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How does sports affect the Finnish economy?

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Abstract

As Finland is moving into what might be considered the next golden age of Finnish sports, Finland has seen massive success in professional sports. For example, Finland won the Olympics and the world cup in men's ice hockey in the same year, secured a spot in the world cup for men's basketball and placed very well in the European championship tournament having very prominent young players for a first time in a long time. The thesis investigates professional teams and their impacts on small local economies, as well as how does having a professional sports team in your city or town helps the economy amongst other topics quantitative. The results of this newfound success in sports is seen in construction for new facilities, and opportunity costs that can be hard to measure, prolonged success for professional teams can also attract more tourists to the area and create more jobs. The sports industry is not only important for Finland but also for the rest of the world being one of the most prominent industries which also includes sectors like sports apparel and equipment. To understand these effects better, a qualitative research study was conducted to understand the dynamics between an economy and sports. Sports is now more prominent in the culture and everyday lives of the Finnish people, so it is important to not underestimate the economic effects of the industry, but to understand the negative and positive effects that the presence of sports brings to a local economy.

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Glossary

OKM The Finnish Ministry of education and culture/ Suomen
Opetus- ja Kulttuuriministeriö

Practise facility A facility which is not meant to host a large spectator event,
mainly geared towards practises, and amateur games.

1 Introduction

Finland has one of the most free economies in the world according to heritage organizations research (Heritage Foundation, 2022). In a strong and free economy, all sectors and subsectors must work well together and in a meaningful way to make an impact. This paper examines the rapidly growing sports sector, impacts of professional teams and the recreational sporting goods scene in Finland. Finland has had quite a rich history in sports and sports goods. Finland has usually had athletes in various different motorsports, ice hockey and track and field. Having such a rich history with sports and the sports market being very profitable and big in the present day has allowed the sports industry to be beneficial for the economy in various ways. It is important for Finland's economy and to Finland itself to keep sports and sports industry in a steady rise as the opportunity cost of that could be huge. It is an important topic to understand how sports affect the Finnish economy as it has been reported for example in the US and Europe the attitude of taxpayers towards financing sports facilities has noticeably more negative in recent times. Communities feel like spending money on sports facilities and equipment could be allocated to other projects as for many of the people these stadiums are not worth the allocated money as sports facilities seem to bring many negatives with them (Levenson, 2014). It is important to understand that there are different positive and negative effects of sports on a local economy and why they happen. The Finnish athletic brands are now better recognized internationally than ever. Sportswear companies like Karhu and ice peak have gained a more international foothold which could be argued can be attributed to some degree the Finnish people's interest in sports and in Finnish sports equipment. Furthermore, to prove that the sports sector is important and growing is that according to AC. Europa by the European Commission. According to this report in 2008 2% of GPD can already be tracked to sports, and 3% of full-time employment is directly from the need sports teams create in Europe in 2008 (European Commission, 2008).

In the rest of the research paper, the first topic is why Finland is a good case study for the topic, then the connection between sports and economy is

established and a little bit about the history of the bond and examples of it, and different types of impacts sports might have economically. After that briefly go through the sports market globally. After that, the research paper focuses on different categories of economic impacts due to sports. The first category is a popular sports team economically and the economic effect of having a “mega event”. After talking about the teams and organizations, the research paper focuses on the individual economic impacts that a professional athlete may have. To contrast the mega events and popular sports teams, The research paper also explores the impact of less popular sports, and their impact on the economy while also noting impacts that any professional sports event might experience. Finally, the research paper focuses sports effect on construction and the different economic impacts that a sports facility might have, and also other less intangible affects that the facilities might have.

1.2 Timetable

This paper focuses on the time period from 2000 to 2022. Some older cases may be used to study what happened in the past and applied into the present. The study focuses on the effects on the current state of economy so very old statistics or cases would be irrelevant as the state of the sports sector has tremendously changed from for example the 1980’s compared to now.

1.3 Methodology

The research question “How does Finnish sports affect the Finnish economy is a broad question. The economic effects could be the effects that come from health aspects, gambling aspects or even the military could be counted as being form of sporting activity as many of the activities in the army are centered around physical tasks like running, swimming, and skiing, The army has to supply some of these equipment like backpacks for example. The economic effects that are being discussed in this paper center around professional athletes, professional teams and their surroundings, the sports fans, and sports as catalyst for

construction. This paper took the qualitative approach to the study. This allows the paper to see better the different causes and effects because, when only looking at the numbers one might not be able to tell what happened for the numbers to appear. Qualitative approach lets one to examine the theory and then if needed apply it to numerical data. The data and theories were collected from journal's, articles, books, and tv-programs, and interviews discussing the research topic. By gathering data from various different sources, findings can be validated more convincingly. This research topic is better suited for qualitative study because it allows us to examine the theories and what happens in result of certain actions than just behind numbers. I believe it to be more insightful to have a more direct approach to the issues like qualitative than a quantitative where I would analyze data which is hard to find for some topics, data can be untrustworthy and mostly I believe that talking about this topic through numbers wouldn't be so easy to understand for a reader who knows normal amount about the topic. The methods I used to analyze the data were content and theme based. Searching different theories, and themes based around the research topic or key words such as economics, influence, or behavior. Focused on the key words for each paragraph and finding theories and evidence so that I can make a coherent case for the specific economic impacts of sports on the Finnish economy. The only problem with the topic chosen regardless of if I had chosen a more quantitative style is that the numbers and data that I required for the research was sometimes hard to find, and seldom reliable. The limitation of doing a research topic on a very specific topic about a small country is that sometimes the data that you would want to use is not accessible. Another problem is that most of the research done that used Finland as case study for professional sports is that the research was done more in qualitative way where the research and articles were done in an approach that was number centric.

To help make these decisions on which material to use I also had to consider the time frame it was written in, an article about Finnish sports in 1990's is not very prominent when talking about the current day effects.

Content and theme-based research was most effective as this way I can clearly see research done that is aligned with the data and tone that supports my research question. When using content and theme-based research it is important to know what kind of data the author is looking for. Qualitative data works well for research that explores phenomes and when asking when, how and what opposed to how many, when and overall quantity of subjects (Hoover, 2021). Using qualitative data also allows one to use creative methods, and flexibility (Hoover, 2021)

2 Finland as a case study

Finland, located in the Nordics more specifically in the Fennoscandia area of North Europe. Finland has a few neighboring countries. Finland shares its eastern border with Russia. In the north, they share the border with Norway and to the north-west with Sweden.

According to Worldpopulationreview.com Finland has a population of 5.5 million compared to Sweden's 10.35 and Norway's 5.3 million (World Population Review, 2022). Similar location and population make these three countries a good comparison between the three.

Finland should be considered as a nation with a love for sports and activities associated with sporting events. Reportedly over 70 percent of Finland's population attend to sporting events in person or watch via different media outlets (Sahala & Koskela, 2011).

Companied by a survey done by the European commission, Finland was the leading country in physical activity in Europe but also in the whole world. (European Commission, 2010). Sweden and Denmark also appear top of the list, which shows how similar the northern European countries are in comparison.

To establish Finland's already prominent sports scene and the economic effects of it, there is the case of Helsingin Nmky. Helsingin Nmky is part of the YMCA organization. Helsingin Nmky has all kinds of activities for people to attend to, like Basketball or orchestra practise. Helsingin Nmky alone contributed 25 million

euros to the economy this past year (Helsingin Nmky, 2022). Other sports and teams should also try to adapt to the way that Nmky is doing their business. A branch of Helsingin Nmky called “Yökoris Helsinki” hosts their events towards children who might not necessarily have finances to play in a team or do not have a positive outlet for their energy, and the events are for the most part free of cost. Their economic effect goes much beyond just salaries, rents and taxes. They are part of some young children’s everyday lives and influencing them to make better decisions. In addition to just playing basketball, they do other sports as well, and hangouts to try to give children something positive to do on their free time. Another example is Tapiolan Honka, which is mainly known for their amateur basketball programs for people of all ages. They reported that their annual benefit to the economy is around 13 million euros this past year (Tapiolan Honka, 2022).

3 Connection between sports and economy.

It is important to note that any type of professional sporting event and most likely amateur sporting events as well, require some sort of financial actions. In the past times the first Olympic winners would not win any cash or money prizes, but they would get a crown made for them. The crown would be made of the sacred Olympia tree. It would not be uncommon that a statue would be commissioned to be made of them, to celebrate their victory (Swaddling, 2011). However, these statues would be made from expensive materials like Bronze or Marble, these are raw materials that are very expensive, and a common craftsman would not have the finances to build a piece of art like that without financial support. Sometimes the state would finance the commission of this statues and more often they would finance their training (Swaddling, 2011). This is an ancient event that even as early as 776 BC required financial transactions. These days the financial transactions between athletes and organizations are a bit more complex, in addition to also the athlete organization dynamic, there are many other dynamics to be considered like organization to customer, and athlete to customer. Stefan Szymanski writes that the relationship between economics and sport events are far from perfect. The design can be imperfect which begs the question

is sports the thriving factor behind the business, or is the business the factor that allows sports to exist (Szymanski, 2003)?

Sports are not only the big sporting leagues, or star athletes whose likeness brands can make substantial amounts of money of (Pike & Coakley, 2010). In their article they write about the idea that sports do not only have to be about professional sports but also about industrial, social and military aspects. For example, the Finnish government spend around 4.9 billion USD into military according to macro stasticis.com (Macrotrends, 2022). It was not disclosed which percent of that amount was dedicated for physical training activities and the equipment's for those activities. One's time in the Finnish army is closely tied to for the most people to physical performance. Hiking, swimming, and skiing are all activities that are practiced and trained in the Finnish Military. These are also forms of physical exercise that often requires equipment to be used also. What also makes the army such an interesting topic is that for example, when the Covid-19 pandemic started in 2019, and almost all social events were being cancelled or restricted, and even professional sports seasons were being cancelled or taking precautions like not letting any fans attend in person to the arena, The army still kept its operations going, while of course taking some precautions.

Tommy Beer for Forbes Reports that the NBA, which is the national basketball league which teams from United states and Canada compete in a yearlong season. The NBA almost suffered losses of 1.5 billion USD during the pandemic season because of over 250 games which were cancelled resulting in loss of viewership, merchandise sales, operation sales (Beer, 2020). The playoff bubble aloud the NBA to continue play while being safe for the players, while the season was allowed to resume in the bubble, the NBA still fell short 1.5 billion USD of what was projected before the pandemic (Cwik, 2020). This further establishes the connection between sports and Finnish economy.

Not only are the Finns known for our success in Ice-hockey, and motorsports, but the Finns also recognize the social value of sports (Sahala & Koskela, 2011). Same article states that volunteer work around sports is also very prominent in Finland. it's reported that annually around 600 000 Finns volunteer for different

sporting activities like coaching a team or helping organize a marathon. 600 000 out of Finland's 5.4 million people population is more than ten percent of the population. It was estimated that the value of the volunteer work done is up to 1,5 billion euros (Sahala & Koskela, 2011).

Finland not only is prominent in sports but also manufacturing goods for sports. It is no secret that the Legendary three stripes of adidas were originally a design for the Finnish brand "Karhu" (Ford, 2017). According to Kona equity Karhu brands annual income is 28.4 million USD (Kona Equity, 2022). To add, the opportunity cost of having an established well known Finnish brand bringing the spotlight over to Finland and our sports/equipment manufacturers is priceless. Other widely known Finnish brand is Icepeak, known for their top tier outerwear equipment like winter jackets, and boots. Luhta who owns the Icepeak brand. Luhta before the global pandemic had a turnover of around 184 million euros (Finder, 2022). Icepeak is widely known in the world. The "Icepeak" brand is carried in 46 different countries and in Germany alone is being sold in 1000 different stores (News Desk, 2014).

4 Value of sports industry globally.

Value of sports industry globally is expected to grow by over 40% from around 354 billion USD to slightly over 500 billion USD according to the business research company (The Business Research Company, 2022). The sports sector growth can be attributed to people finally getting finally out again after a global pandemic starting in 2019 which restricted most all public gatherings on most levels. According to statista.com in journal released by their research department. They estimate the value of sports apparel market is around 190 billion USD, revenue of global sports market equipment is 143 billion USD, and finally that the global athletic footwear market is valued at little over 48 billion USD (Statista, 2021).

This suggests that the sports market globally is thriving. The sports industry is suspected to keep rising, by the year 2026 the business research company

estimates that the value of the industry could jump even up to 700 billion USD (The Business Research Company, 2022).

There are a lot of values that are hard to measure for the industry. Health related economic impacts are hard to measure. Hollingsworth in his journal talks about the economic impact of sports to relation of health in England states that annually in England there are around 280 000 sports related injuries which cost the government around 1.5 billion British pounds. Even though that is a lot of money it is hard to measure what did not happen because of sports. Hollingsworth for example states that because of sports 900 000 cases of diagnosed diabetes have been prevented. Saving around 3.6 billion British pounds, also over 350 000 depressions were avoided with the help of sports with saved the government of England around 110 million British pounds (Sheffield Hallam University; Tim Hollingsworth, 2020).

By region the biggest contributor to the sports industry is North America totaling for 35% of the whole industry, second was Asia pacific and third Western Europe (Yahoo Finance, 2021).

The fastest growing regions according to yahoo finance are South America and Middle east, where they had compound annual growth rate of 12.1% and 11.3% (Yahoo Finance, 2021).

The biggest sectors of sports sector are the participatory sports which are sports where one takes participation in like for example Finnish baseball opposed to for example spectator sport which could be F1 racing, where most all people spectate the sport.

Participatory sports could gain as much as 136.7 billion USD annually by itself in the year 2025.

The second biggest segment for economic impact in the year 2025 will be the sponsorship segment which is estimated to bring in annually over 70 million USD in global sales (Yahoo Finance, 2021).

The value of sports industry can also be seen in other industries and areas of lives of people every day. In a Journal about sports tourism the authors suggest that travelling and sports have never been this closely tied together (Gozalova, et al., 2014). Larry Olmsted for Forbes magazine wrote that the world cup 2022

which is a soccer tournament for the world title is expected to bring in 1,2 million people to Qatar in November. a quite considerable amount compared to what would have been possible 30 to 40 years ago (Olmsted, 2022).

In addition, while Finland is known for their water related sports equipment. China has been the go-to country for sports apparel manufacturing, while The United States exports a lot of golf equipment, parachutes, and gymnastic equipment (Fontanelli, 2021).

5 Impact of professional sports on the economy and local economies

The difference in being a “small market” team and a “big market” team has drastically different opportunities financially. While Myllykosken Pallo was struggling to get over 2400 people into the arena, ice hockey in a big city is a much more favored. Ice-hockey is the most popular sport in Finland as far as being a spectator sport or being the go-to sport within the youth which is showcased by Finland’s recent winning streak in the world cup tournaments and numerous players playing in what most consider to be the most prestigious league NHL. Meanwhile in Finland, they have a prominent hockey league called “Liiga”, a professional league that has teams from all over Finland. The premium status that it has can also be attributed to it being the oldest professional league in Finland (Wikipedia, 2022). Liiga has always had around 15 teams, each team having around 60 games, half at home and half away. Liiga reported in 2018 that the typical amount of people that attend the games throughout the season for all teams combined to be as high as 2 million people (STT Urheilu, 2020). The amount of people could highly vary depending on team rankings and which teams make it to the Liiga Finals.

The differentiation of spectators which was written about earlier is more helpful in assessing the primary and secondary effects of a bigger sports club/sports events than it is for a small sports team/sports event as naturally the bigger the effect is the easier it is to distinguish and study it. To Compare Rauman Lukko, which

one could argue is one of the smaller teams in Liiga published a statement saying that their goal was to reach 4000 audience members per game, which they had in the previous season barely missed with the average of 3750 (Rauman Lukko, 2016). This compared to a small soccer team's struggle to average 1500 audience members only hints that the impact of a much more established sport and its league has a bigger economic impact.

The differentiation of different attendees also helps us tremendously to see different money flows and the direction of them. In a journal published by Allan et., al. He notes that it is typical that around 90% of the fans of the team live in the surrounding area and the rest 10% elsewhere (Allan, et al., 2007).

Using Rauman Lukko as a case study for the impact of professional sports in Finland. Rauman Lukko found in 1936, the club consisted mostly of mill workers and focused on more traditional sports as orienteering (Rauman sivut, 2010). Even in the early days of Finnish sports one can see the connection between sports and the workplace. Rauma is located on the western coast of Finland, being populated by just over 30 000 people, makes it a medium to small sized city.

Rauman Lukko in the fiscal year of 2021 made 7,4 million euros in revenue which was a 0,5 million euro increase from 2020 fiscal year, which is 7,9 % increase which can most likely be contributed to health lockdowns being lifted after a few years since the pandemic had started. In 2021's fiscal year they were on the red, losing around 470 thousand euros, whereas in 2020 they had a positive record making 103 thousand euros that year. Lukko also employs 97 full time workers. (Finder, 2022) On the average it seems they hire 5 additional personnel to the team per year. Lukko has won the Finnish championship twice in their existence. In the year 1963 and 2021 (Karttunen, 2021).

What makes Lukko. an interesting case also is that they own a corporate called Contineo Oy. Contien Oy on the other for example own a company called RTK-palvelut. RTK-palvelut alone generates over 15 million euros a year, employing around 3 000 full time employees (Finder, 2022).

Lukko has an interesting situation where the company that they own supports them financially because Continea Oy is a much bigger corporation, but it does

not seem like Continea Oy gets much in return. In 2009 Turun Sanomat reported that Continea Oy had to invest 1,5 million euros in to Rauman Lukko. Turun Sanomat reported that the only reason Lukko was able to turn a profit that year was because of those private investments (Turun Sanomat, 2009).

It is also important the other direct cash flows that Rauman lukko has, most of the money flow it creates are the fans of the team or the “attendees”. “Event visitors” are most likely to create a positive money flow for the team, These are the people who have bought a ticket, and are more likely to spend a little more money on game nights (Guerstein, 2017). Research done by Rasku et al., for an another Liiga team Jyväskylän Palloseura or for short JYP. A team based more in the middle area of Finland. Jyväskylä has a population of 100 000 more people than in Rauma but the data they have researched can be also used for Rauma’s case as one can assume that most sports fans have same sort of behaviors no matter the location (Wang, 2006).

Rasku et al., had discovered that a typical season for JYP is about 650 000 euros economic impact wise (Rasku, et al., 2020). this is including transportation costs, possible overnight stays in hotels, restaurants costs and other entertainment costs.

One can assume that the number for Rauma fans is a little bit lower since Rauma is a smaller city and smaller cities have a bit lower price point versus their bigger counter parts.

To understand better how a team’s fanbase might contribute economically, one can divide the fans into different categories.

Using Preuss, et all. and Weed’s differentiation of spectators using Rauman Lukko as an example, one can divide the groups of fans as following:

The residents- This is a group of people who would stay in the city no matter if the events would take place or not. They do not necessarily have any part in the sporting event. Other than the common that they live in the place that the event is taking place in,

“Home stayers” The people that might follow the event from their homes, It could be to watch the broadcast on tv, listening on from radio, or watching from a streaming network. However, they would not travel to an away game to watch the

team. It cannot be deducted if the spending of these people on game nights is directly caused because of the sports team because it is likely that they would have expenditures anyways.

“The casuals” This is the group of people who might be in town to see family, do business or some other reason that has caused them to come into town for a period of time. The casuals take the opportunity of being in town to watch a game, but it cannot be said to be a primary economy impact as the main reason they visited was not for the ice hockey game.

“Event Visitors” this is the fans who don’t live in the near the area of Rauma but still come there to watch the games, as their primary intention is to come watch the game their contribution and expenditures in the event or outside the event can be credited as primary economy impacts.

“Spectators at away games” These are who are most likely the most dedicated fans, the people who live in Rauma but often leave the city to follow the team to their away games and most likely spend money there. The money that is spent at away games from Lukko fans can have a negative impact on their local economy of Rauma. The money that was spent at away game in another economy could have been spent in Rauma and that is the negative effect to the local economy of Rauma.

Runaways- People who have no interest in the event and go out of their way to not be in the location at the same time as the event takes place in.

Casuals- are the people who would have been there regardless at the location, but it is uncertain if they attend the event.

Time switchers- The group of people who want to visit the location but only plan it so they are not there when the event is

(Preuss, et al., 2007) (Weed, 2007).

The way that the buying actions help the government is that most transactions include a tax called ALV which is “value added tax”. Which is usually 14% on food items and 24% on items such as alcohol, and most other material that one can buy. There is also 10% value added tax on accommodations which is relevant if a fan stays in a hotel or a motel during a trip to an away game (Verohallinto, 2022).

One could argue that leaving the city for business or for visiting a relative outside of that local economy could be seen as harmful to the local economy. It is not considered to be a negative to the local economy as sports fans tend to spend more on game nights and business trips can be seen as somewhat crucial to one's livelihood whereas going to an away game is completely up to one self's decisions.

It is also important to understand the economic impacts of larger sporting events. These events might attract more people because they are not held often or are famous events like the Wimbledon for tennis. Sporting events that attract a lot of people to attend are so called mega events.

Mega events would be events like Olympics, world cups or the European championships. These are events which can last multiple days at a time attracting people from various different locations. Mega-events increase tourism for an extended time period and overall spending can increase. Even with these effect that one could deem positive, these mega events could have a more impactful negative effect. If the location is already popular within tourists might the mega event scare away some of those tourists that would have been there, making them effectively time switchers or even runaways. Crowding-out effect can happen if the mega event is causing other parts of the economy to be disturbed, overcrowded or even shutdown for the duration of the event (Preuss, 2011).

Mrbride & Manno Note that while in the past hosting the Olympic games, while has been an honor for countries, it has become a financial burden for most. They report that for example the 1976 summer Olympics which were held in Montreal, Canada. The city projected that hosting the event would cost around 124 million USD. The reality of the cost was far of and the city of Montreal had been left with the of around 1.5 billion USD (McBride & Manno, 2021). Although one could argue that one of the long-lasting effects of hosting mega events is that the employment rates will rise as people are needed for construction, merchandising, shop keepers, restaurant workers, but these numbers will go back to normal numbers as the event has passed, or alternatively these workers have come at a cost of unemployment in another industry (Baade & Matheson, 2016).

More and more countries are deeming that the Olympics are too costly to host for their countries as the infrastructure that they would have needed to build would cost a lot more than what is the opportunity value. For Example, Dyer wrote in his article that China's tourism actually took a slight turn down during the time of the Olympics. 2% to be exact. But in order to host the Olympic games the government of China decided to build a new venue for outside sports like skiing, skeleton and luge (Dyer, 2009).

China also redid most other venues. China's government estimated that hosting the Olympics cost them 3,8 billion USD but insider investigation suggests the number to be almost 10 times of that (Porterfield, 2022).

However, comparing China to Finland is quite inconsiderate and could be inaccurate. China is one of the world's biggest economies, has a different political system, and is visited by tourists a lot more.

While China did see a dip in tourism because of the Olympic games, games of that magnitude are rarely held in Finland. On a secondhand tourism in Finland is in much lesser quantities so that the possible crowding out effect of mega events would not really be visible. Suves did research on the economic impact of a mega event in Levi. The competition in question was the world cup of alpine skiing. Levi and Lapland in general are one of the locations that tourists are more interested in as it is in very north, in the winter it is cold and there can be quite a bit of snow which some tourists might see as being very exotic. Suves in his research concludes that the economic impacts of tourism caused by the event itself is upwards of 7.5 million euros (Suves, 2007).

To conclude, the impact of professional sports on Finland's economy are mostly positive. The spending opportunities that these mega events and regular sporting events create are very positive for their local environments. Every professional sporting event with fans creates a window of time in that economy where the spending in restaurants, bars and other establishment is increased. The opportunity cost of having a sport team in an area is very hard to measure as there are many other factors as well like the effect of sports on youth, the effect of recreational sports on sports goods and apparel manufacturing.

6 Professional athletes' residencies

Siegfried and Zimbalist in their Journal about local economies and sports effect on those economies. They ponder that if large proportion of the athletes that move away from their home countries, or original home areas, the money that they make at another location is split into the economy of the location they currently reside in, and the area that they used to reside in. (Siegfried & Zimbalist, 2002) In 2021 Bleacher report reported that Lauri Markkanen had signed a four year, 67 million USD which is around 56 million euros, deal to play for the Cleveland Cavaliers in the national basketball association (Schuster, 2021). In 2017 sports section of Ilta-Sanomat reported that Markkanen had bought her mom a new car in Finland, in the same article it was also noted that the Finnish NHL player Patrik Laine was going to give his signing bonus of 256 000 € to his parents in Finland (Suvinen, 2017). This proves that while athletes move away from their home countries they still contribute to the economy in a way. It could be argued that the contribution is even bigger after moving away from small economy to a bigger economy because of the wage cap of professional players. Siegfried and Zimbalist had also conducted research from the national basketball players association in the year 2000. They had acquired the home addresses for each player and concluded that only 20% of players had a permanent residency in the city they played for (Siegfried & Zimbalist, 2002). Using this same logic to Finnish athletes. It might seem like a loss for the economy to send our best athletes away from our own country, but if 80% the athletes have some sort of connection to Finland there is still many ways of positive economic impact. The opportunity cost of players moving away could huge as if they had stayed in Finland their salary would not be as high, therefore their main ways of contributing would be lower as one's tax percentage would be lower and so would be the buying power.

7 Impact of small scale sporting events

While it is easy to only talk about the brightest stars of our small economy or the biggest teams, we still have to remember that amateur sporting events and small-scale sporting events add up together for a big economic impact which is especially important on a small-scale economy. To identify which sporting events can be considered to be smaller it is important to know which sports are the most popular in Finland. In a 2017 journal published by Seppo Suominen he discloses the most popular sports in Finland those being. Ice-Hockey, Soccer, Basketball, Bandy, Volleyball, and Finnish baseball (Suominen, 2017). He also suggests that typically the smaller towns are more prominent in sports that are not as popular. The major sports that are least popular include volleyball, bandy and Finnish baseball. Now that it is established which sports are not as popular. One can identify which events would naturally be smaller. Combined with the ideology that these less prominent sports are played in smaller cities it can also be deduced that the financial impact would be smaller than for example an ice hockey game in the capital area (Preuss, 2006).

There are two main ways that a small-scale sporting event creates revenue. How much does one spend at the sporting event, and secondly what is their impact to the economy around the sporting event.

In the case of small towns these teams are sometimes one of the few occasions when a sporting event or a team can contribute financially. In the case of a small town in Eastern Finland called Myllykoski. Myllykoski joined surrounding towns to make together the greater area of Kouvola. Kouvola has around 80 000 people living in it, which around 6 500 live in Myllykoski (Tilastotietoa, 2022). In that small town where most of the population are factory workers (Autio, 2011). It could be argued that it's smart to have a sports club as a catalyst for economic growth. The team has their men's professional team which currently plays in the Finnish third division. According to Myllykosken Pallo's official website the tickets for games range from around 10 euros to 15 euros for adults, and children under the age of 16 can attend the games free of charge (Myllykosken Pallo, 2022). In 2012 Yle reported that Myllykosken Pallo had 1400 to 2500 people pay the

admission to their games the previous season (Koivisto, 2012). With these ticket prices, the revenue from tickets could be anywhere from around 14 000 euros to 37 500 euros depending on the ticket type. The team could have additional revenue from merchandise sells, concessions sales and from sponsors. It is hard to estimate these additional sources of income as the deals and figures are not available to public. However, in most cases regarding sports teams the gain gotten from outside sponsors is monetary, for example, paying a player's salary (Johansson & Utterström, 2007).

From these revenues the way that the local economy gains their share is that the team must pay rent on their stadium and maybe possibly some other locations that they may have dedicated for these activities. While the players most likely do not live permanently in club's location the same is not for the workers of the stadium. Staff often live permanently in the location of the club, The number could be even as high as 93% (Siegfried & Zimbalist, 2002). Through paying these workers the money starts its circular economy life. Where they are most likely to spend some of it on the local team.

The professional team is far from the only way that a sports club can make money. Myllykosken Pallo decided to form one unified team with the neighboring towns, this "super" team called Kouvolan jalkapallo or for short "KJP". KJP has over 10 junior teams operating in the greater Kouvola area. The junior team's successfulness in participation numbers could be very big for Myllykosken pallo as well.

These hobbyists are most likely soccer fans in general, so it is not hard for the team to sell them tickets to their professional teams' games. Even if they allow the children under 16 to attend for free, these attendees will most likely spend money on concession. This is a strategy that they have considered in the past and was also reported in the same article about attendee numbers being low by Yle (Koivisto, 2012).

The team and the stadium can also have an impact on the economy outside of the main intended use being soccer games. As the team does not use the games around the clock, taking to account away games and that games are usually being played at night to maximize the amount of people that can attend.

The stadium could be rented out for practices for another team or to allow practice for other teams inside the same club to minimize the amount spend on other locations rent, maintenance and appearance.

The team can also decide to maximize to use the other expenditures of the stadium. Renting out other areas for private uses or having a restaurant open in the same location.

A small team can also have a more beneficial relationship with a smaller business than a bigger conglomerate (Walker & Enz, 2006).

The spending behavior of a typical sports fan suggests that on game days most of the fans in attendance, or the “Home Stayers”, “event visitors” and “casuals” is typically increased as it is to be treated as a special occasion where one could spend a little more money to relax oneself (Guerstein, 2017).

A small economy team may also contribute positively to the surrounding community by building new locations such as soccer fields or other practice facilities almost always have a positive impact on the mood of the locals (Deleen, et al., 2018).

Smaller teams especially on amateur level usually try to get financial help from the local people. For example, Rauman Lukko, a hockey team based in a medium sized town in western Finland. Some teams inside the club decide during Christmas to sell Christmas calendars to the citizens of Rauma. This is an effective way of trying to get money as the teams’ players do not get monetary gain from this but are incentivized to perform well to reach the goal to get what they have decided to do with the money. It might be new jerseys or other practice equipment. This way the club also saves money as they are not the ones who have to buy this new equipment. It is also uncommon for teams to just organize charity events in case they are in need of something more expensive such as a new training location. Mr. Nikolis, the vice president of the AHL, which is the American Hockey League, a professional league that has teams mainly from The United States of America and Canada. The league serves as more of a training platform and a development league to the up-and-coming players or the bench warmers of the National Hockey League. Mr. Nikolis hints that a team’s success in public fundraising is closely tied to the public image of one’s team. on the

contrary he notes that it might be hard for a team to react to every allegation or public relations disaster quickly (Nikolis, et al., 2006). If players on a certain team have bad influence on a location or their social economy for example getting arrested, it might be hard for a team to raise money from the public.

The trend of getting many sponsors and private investors could hint that raising substantial amounts of money is difficult for teams especially in small economies. In an episode of "Jälkihiki", which is a program ran by YLE, Reetta Meriläinen who is a reporter, suggests also that sports teams are at a pinpoint when it comes to funding. Government funding has been low and is congested with many other applicants as well. She notes that sports clubs are struggling financially because of this and must bring in private investors (Meriläinen, et al., 2020). Bringing in private investors is not inherently bad for the economy, but it is possibly money taken away from the public economy into the pockets of private parties. Private parties ideally would like to get their money back on an investment, so the money that would have been all for the local economy, now must be split with the private party.

Mr. Nikolis the vice president of the AHL also confirms that smaller teams can have an impact on the economy through secondhand actions like doing sporting clinics for kids and going to school visits. (Nikolis, et al., 2006)

There are also activities that a sports fan can do that are hard to measure in actual monetary value. One can watch the games on tv which does not bring in money directly to the team but is nevertheless also important. It is also hard to put value in the overall presence of the team in one's city. The traffic it creates and benefits with it are hard to measure. If a team's playing location is in midtown, the surrounding shops are going to benefit from the increase of foot traffic from people on their way to the stadium.

Professor Enz also notes that the multiuse of stadium is a very important factor into everyday lives of surrounding community, therefore the community should also be considered when making decisions (Enz, 2006).

Although the positives of a sports stadium and a team's presence in a small economy are proven. The population will also see negative effects. Siegfried and

Zimbalist in their research show that very rarely does a sports arena make a return on investment, and Siegfried and Zimbalist also reveal that even though a sports arena/team employ a lot of people, it does not help a significant amount with the unemployment rate, rather those workers have just switched jobs (Siegfried & Zimbalist, 2002).

Research conducted by Robert Baade for “Professional Sports as Catalysts for Metropolitan Economic Development” notes that in the US out of 32 surveyed metropolitan areas, only two showed significant change in population after a sports team relocation (Baade, 1996). Therefore, one can conclude that while sports teams are a great catalyst for local tourism and creating some economic benefits to business owners. A small economy should not go out of their way to host a sports team with the sole intent of luring people to move into their town.

8 Impact of sports construction and sports facilities on the economy

Some might wonder what does sports have to do with construction? As old facilities get over time burdened with use, they start to show wear and tear. It is natural that new facilities are being built to keep athletes safe from hazards like unsafe practice equipment, mold, and other indoor concerns. Sometimes a certain club or sport might be having a resurgence in popularity where the old facilities are not enough to accommodate the new need of facilities.

As big new sports facilities are being built in the capital area, for example: The Helsingin Namika’s basketball training facility. Which is projected to cost over 12 million euros which is being built in Pakila, Helsinki (Marttinen, 2022).

Another noteworthy project is the Ice-hockey rink, which is being built in Herttoniemi Helsinki, which is budgeted to cost a million euros.

(RakennusFakta, 2022). It is good to take a moment to think about the economic effects of sports facilities, especially facilities which are aimed for amateur use. As previously mentioned, these facilities do not necessarily create new employment themselves or have the people move because of these facilities but, the other ways of creating economic impacts, some more tangible

and a few which are hard to measure. Firstly, the construction itself creates a job opportunity which leads to money flows. The workers in most cases are people who are located in Finland; therefore, they pay taxes for the government out of their monthly wage, or at very least they use some of that money in Finland, even if they are not citizens of Finland. Some of the raw materials can be acquired in Finland from Finnish companies again creating taxes from sales.

With these facilities which are mainly built for amateur use the economic impacts are very different from an ice hockey rink which is used mainly by a professional team. These “practise facilities” have very different economic impact as there is no ticket sales, no merchandise sales for fans or regulated sports betting. The economic impacts are more intangible. Coates and Humphreys note briefly that one of the less talked about intangible impacts is the rise on the quality of life (Coates & Humphreys, 2004). The rise in quality of life could for example be better personal health. Better personal health through sports which usually strengthens several organs like heart, lungs and also muscles which is preventive action against many health issues like asthma, and cardiovascular disease (Angba, 2022). In preventing these illnesses which often can bother one for a lifetime the government saves a lot of money as these doctors’ visits wouldn’t happen. University of Berkeley staff argue that significant amount of money should not be allocated to these sports facilities as the opportunity cost of losing out on schools or other community buildings would be worse for the community (Berkeley University staff, 2019). However, these practise facilities also help in job opportunities. In the case on “Namika Areena” Helsinki Namika’s currently being build facility is supposed to feature various basketball courts inside and outside, Padel courts outside, Conference rooms, and a restaurant (Helsingin Nmky, 2022). Not only does this effect the sports players but also offers new employment opportunities in the service industry for the restaurant and maintenance of the facilities. Another economic effect that is hard to measure is especially in the case of the Namika arena is that it is their first signature facility. A facility of that magnitude could be seen as an attraction amongst hobbyists. It is hard to estimate how many new players the facility will

attract, but it is sure to be some as the facility was heavily in the news and is located in a very populated area with great transport connections for younger people.

In an article written by the staff of Berkeley university, the author suggests that these facilities and stadiums should not be paid by municipalities as most likely the private company has more than enough money to self-finance these projects, therefore they should not be allowed to get grants or other forms of financial help from the government. It could be seen that if these private companies get financial aids from the government, then it makes the local economy weaker (Berkeley University staff, 2019). The Finnish Ministry of education and culture or for short "OKM" reports on their website that sports facilities that cost over 700 000 € overall can apply for an aid from OKM which is overall at most 30% from total cost or up 750 000€ or 1 million in case it is a swimming pool (Ministry of education and culture, 2022). Rakennusfakta.fi lists that most sports facilities in the capital area cost well over million euros (RakennusFakta, 2022). If most facilities costs over a million and OKM grants an aid for most of them, the government has to spend a lot of money on these facilities, which could be spend elsewhere like schools, or health care buildings. For the economy it would better to use private sector finances as not only does it save the money from public side, but the private sector most likely has more incentives to keep the facilities in good shape and renovate from time to time. There have been writings in blog posts from the people of Porvoo and other big cities that the facilities that were built by municipalities, are no longer being maintained even though there is a newfound need for them. this is an example how also the private sector facilities could help the local economy gain financial benefits as most likely these facilities would be rented for teams to use, or another intangible aspect is that how many of those newfound hobbyists are going to buy new gear because of the new opportunity to play a sport, or to use the facility

Important exposition to make is that while sports facilities are a mostly positive investment and will help the community too in most cases, that might not be the case for stadiums that are strictly built for mostly one use. One case like this could be the Helsinki-halli also previously known as “Hartwall arena”. While previously being used as the Home arena for Helsinki based ice-hockey team which played for the Finnish league “liiga” and after that the KHL-league which is the Kontinental Hockey League which features team from mostly eastern Europe. As the Jokerit could not play in the KHL anymore and the Hartwall arena was left without a team. The stadium being mainly used for ice-hockey events, there is rarely any other events. This means that especially nowadays the stadium is mostly being empty. Whereas one can see that even though the NHL team Chicago Blackhawks play in the United Center, which is a hockey rink during the days that are assigned for them, but when they are on the road the United Center is being used by the NBA team Chicago bulls (United Center, 2022). This way the United Center is rarely empty and creates more of a need for service industry as more maintenance is needed and most likely more workers for various restaurants and other stores. The negative effects of the Hartwall arena being empty include facets like pollution as it still needs to be heated, restaurants need refrigeration, and the ice needs to be kept cool and maintained. The arena being empty might also create unemployment as service companies like fast food or bars no longer have an audience there. The multiuse of the arena should be in mind during the planning phase to keep the arena as cost effective as possible, have other means of attracting people like restaurants or other enjoyment purposes. Whereas in the previous paragraphs the benefits of professional teams was discussed, these benefits are no more, no foot traffic, or fans gathering at that location, in smaller towns that could be detrimental to a small local shop owner, those game nights and the heightened spending. The actual construction should help the economy. One might think that the construction workers are people from the local area. The construction workers could be people from the area, or even from Finland, or they might not be. Yle News reports that most construction workers in Finland are not Finnish, instead they are people from other countries with work permits that are granted

by other EU member states. Not only do the Finnish government have problems verifying the legitimacy of these permits but much like with professional athletes most of the money will most likely go back to the home country of the worker. YLE cites that most workers come from Estonia or Poland as their workforce is cheaper to use than the Finnish Labour (YLE News, 2021). If hired construction workers were to be Finnish, the economic benefit would be bigger as they would most likely spend their money inside of Finland supporting a circular economy of that area. To conclude, sports constructions is mostly positive impacts to the economy and socially to the local people, but the impacts largely depend on the process of construction. Where the workers are from, where are the raw materials acquired from, and is the use of the facility maximized to be in use at most times.

9 Conclusion

To conclude, the sports sector and the economy are closely tied together, almost all forms of sports require some kind of monetary aspect. As Finland is starting to see more success in various difference sports, in various different international tournaments, it is wise to look at how this aspect of almost everyone's lives affect the economy. The Finnish professional teams have various ways of impacting the economy. Ticket sales, merchandise sales, other service industry companies that might operate in the same space as the sporting event takes place in. Professional teams also create a phenome in the sports fans where they are more likely to spend money on things like food, drinks, or other entertainment as a "game night" is seen more like a special event. The way that these actions help the government is that most transactions include a tax called arvonlisävero or in English value added tax. It is usually 14% on food items and 24% on items such as alcohol, and most other material that one can buy. Through this ALV percent the government gets their share of the transactions made by the sports team or its fans. The other way that is a bit more intangible is that as previously stated, the spending by the fans is increased because of the game night, and the result of that is more fans go to get meals in local restaurants they are in fact

strengthening the local economy as the money stays in that economy which then in result creates other financial flows like paying the workers' salaries. Professional teams are however not the only way that sports can have a major influence on the economy, as most children participate in some form of sports and some of the adults too, these "amateur teams" are very numerous especially around big cities like Helsinki, Tampere and Turku. Intangible benefits include mostly the increase in quality of life, buying equipment through local sports stores, and added benefit if bought equipment is from Finnish brands like Karhu or Icepeak. The increase in quality of life is a boost to the economy regarding the fact that especially in children physical activity has been proven to improve health and prevent prolonged illnesses such as asthma and coronary diseases therefore saving the economy from providing these doctors' appointments and other medical costs that come with these illnesses. Buying equipment from local stores help the economy to stay strong and instead of money leaving the economy if one decides to buy the equipment from overseas versus locally. Adding to the previous point if buying equipment that are available from Finnish brands it helps to establish the brand, making it stronger. Potentially growing to be brand known globally therefore bringing money into the country from other economies. Smaller scale sporting events are also important. The difference in financial impact when comparing "Mega events" to smaller sports events is very different. The financial flow but nevertheless both are important for the economy. Where mega events such as European championship competitions or world championship tournament qualifying tournaments are in size very different than a Finnish baseball game in eastern Finland, the number of smaller events adds up to make a big difference. Mega events can create a massive influx of tourism from other countries, for example ice hockey is a very popular sport in the Nordics so if the national team travels to a nearby country, it is not an uncommon phenomenon to see some of the fans to travel with the team to see them play. With increased tourism one can expect the hospitality and service industries also see a little bit of an increase in popularity especially in the area of the competitions. These mega events also create some amount of job opportunities during the time of the competitions, additional service industry workers are needed like restaurant

workers and security guards. These are factors that small sporting events do not necessarily create; however smaller events contribute in other ways especially in smaller locations by creating foot traffic for local shops that might largely be dependent on that extra foot traffic. They do also many times support the local junior teams by affiliation. These junior teams might get benefits like better practise conditions or better coaching while these professional teams almost guarantee that they can sell some number of tickets to their games by selling them to the juniors from that same organization. These teams also create some other effects that could be a bit more intangible like how many new participants do they attract, does the team have sponsors or other investors. No matter if the team is a big successful professional team or a smaller amateur team, construction and facilities are a big part of every program. If a team does not construct a facility by itself, the need for one is usually already existing so the local government or another private facet might come in to build it. If a team does not have their own facility, they will have to rent one out which then supports the economy because there are taxes on the rent, the facilities have to be maintained by staff, so it also helps with the employment rate. More successful program might choose to construct a facility themselves; the cost of these facilities is usually in the millions if not in the tens of millions where the economic impact comes apparent itself, the amount of construction employment, materials needed etc which helps the economy quite substantially. These sports facilities while quite depended on how they are financed have quite different impacts, if a private corporation who doesn't really need the aid, gets an aid from the government then that money could be said to have gone to waste, but if it is fully financed by private corporation than the money that could have been given as aid could be directed to another project that actually needs it. These facilities also help the economy and communities by raising the quality of life especially in younger people. The affects are not all possible though, and not all of the benefits will happen as one might think. If construction happens because of sports, one might think that the workers would be local people, but it is not guaranteed as workers from other countries in proximity are most times cheaper, the materials used could be also from Finland, or they could be from other countries. There is no

guarantees that all of the materials used would be from within Finland's borders. One intangible negative also might be is that if a sports facility is built by municipalities, there is not any guarantees that the surrounding community would benefit from the facility. Where the sports facility was built it could have been a park, a school, health clinic or other municipality building. It has also been suggested that by building a sports facility, the worth or the apartments/homes might decrease if there is more traffic, which creates more noise and might create traffic jams.

The sports sector has on top of those above listed many other impacts and affects, especially the impact of smaller sporting teams and events should not be underestimated in the future. The intangible benefits of having many superstars in their own perspective sports is very valuable for Finland for the opportunity costs.

Although teams as a whole make a big economic difference when talking about whole organizations with many employees, many events and attendees, the economic impact of superstar athletes should also be remembered. Even though most superstars of their sports move away to other economies, their heightened buying power and the likelihood that they still have connections to Finland, which then helps some of the money to find its way back to their home country. Overall, the effect of sports to the economy cannot be denied as there is so many various ways of it affecting the economy of the larger government but also the local government of a city or a town. The debate if the effects are more positive or negative is still inconclusive, as there are cases for both negative and positive effects, and all the effects have not been studied enough to know the complete benefits. Intangible benefits are numerous when talking about the effects of sports to the economy which makes it even harder to establish if the affects can just be established as a positive or negative.

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