsrc.ac.za/HSRC\\_Review\\_Article-86.phtml](http://www.hsrc.ac.za/HSRC_Review_Article-86.phtml). Accessed on 15 October 2010

<sup>7</sup> Available online <http://www.smesurvey.co.za/Uploads/SME%20Survey09%20exec%20summary.pdf>. Accessed on 15 October 2010. Available online: [http://www.smesurvey.co.za/press/press\\_article\\_50.html](http://www.smesurvey.co.za/press/press_article_50.html). Accessed 26 October 2010.

response to the question: “Do you believe 2010 and all the activity surrounding it will prove to be a great success?”, 86 percent said yes. Similarly, 86 percent of respondents felt the World Cup would be positive for the country, while 45 percent of respondents felt that it would benefit their business directly. In the Western Cape, respondents’ expectations matched that of the mean, with 86 percent positive about the impact of the World Cup on the country. For enterprises with an annual turnover of less than R150 000, 93 percent felt the World Cup would be positive for the country. According to principal research Goldstuck<sup>9</sup>, this indicates either that these enterprises had identified opportunities or that they may have had unrealistic expectations.

Before bidding for the World Cup, Grant Thornton International Ltd. in 1993, as consultants for The South African 2010 Soccer World Cup Bid Company, concluded that: “(it) is clear ... that the staging of the Soccer World Cup in South Africa in 2010 will create significant direct and indirect economic benefits for the country’s economy, with minimal tangible and intangible costs<sup>10</sup>”. By April 2010, Grant Thornton International Ltd. estimated that the gross economic impact on South Africa would be R93 billion, with net additional economic impact for 2010 estimated to be 0,54 percent of GDP of which 0,48 percent is attributable to additional foreign tourism and 0,06 attributable to FIFA spending<sup>11</sup>. However, according to the Mail & Guardian: “South Africa’s World Cup bid book, the cornerstone of the country’s successful application to host the World Cup, is a curious mélange of hyperbole and underestimation<sup>12</sup>.” The bid book referred to is, however, not available publically, despite attempts to access it using the Promotion of Access to Information Act<sup>13</sup>. From an investment point of view then, given that the bid book greatly underestimated costs, it must be that the return on investment is greatly reduced from what was initially estimated.

Furthermore, opinion amongst researchers is not unanimous that the host country will benefit in the long run. Various criticisms of mega-event assessments exist. One is that they do not always take into account crowding out effects (Spronk and Fourie, 2010:4). Crowding out here

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<sup>8</sup> SME Survey’s definition of an SMME differs according to the sector in which it operates, but all have up to 200 employees, except for firms in the agriculture sector where they have up to 100 employees.

<sup>9</sup> Available online: [http://www.smesurvey.co.za/press/press\\_article\\_50.html](http://www.smesurvey.co.za/press/press_article_50.html). Accessed 26 October 2010.

<sup>10</sup> Available at: <http://wiredspace.wits.ac.za/bitstream/handle/10539/5950/Appendix.pdf?sequence=2>. Accessed on 05 October 2010.

<sup>11</sup> Available online: <http://www.gt.co.za/News/Press-releases/Strategic-solutions/2010/2010eia.asp>. Accessed on 04 October 2010.

<sup>12</sup> Available online: <http://www.mg.co.za/article/2010-06-13-the-completely-miscalculated-world-cup-bid-book-that-cost-us-a-bundle>. Accessed on 04 October 2010.

<sup>13</sup> *Ibid*

refers to the time displacement of tourists where a traveler who was planning on visiting the host country regardless of the event then alters arrangements to coincide with the event. Contrary to international findings, the hosting of other large events in South Africa showed limited displacement which was attributed to the events being hosted during the winter off season period. Thus, the same mitigating of the crowding out effect was expected for the World Cup since it too was hosted in the off season period (Spronk and Fourie, 2010:23)

Also, while some sectors of the economy will experience increased activity, others will most likely have suffered from decreased productivity. This was what was expected in five European countries surveyed before the FIFA World Cup 2006, where it was found that 26 percent of respondents planned to take days off work or simply work shorter days, though this likely underestimated the actual impact on businesses since absenteeism is likely to have increased during the event (EuropeTalent, 2006: 2).

FIFA supplies a unique product, the FIFA World Cup, and so it is no surprise that, as a monopoly seller, the major proportion of event revenues should accrue to FIFA (Du Plessis and Venter, 2010:3). Furthermore, with expenditure there are, by definition, opportunity costs. So, while studies showing, for example, that with the hosting of the event there will likely be a significantly positive impact on tourism arrivals (Spronk and Fourie, 2010:23) or that gross domestic product and imports will be similarly positively impacted, this cannot be interpreted as meaning that it amounts to the optimum allocation of resources. Total public expenditure before and during the World Cup amounted to R33,7 billion and, at its peak over the six year period, accounted for five percent of total public sector investment. Potentially productive investment for World Cup projects is lower and amounts to R19,55 billion over six years. This figure is arrived at by stripping out consumption expenditure and expenditure items such as stadia (du Plessis and Venter, 2010:11). It follows that given the low relative amount of productive investment related the World Cup, expenditure related to SMMEs would even less and expectations of SMMEs benefiting should therefore be tempered. Moreover, it should be noted that public sector expenditure on the World Cup has not been based on equitable share, but rather allocated according to cities linked to hosting of the event (Mabugu and Mohammed, 2008:7), further limiting SMMEs' ability to benefit from the event.

Literature suggests that mega-events are important for stimulating local economic development and urban tourism (Rogerson, 2009: 338). While scepticism regarding the impact of the mega-

events exists, the tournament is expected to have had more of an impact than previous FIFA World Cups because, unlike other FIFA World Cup events, FIFA's official accommodation and ticketing company, MATCH, has agreed to contract 10 000 non-hotel star-graded rooms in addition to the estimated 45 000 hotel rooms (Rogerson, 2009: 340) with the implication that there will be less leakages and hence a higher multiplier effect (Standish *et al*, 2010: 15). However, the existence of opportunity does not automatically mean that firms will be able to take advantage of it. The reduced ability of small enterprises to capitalise on the event is partly due to restrictions imposed by FIFA (Cornelissen, [2007] in Rogerson, 2009:349), notwithstanding concessions made with respect to non-hotel accommodation.

## Data

There are various ways of classifying the size of businesses. Classification is typically based upon some combination of the number of employees, revenue, and firm assets. The method of Government is primarily based on the number of employees. According to this method of classification, small businesses employ less than 50 people and medium businesses employ between 50 and 249 people. Micro businesses are those which are registered and have with less than five employees.

The previous research by the Department of Economic Development and Tourism (DEDAT) in March 2010 recommended this survey, identified specific sectors where SMMEs would primarily benefit during the 2010 FIFA World Cup, and therefore this survey will focus on these sectors. The identified SMME sectors are as follows:

- Retail
- Tourism
- Media
- Accommodation
- Security
- Food & Beverages

The designed questionnaire was divided into four sections. The first section captured general firm details such as contact information, and type and age of the business. The second section

concerned the nature of the SMME's business activities. The third asks about business statistics relating to turnover, employment, and imports and exports. The final section covers the expected impact of the World Cup. All interviews were conducted face to face.

### ***Sample Selection***

Measuring the World Cup impact on tourism is challenging because it is not a sector formally classified in terms of the International Standard Industrial Classification. The sectoral distribution for the survey was based on tourism spending patterns as determined by SA Tourism. According to the latest statistics from South African Tourism, the average foreign visitors arriving by air spends 23% on accommodation, 19% on food and beverages (restaurants, bars etc.), 23% on local travel, tours and leisure activities and 27% on shopping.

The firms in the sample frame were derived from various SMME databases, including the Introye Corporation, and the Metropolitan and Provincial Red Door SMME databases. From the sample frame a stratified sample of firms was drawn, with the sample disproportionate by region. The three regions are:

- Cape Peninsula (*80% of sample*),
- Stellenbosch and Paarl (Winelands District) (*10% of sample*),
- Garden Route towns of George and Knysna (Eden District, where three teams will be based) (*10% of sample*)

These three regions have been identified due to their proximity to World Cup activities i.e. they are close to the host city Cape Town, close to team base camps and public viewing areas.

The minimum recommended sample size as per Churchill (2004) is 200 completed interviews. The minimum size is in order to keep survey costs down. However, this study has delivered 516 completed questionnaire interviews with SMMEs in the 6 different sectors. The reason for completing 516 questionnaires is to preclude the chances of attrition of firms later in the process as a result of survey fatigue or other business and non-business related reasons.

## ***Survey Design***

The actual decision about how many surveys were conducted was made relative to the budget that was available for the survey part of the investigation and the tenders that were submitted. It was recommended that the request for tender should ask for a tender based on 340 surveys and 500 surveys. The Excel database that was supplied along with the SES report contains more than sufficient entries for over 500 companies to be surveyed even if there is a significant amount of refusals.

The study will be done using a two-phased panel design; (1) Immediately after the World Cup, (2) One year after the World Cup. This approach would be more cost effective. Even though retrospective data introduces concerns surrounding accurate recall both research designs measure similar outcomes. This report is based on the survey completed immediately after the world cup.

The data was collected and captured on the Excel spread sheet for analysis purposes. The discussion that follows is based on the responses provided in the four sections of the questionnaire mentioned above.

## **Descriptive Analysis**

The four sections of the questionnaire allowed us to gather some key indicators. The analysis that follows provides a description of the data and provides a broad discussion of the expectations held by firms prior to the World Cup and the early outcomes of the event.

Given that there will be a follow-up survey a year after the event there is currently no trend analysis. It is important to bear in mind that this is a sample of firms interviewed shortly after the World Cup. They may not be representative of all SMMEs within the Western Cape, but they allow us to gain insight into the expectations some firms held prior to the world cup, and the changes that they made to their business in response to expected impacts during the World Cup.

## Location

The firms interviewed were located in the Cape Town Metropole, Stellenbosch, Paarl and Knysna.

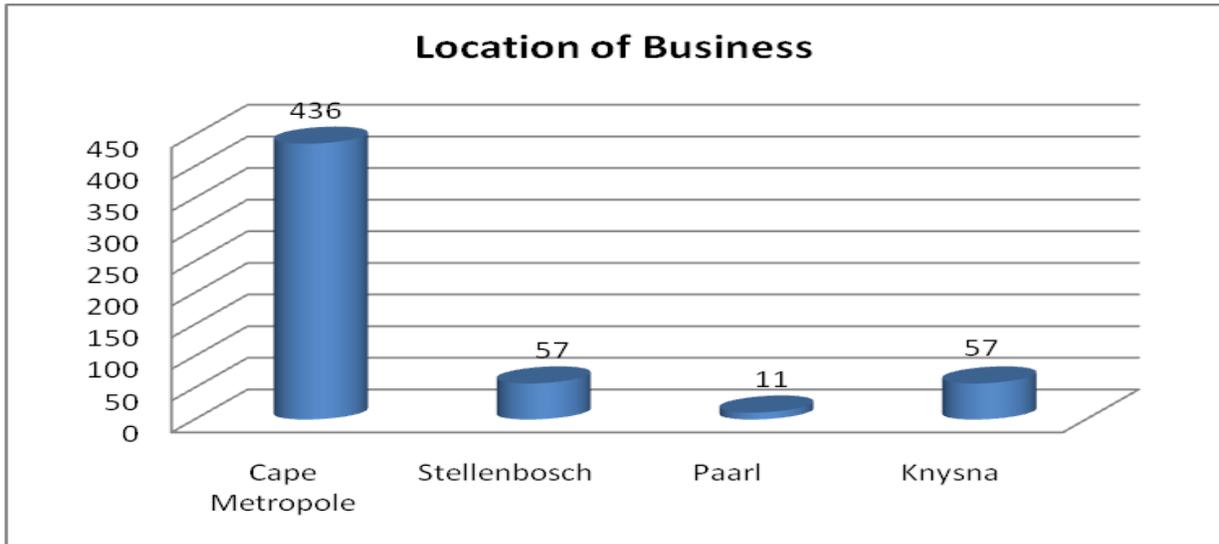


Figure 1

The geographical spread outlined in the survey design was achieved, with 436 firms (78% of the sample) in the Cape Metropole, 57 firms (10% of the sample) in Stellenbosch, 11 firms (2% of the sample) in Paarl and 57 firms (10% of the sample) in Knysna.

## Industry

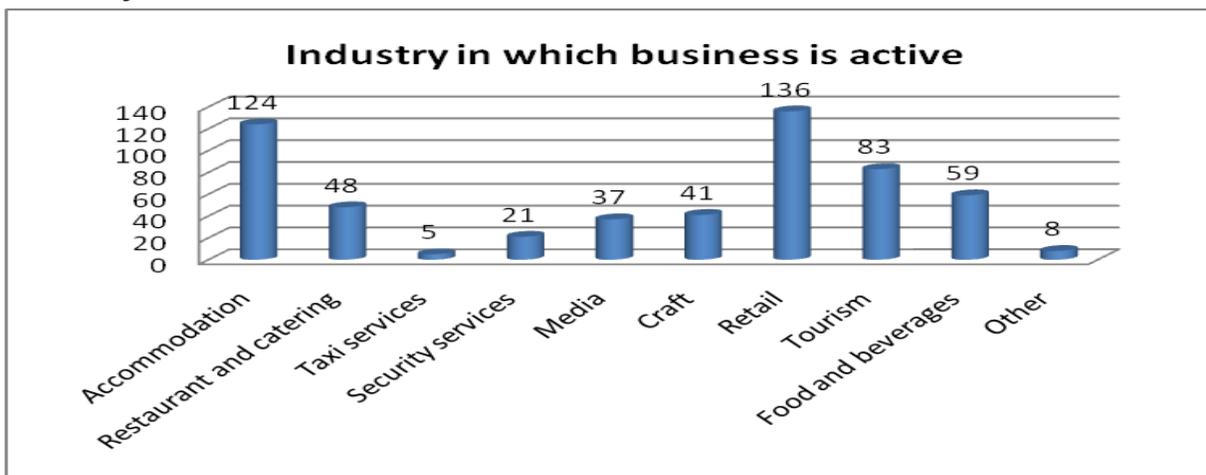


Figure 2

The spread across various sectors outlined in the survey design was achieved, with 124 firms (22% of the sample) in accommodaion, 48 firms (8% of the sample) in restaurant and catering, 5 firms (1% of the sample) in taxi services, 21 firms (4% of the sample), 37 firms (7% of the sample) in media, 41 firms (7% of the sample) in craft, 136 firms (24% of the sample) in retail, 83 firms (15% of the sample) in tourism, 59 firms (11% of the sample) in food and beverages and 8 firms (1% of the sample) in other sectors.

### ***Year started operating***

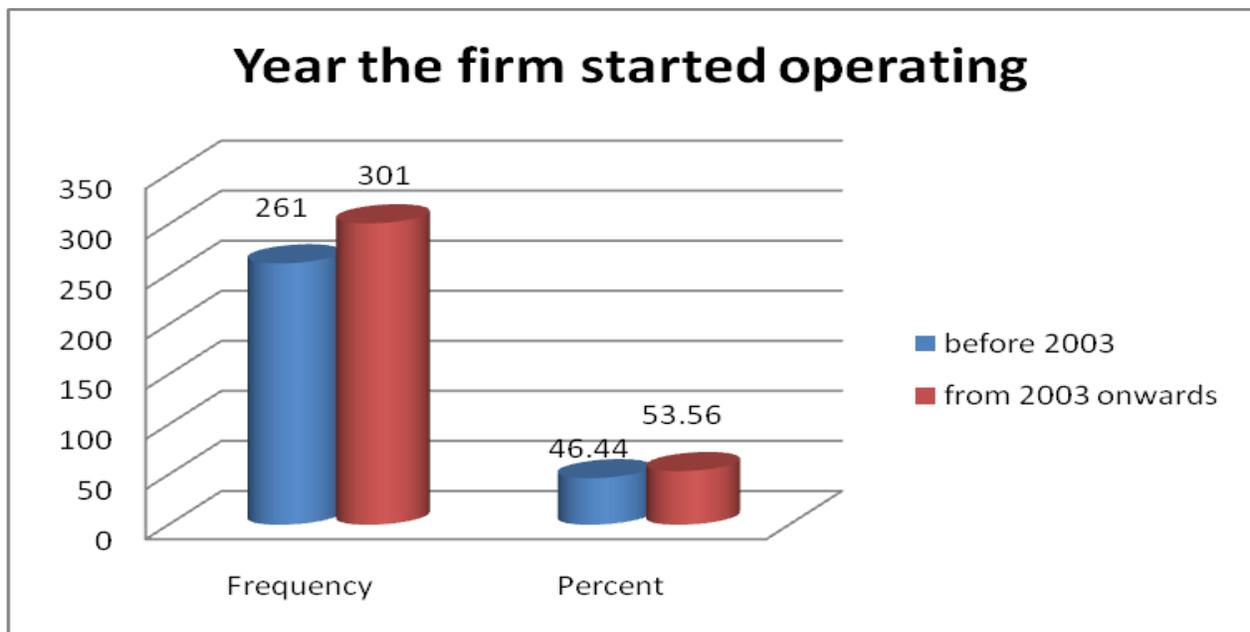


Figure 3

On average the firms in the sample have been operating for approximately 7 years, with 301 firms (53,56%) of firms in the sample established in and after 2003. Generally, these firms are not very young firms and have survived longer than five years, which is the period in which most SMMEs fail. One would expect that established firms would be better able to exploit economic opportunities.

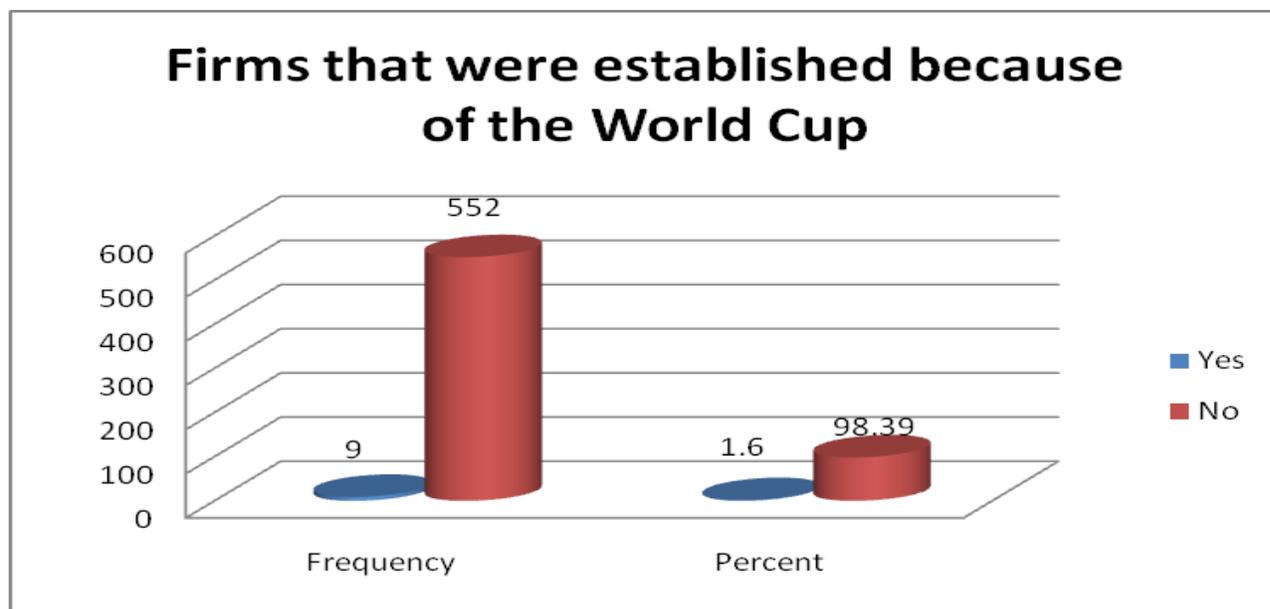


Figure 4

The sample predominantly (98,39%) consisted of firms that were not established specifically for the World Cup. There were 41 firms that started operating in 2010, but only 9 firms reported that they established their firms specifically for the World Cup. According to the Deputy Minister of Trade and Industry (2005), constraints to new entrants in the SMME sector must be unblocked through the provision of adequate support to ensure that SMMEs survive the harsh introduction to the stiff competition of big business in the mainstream economy. In the SMME Survey 2010, which is a national study of firms in South Africa, it was reported that only 25% of small businesses in South Africa were able to position themselves to use this opportunity of this event<sup>14</sup>.

Blockages to entry may explain relatively few firms being established specifically for the World Cup. However, even if blockages exist there were 41 firms established in 2010. This means that 7,3% of the firms in the sample were newly established firms.

<sup>14</sup> Available online: <http://www.fin24.com/Economy/Small-firms-left-out-of-World-Cup-20101027>. Accessed 29 October 2010

## ***Expected impact of the World Cup in the business***

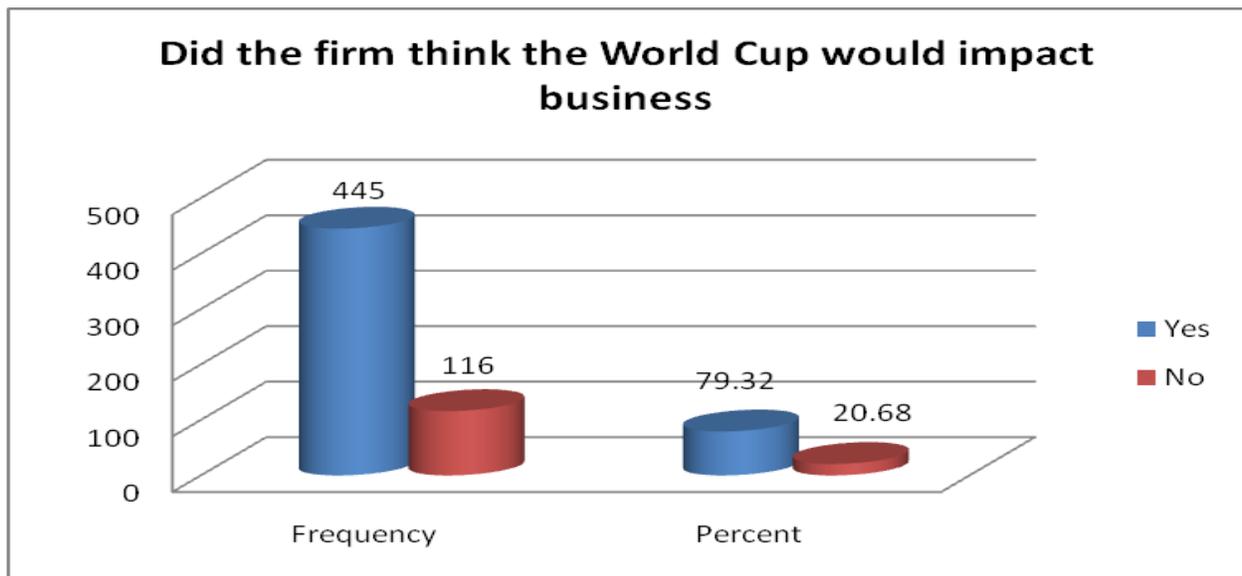


Figure 5

The World Cup was a much hyped event and expectations about the impact of the World Cup on business were high. One of the B&B owners in Khayelitsha in our sample reported that “With the profit she will make doing the World Cup, she will extend her building adding more rooms for her business.” Another respondent in the Northern Suburbs said, “I stocked more goods than usual thinking that my business will perform better during the World Cup.” These high expectations could possibly have been due to the statements made by public officials. At a conference with the national government and the Local Organising Committee held in Johannesburg (2007), it was disclosed that the 2010 FIFA World Cup will present a lot of business opportunities to small, medium and micro enterprises, particularly as the Local Organising Committee has set aside 30 percent of its procurement budget for goods and services from SMMEs<sup>15</sup>. Furthermore, the City of Cape Town (2010) released a briefing saying that 30-40% of city spend would be allocated to SMMEs<sup>16</sup>.

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Available online: [http://www.joburgnews.co.za/2007/jun/jun13\\_conference.stm](http://www.joburgnews.co.za/2007/jun/jun13_conference.stm). Accessed 27 October 2010

<sup>16</sup> Available online: [http://www.capetown.gov.za/en/FIFA2010/Documents/2010\\_Media\\_Briefing-Operational\\_Readiness\\_Feb\\_2010.ppt#320,3,Slide 3](http://www.capetown.gov.za/en/FIFA2010/Documents/2010_Media_Briefing-Operational_Readiness_Feb_2010.ppt#320,3,Slide 3). Accessed 27 October 2010

Almost 80% of firms in the sample expected the World Cup to impact their business. These expectations may have been based on the statements made regarding the opportunities that would be created for SMMEs. These expectations differed according to the industry in which the business operated. Firms in the accommodation, retail and tourism industry had a greater expectation that the World Cup to impact their business would impact their business.

Prior to the World Cup, there was an expectation that there would be a number of foreign tourists descending on South Africa. Approximately 500 000 foreign visitors were expected to visit South Africa for the event, with 80% of that number predicted to visit Cape Town at some stage<sup>17</sup>. Firms in these industries may have had these expectations because of the expectations that there would be an influx of additional demand for their goods and services.

**Table 1:** Proportion of firms on each industry that thought that the World Cup would influence their business

Industry of Business	Did the firm think the World Cup would influence business		
	Yes	No	Total
Accommodation	104	20	124
	<b>83.87%</b>	16.13%	100.00 %
Restaurant and catering	45	2	47
	<b>95.74%</b>	4.26%	100.00 %
Taxi services	3	2	5
	60.00%	40.00%	100.00%
Security services	12	9	21
	57.14%	42.86%	100.00%
Media	25	12	37
	67.57%	32.43%	100.00%
Craft	28	13	41
	68.29%	31.71%	100.00%
Retail	104	32	136
	76.47%	23.53%	100.00%
Tourism	78	5	83
	<b>93.98%</b>	6.02%	100.00%
Food and beverages	40	19	59
	67.80%	32.20%	100.00%
Other	6	2	8
	75.00%	25.00%	100.00%

The proportion of firms in various industries who thought that the World Cup would benefit them was consistent with expectations of the types of goods and services tourists would most likely

<sup>17</sup> Available online: [http://www.capetown.travel/industry/news/news-entry/screening\\_matches\\_during\\_the\\_2010\\_fifa\\_world\\_cup/](http://www.capetown.travel/industry/news/news-entry/screening_matches_during_the_2010_fifa_world_cup/). Accessed 27 October 2010

demand. Firms in restaurant and catering (95,74%), tourism (93,98%) and accommodation (83,87%) had the greatest expectation that the World Cup would influence their business.

Firms in the accommodation, retail and tourism industry had the greatest expectation that the World Cup would influence their business.

### **Imports**

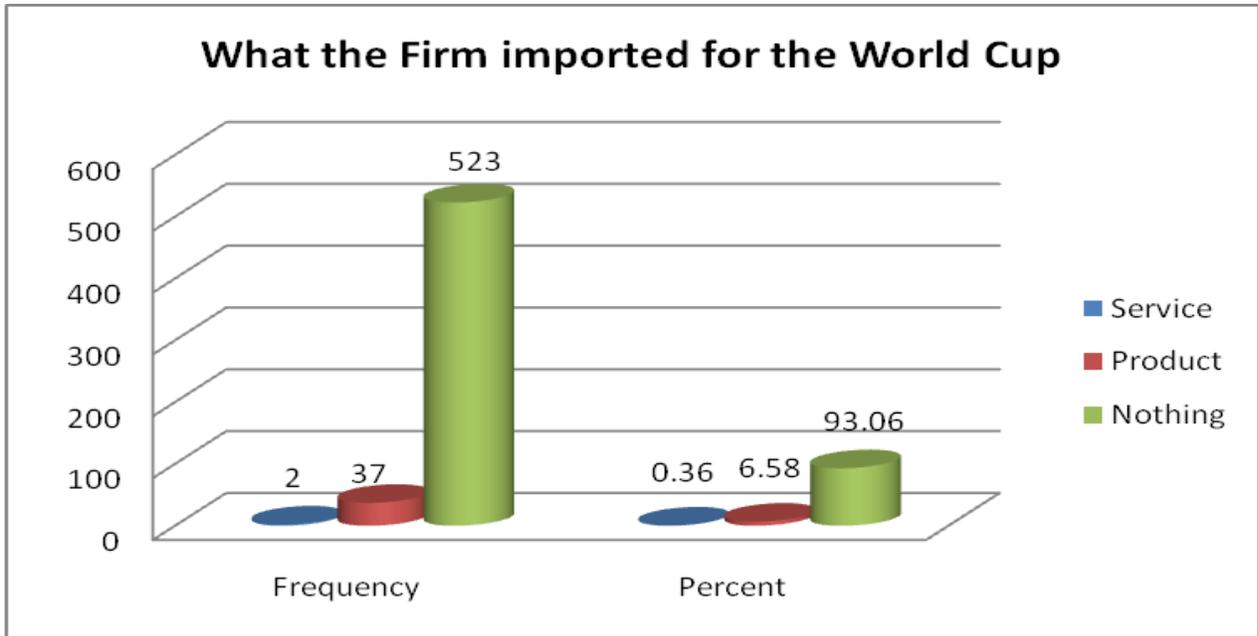


Figure 6

Many firms did not import any goods or services in preparation for the world cup, with 93 percent of firms in our sample reporting that they did not import anything in preparation for the World Cup. An estimated 7,5% of firms (42/561) imported goods and services in anticipation of the World Cup. China was the country that most of the firms imported from, with 31% of firms sourcing their services or products from China.

The firms that imported were primarily in the retail and craft industry. Many of these firms received returns to their imports, with 77% (31/42) of firms reporting that the outcome of importing services and products was successful for their business. These firms imported specific services and goods that were necessary for their business.

## Exports

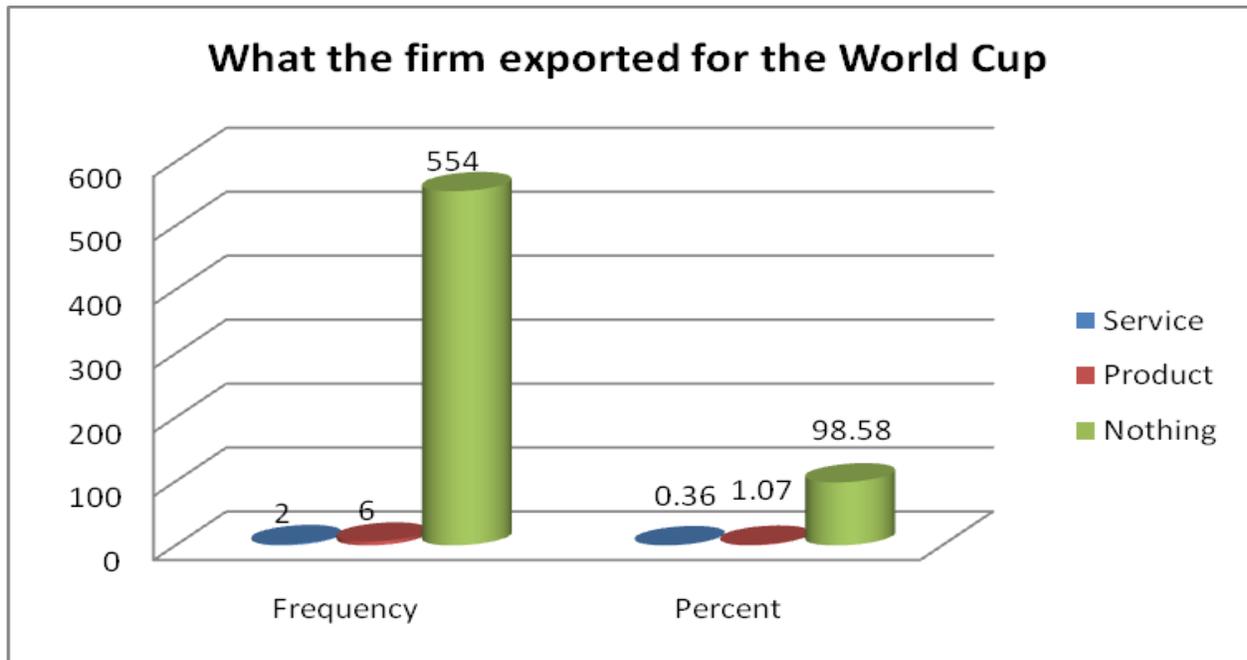


Figure 7

Even fewer firms exported than imported any goods or services in preparation for the world cup, with 98 percent of firms in our sample reporting that they did not export anything in preparation for the World Cup. An estimated 1,5% of firms (8/561) exported goods and services. There was not a single country that most of the firms exported to, instead firms exported to Japan, America, Germany, United Kingdom and Netherlands.

There were 3 firms that exported and were in the tourism industry and 2 were in the craft industry. There were 4 firms that reported that the outcome of exporting services and products was successful for their business, 3 said it was unsuccessful and 1 refused to report what the impact was to their business.

## Employment

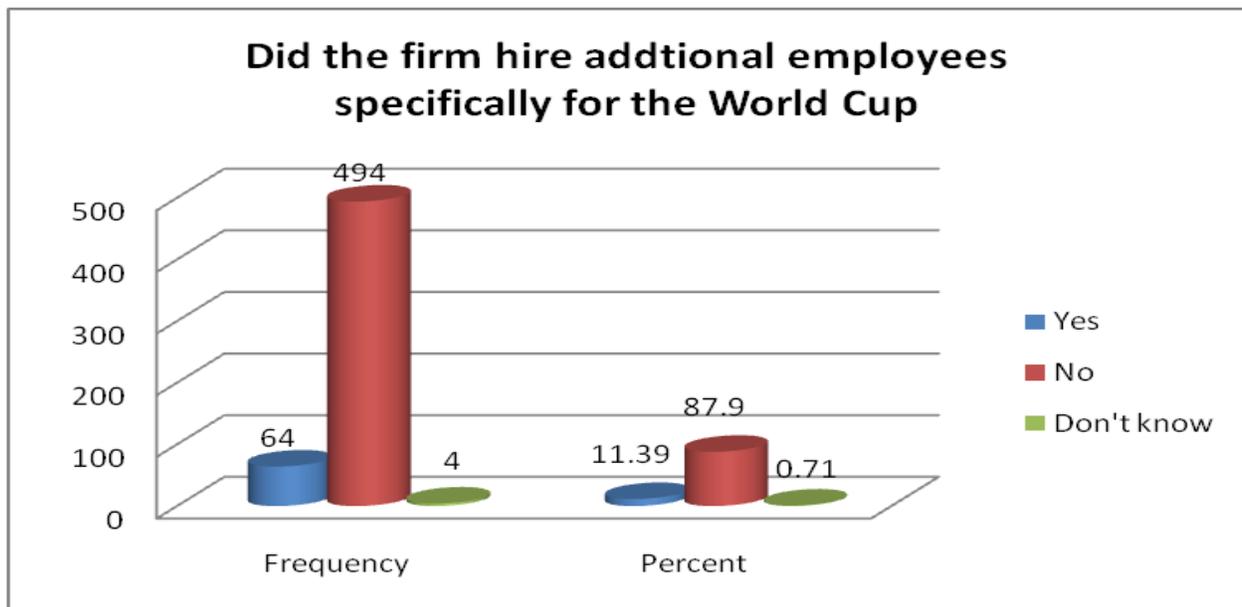


Figure 8

The 2010 FIFA World Cup was expected to create over 415 000 jobs in South Africa which was perceived as a tremendous boost to an economy which still faces the challenge of a high unemployment rate in this country<sup>18</sup>. A large proportion (87.9%) of firms in the sample did not hire additional employees specifically for the World Cup. Notably, however, are the 64 firms that did hire additional workers specifically for the World Cup. There were 61 of the 64 firms that reported that they hired additional employees for the World Cup, who also reported that they expected that the event would impact their business. Clearly, these firms were hiring additional firms in part because they expected that the World Cup would impact their business.

The firms created a total of 364 jobs, and on average these firms hired 6 additional workers each. An estimated 80 percent of these jobs were created in the Cape Metropole, 4 percent in Stellenbosch and 16 percent in Knysna.

<sup>18</sup> Available online: <http://www.southafrica.net/sat/content/en/us/full-article?oid=240293&sn=Detail&pid=198417>. Accessed 27 October 2010

**Table 2:** Expected and observed proportions of jobs created

	Cape Town	Stellenbosch	Knysna	Paarl
Expected Proportion	84%	11%	11%	2%
Observed Proportion	80%	4%	16%	0%

Based on the spatial distribution of businesses sampled, Cape Town, Stellenbosch and Paarl are underrepresented in terms of jobs created and Knysna is overrepresented.

In the survey planned to follow-up a year after the World Cup it would be interesting to determine whether the the jobs that were created were short-term positions in response to demand for the event, or whether they were sustainable for a year.

**Table 3:** Industries in which firms that generated jobs operated

Industry of business	Number of firms	Percent of firms
Accommodation	13	20.31%
Restaurant and catering	12	18.75%
Taxi services	1	1.56%
Security services	2	3.13%
Media	3	4.69%
Craft	2	3.13%
Retail	9	14.06%
Tourism	12	18.75%
Food and beverages	10	15.63%
<b>Total</b>	<b>64</b>	<b>100%</b>

Table 2 above indicates that these jobs were spread across a number of industries, however they were primarily linked to hospitality and tourism. These are also the industries that had the greatest expectation that the World Cup would impact their business. According to SMME Survey 2010 sponsored by the National Youth Development Agency it is reported that only 13% of firms in the retail industry felt direct benefit from the World Cup. This is similar to the 14% of firms in our study that directly created jobs because of the event.

### ***Turnover***

There was significant non-response for turnover and we would be able to pick up trends in turnover in the follow-up survey. Of the 200 that reported turnover their average turnover was R332,828.

## *Expectations of the World Cup during the event*

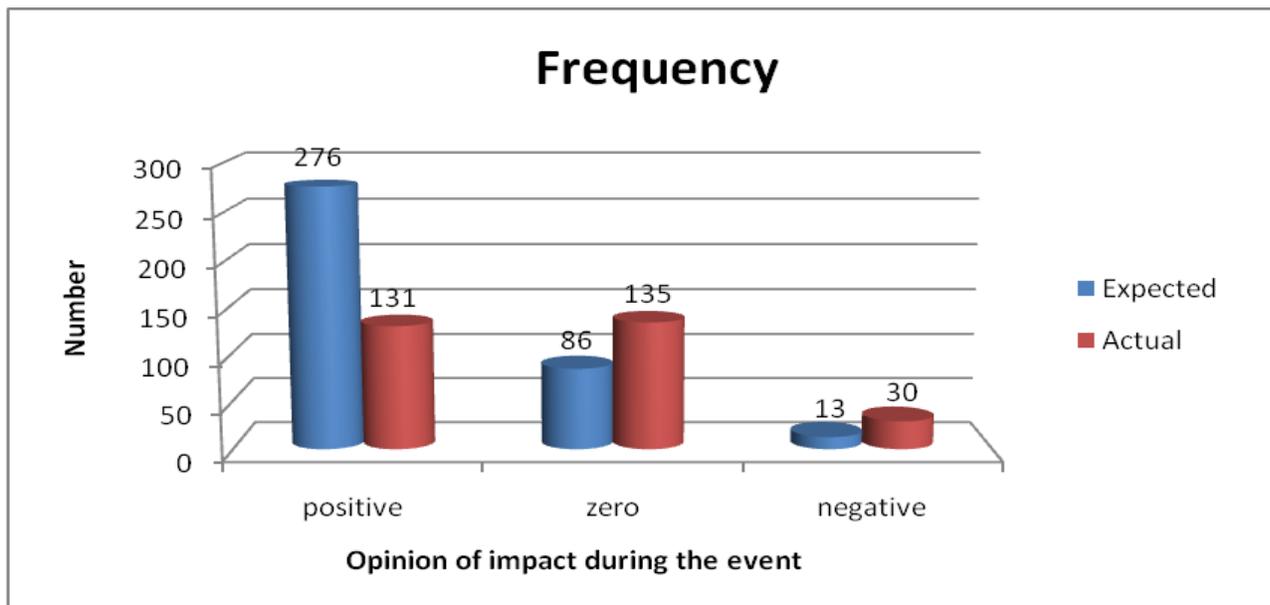


Figure 9

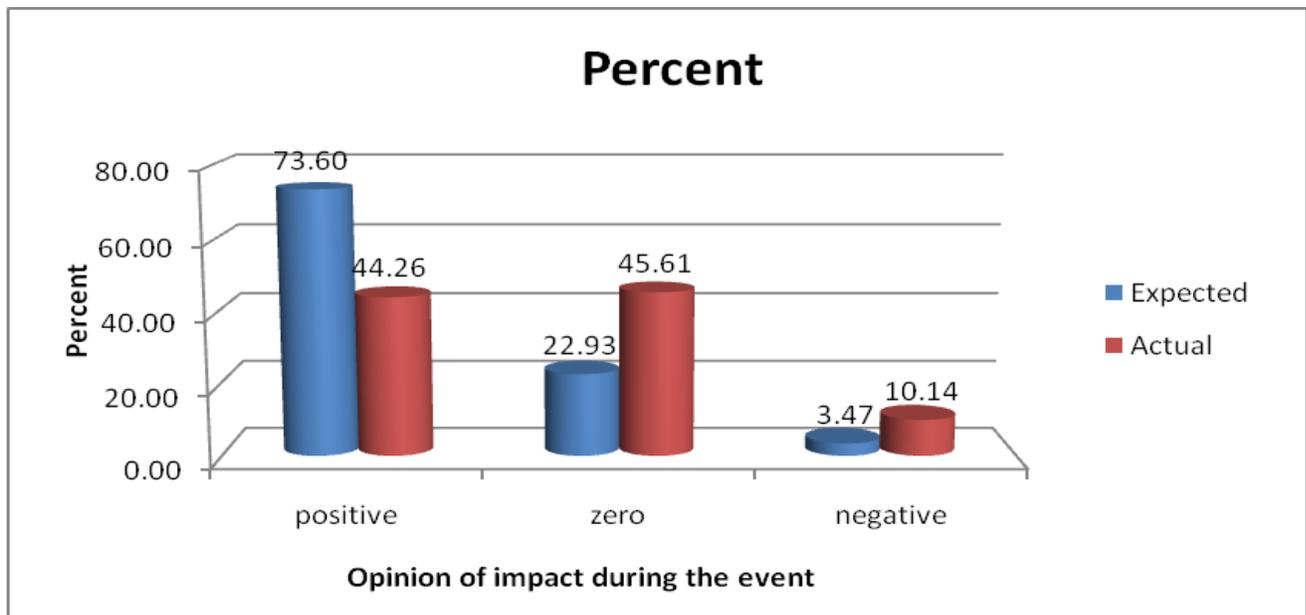


Figure 10

When asked the open ended questions “Please describe how the event was expected to impact your business during the event,” and “Please describe how the event was expected to impact on your business after the event,” it was clear that some respondents had misinterpreted the

questions<sup>19</sup>. It was decided, where there was sufficient detail, to split responses into the expected impact on businesses and the actual impact on businesses. It should be noted that these two sets of responses are not mutually exclusive – even though there were instances of non-response, the sum of the responses thus grouped exceeds the number of firms surveyed. This is because some firms gave more detail in their responses and gave answers for both the expected and actual impact.

Of the 375 businesses which answered the question “Please describe how the event was expected to impact your business during the event,” 276 (74%) were generally optimistic about the expected impact, 86 expected no impact (30%), and 13 (4%) felt that the event would negatively impact their business. Expectations among firms in our sample were slightly higher than firms in the national SMME Survey 2010, in which 45% of firms expected their business to benefit from the World Cup.

Responses for firms regarding the actual impact of the World Cup on enterprises during the event differed from the expected impact. Of the 296 enterprises answering the question, 131 (44%) felt it had a positive impact on their business, 135 (47%) were said there was no impact, and 30 (10%) felt that it had had a negative impact. Data from our survey shows that enterprises in Cape Town had high expectations regarding the World Cup and their expectations were met since business was booming especially for hotels and restaurants. However, the results also show that many enterprises located in townships and in the Southern Suburbs did not benefit even though they had high expectations as well. This could be due to the fact that they were situated far from the stadium, as it is clear that tourists preferred areas closer to the stadium.

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<sup>19</sup> Some answered what the actual impact was, instead of answering what the expected impact was.

### Expectations of the World Cup after the event

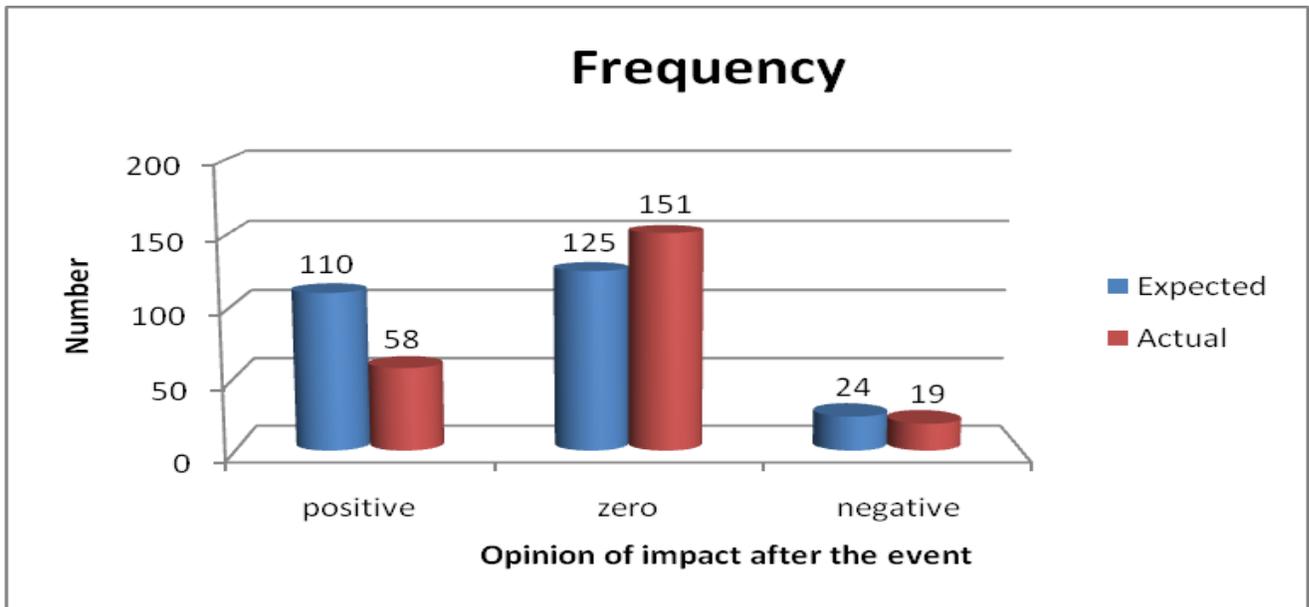


Figure 11

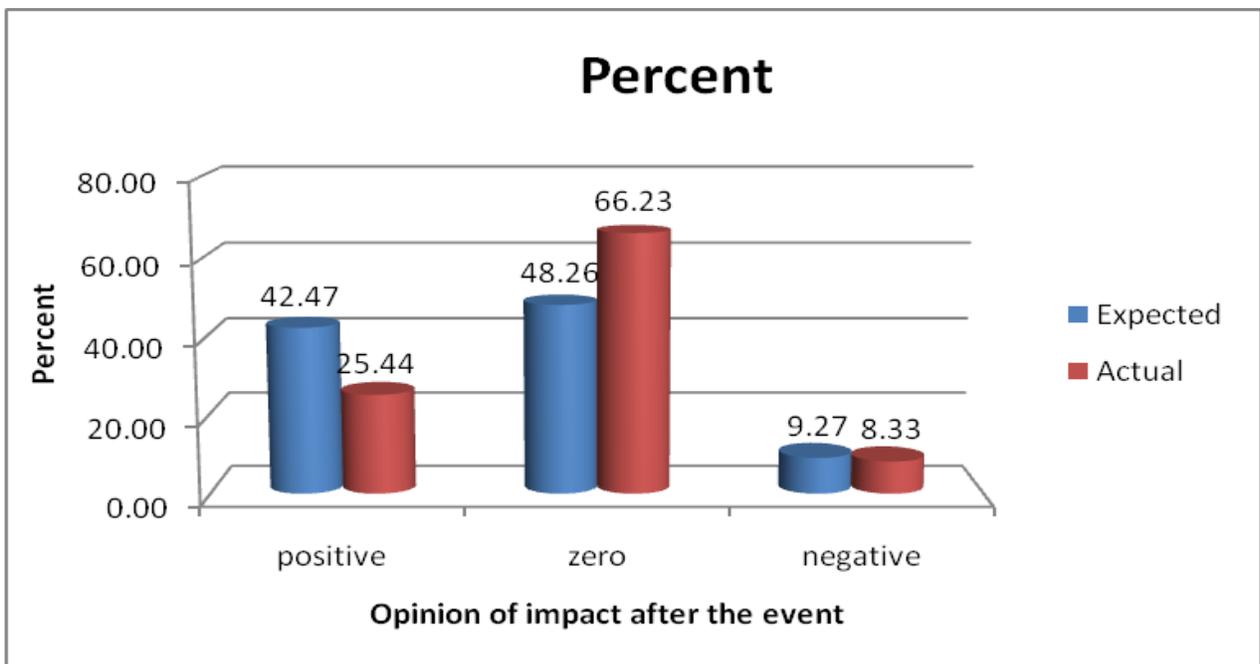


Figure 12

The number of enterprises answering the question on how the business would be impacted by the event after it was completed was 259. Of these enterprises, 110 (43%) expected a positive

impact on their business after the event, 125 (48%) expected no impact, and 24 (9%) expected a negative impact.

Of the 228 businesses which misinterpreted the question and instead answered what the actual impact was, 58 (25%) were of the opinion that the event had a positive impact on their business, 151 (66%) felt that it had no impact, and 19 (8%) felt that they were negatively affected by the event.

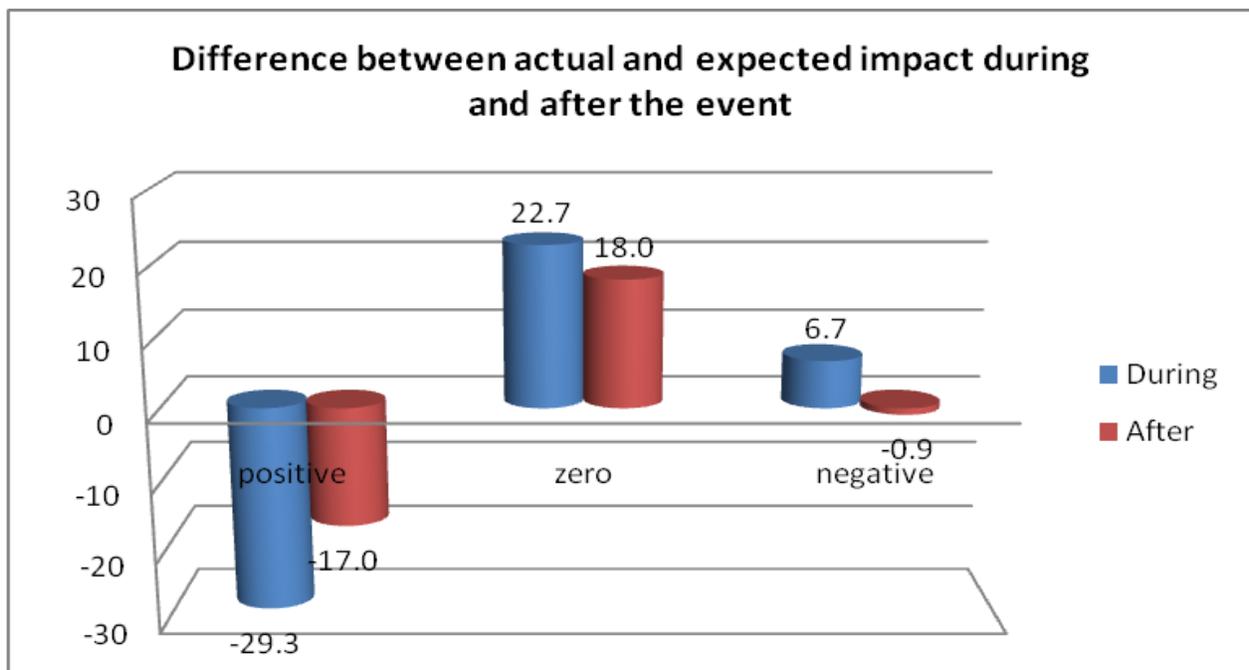


Figure 13

Figure 13 above shows the difference between the actual impact of the event on businesses and the expected impact. Generally, businesses overestimated the positive impact and underestimated the event having no impact or a negative impact. The mean average deviation of opinion during the event was 20 percent, whereas after the event it was 12 percent. This indicates that the difference between expected impact and actual impact after the event was less, and therefore that expectations after the event were more accurate.

# Analysis of findings

This is the first wave of data immediately after the World Cup. In light of great expectations that the World Cup would facilitate development, the actual impact of the event may seem disappointing. If one were to focus on perceived disappointment it would be easy to ignore modest positive impact. This report has shown that the event has had tangible positive impacts in terms of SMME establishment and creating jobs.

The event was not sufficient catalyst for international trade. SMMEs did not become major importers or exporters as a result of the event. The data clearly shows that there were three industries who clearly gained from this event viz. accommodation, tourism and restaurant and catering. These industries created a number of jobs since many firms said that the period of the World Cup was a busy period for them. One respondent highlighted that some of the tourists did not leave immediately after the World Cup. This means that there were further gains for the tourist and craft industries as well, since most of the tourists wanted to buy curios and South African products to take home. Even though some expectations were met and some fell short, it was a learning curve for everyone. Most of the SMMEs, regardless of whether they benefited or not, would actually want the same event to be held again as they have identified the opportunities.

Where businesses expected a positive impact during the event some of the reasons given were expected increases in turnover, customers, tourists, and increased overseas exposure. For businesses that expected no impact, some attributed this to serving local clientele or to the nature of the products provided. In comparison, respondents' opinions on the actual impact of the event on their business during the event was more measured with the proportion of businesses experiencing a positive impact reduced and the proportion experiencing no impact or a negative impact both increasing relative to expectations.

Businesses tended to be less optimistic about how the event would affect them once the tournament was completed. For example, whereas 74 percent of respondents were optimistic of the impact during the event, after the event this figure had fallen to 43 percent. Some of the businesses' responses suggest these reduced expectations are due to the period after the event

typically being the quiet winter period, though an alternative explanation is that businesses did not expect benefits of hosting the World Cup to persist after the event.

Additionally, for some businesses the expectations diminished since they did not benefit even though they prepared and invested in their business for the World Cup. Some of them experienced loss and for some their turnover did not change. This over investment could have been avoided if research had been conducted first on areas where tourists would like to reside, in order to avoid such loss. In our study, respondents of accommodation businesses in Durbanville and Khayelitsha said that, even though they made all the preparations, none of the tourists actually booked with them. Meanwhile, firms in Cape Town operating in the same industry said that business was actually booming for them.

Most businesses (90%) did not experience a negative impact due to the event during the event, and proportionally slightly more (92%) did not experience a negative impact after the event. While the actual impact of the event did not match expectations, the expectations held by businesses were generally high and, reasonably, the higher these expectations the more difficult it would be for the tournament to deliver on these expectations. For example, expectations after the event were generally lower, and the difference between the actual impact and expected impact was also lower.

## **Conclusion**

It is important to recognise that inflated expectations of the impact of the World Cup on SMMEs may not have been realised. However, disappointment in unrealised expectations should not detract from positive impacts of the event. In the absence of the World Cup, June would most likely have been a quiet month in terms of attracting tourists. The tourism and hospitality industries would most likely not have done as well as they did because of the event. The jovial atmosphere surrounding the tournament encouraged people to go out and watch matches. In the absence of the event people may have spent less on beverages and eating out at restaurants.

From the results of this study it is clear that had it not been for the tournament there would have been 9 fewer firms and fewer jobs created in our sample. Even though expectations about the

impact of the event may have been high, opinion of SMMEs about the impact of the event on their business still remains very positive.

The Department of Economic Development and Tourism plans to have a follow-up to this study to determine the long-term impact of the World Cup on these firms. Bidding for the right to host a mega-event is itself an onerous, risky, and expensive undertaking and it is not for nothing that countries compete for this right. The expected long term benefits of hosting the world cup may yet materialise and it is perhaps too soon to tell whether or not South Africa's growth potential has been significantly affected.

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