



# Determining the Local Impact of Tourism

## **Generating Economic Impact Numbers**

Coming up with accurate and believable numbers illustrating the actual economic impact in a particular area has been challenging. Every US state puts out an annual report about the number of visitors to the state, what they spent, their length of stay, and so on. Other than the ability to glean bits of information from these materials, they can be of little use to a community where tourism is operating at a completely different scope and scale. In many locations, visitors arrive, pay for a hotel and admissions to attractions and activities, eat in restaurants, and shop in local stores, yet these parties of 2, 3, or 4 are mostly invisible. We know there are people from out of town in the community at any given point, but unlike manufacturing which can document the number of products shipped every day, there is virtually no way to count each and every visitor.

Various economic impact models to calculate this information have been developed by consulting organizations, but no one model is totally accepted as a national model and applied across the board. The lack of a consistent model accounts for the fact that return on investment figures calculated for tourism programs range all the way from \$3 or less, to \$50 or more, for every promotional dollar spent. The most realistic figure appears to be the \$11 return on investment for every dollar spent on tourism promotion, stated by Travel Oregon. And adding what is referred to as indirect spending and induced spending appears to add about 40% to the economic value of tourism.

## **The Only Real Way to Determine Local Impact**

We are of the mind that the only people who really know the needed information about the visitors, what they spend, how long they stay, and what they do, other

than the visitors themselves, are the people who serve them — the hotels, restaurants, museums and attractions, and others who interact directly with the visitors.

Within this approach, it's most effective to begin by interacting with lodging properties, restaurants, attractions, and selected retail locations to obtain visitor zip code and other cogent visitor information. This information will reveal the hierarchy of feeder destinations that will establish the point of origin of visitors, length of stay, size and typical composition of the traveling parties and the core of visitor spending, their lodging outlay. It will be very important to segment this information between the hotels that are clustered around an interstate, properties that would be considered to be in a downtown, and the properties clustered in other locations. Likely visitors in each of these distinct types of locations will have different spending and stay patterns.

The information obtain during this process will be much more accurate than “generic” visitor information obtained from other sources that is not as accurate as it should be for local purposes. Generally, the first inclination is to turn to the state tourism office. However, there can be huge differences between the state information and local sources. In one instance, state data indicated 54% of the trips to the state were “marketable” - made up of traveling parties who were not visiting family or friends and thus, parties to which commercial accommodations could be promoted. Data indicated that 40% arrived in the state to visit friends and family, and the average overall stay was 2.7 days. Working directly with the lodging properties, restaurants, museums and others in the area, we discovered that even though 40% of visitors were visiting family and friends, only 19% stayed

with them. That number increased the number of marketable trips significantly and the economic impact of their stay exponentially, when they stayed in commercial accommodations and not at the residence of their friends or family.

In addition, the average length of stay calculated from actual bookings was 3.2 days instead of 2.7, indicating that visitors stayed for one more overnight, a critically important factor that generated a higher level of visitor spending.

### **Economic Impact and Hospitality Factors**

There are a myriad of other factors that must be taken into account when working to establish local economic impact.

#### Occupancy Rates

While a capacity assessment points to the overall capacity available to serve visitors, analysis of occupancy rates reveals the actual utilization rates. It will be most effective to include all local accommodations, hotels, bed and breakfasts, inns, and vacation rentals, since today's visitors will not demand to stay only in commercial flagged hotels. Work to gain the cooperation of the properties which can trace their trend lines over several years to view overall occupancy patterns and thus, support an accurate visitor spending count.

#### ADR

Average daily rates have a significant impact on occupancy rates and visitor numbers, and changes in ADR can make a difference over time. As hotels play rate games online, visitors have learned when they can get the best rates, and those

lessons can have a profound effect on a DMMOs visitor numbers and the amount of visitor spending delivered in any given period.

### Length of Stay - Average # of Nights

DMMOs and accommodations that are able to realize a longer length of stay will find themselves in a better position than locations where hotels stays are normally only one overnight. Tracking the changes in average length of stay over a period of years will reveal trends that can then be tied to various events and marketing efforts. Checking fluctuations over the course of a year will be helpful to first, understand stay patterns, and second, consider strategies to extend them to increase the visitor spend of each transaction.

### Overall Cost of a Trip

The overall visitor market that any community attracts is to a large part based on the overall cost of a trip to the location, Target markets must all fall into the income range that can afford to visit and stay. Some visitor markets may find a trip to the community out of their spending range. When calculating this information it is very important to include the average cost of food, lodging, attractions, gas, shopping, and activities. Not just the lowest available cost, the average cost, to understand what it really takes to have an enjoyable and satisfying trip exploring the community and what each trip delivers to the community in terms of visitor spending.



## Overall Number of Visitors

The overall number of individual traveling party is nearly impossible to tie down accurately, because there are day visitors that may be challenging to catch.

However, a trend line of visitor numbers over five or 10 years can be aligned with marketing programs, event times, and so on, to determine the visitor spending pattern that actually occurred.

## **Tourism Sustains Small Businesses**

Perhaps the main advantage visitors deliver to small communities is the spending they deliver to the small businesses that line the streets of communities of all sizes. Rather than in large corporations, in reality, economic development is grounded in small businesses, the 99.9% or close to all of America's 34 million businesses. Eight out of 10 of these businesses have no employees, while 16% have between one and 20. Only 650,000 organizations in the entire US have more than 20 employees.

There is an average of 60 small businesses per 1,000 residents in towns throughout the US, that fill a town with 3,000 residents with 180 small businesses. In cities, there are clusters of these small businesses organized into what we refer to as "neighborhoods," the equivalent of a small community located every so often in large metropolitan areas. These are the businesses visitors patronize.

Programs that proactively assist these businesses to solve problems that could cause them to close or move away are the most important thing that can be done to maintain a visitor economy. Messages that promote the community as a good place to locate, and live, must first focus on a message to visit. No business owner is going

to relocate a business until they have found a community a satisfactory place to live. Yet, these new businesses are needed to grow the visitor economy.

## **Tourism Creates Jobs**

One of the first questions that local officials being asked to support expanding tourism ask is, "what level of job creation can we expect that spending to generate?"

Even in view of the priority of economic development offices to publicize the number of jobs they are responsible for generating, proving job numbers for tourism that everyone can agree on, has been challenging. It stands to reason that people in the community are working in jobs serving visitors. Workers staff and manage hotels and restaurants, serve visitors at attractions and in local retail stores, and hold otherwise obvious jobs in tourism.

There have been many attempts to clarify the true number of jobs generated by tourism programs, yet there is no one single figure used in the United States. This is mainly due to the fact that pay scales vary so widely from coast to coast and for example, not all restaurant jobs, can be attributed to tourism.

Conventional thinking has been that tourism jobs are only low paying and marginal, and some are only seasonal. In fact, these types of workers are needed to serve visitors, yet the tourism industry generates a wide range of job opportunities in hospitality, entertainment, transportation, and retail. Every new business, hotel, restaurant, shop, or service business has a manager and sometimes an assistant manager, in addition to front line staff.

If these business do not have their own financial management personnel, they use the services of local providers, who can increase their own staff in response to more demand. Plus tourism jobs are both “starter” jobs that reduce local unemployment, and higher paying professional positions. Interestingly, research reveals that more individuals in starter jobs in the tourism industry successfully pursue college degrees than in any other industry. The jobs both pay the bills and allow the flexibility needed to pursue classes, serving as a springboard to greater things.

US Travel indicates every \$100,000 in visitor spending generates one new job. Research based on numbers analyzed from various US congressional districts summarized that 100 new traveling parties would create the equivalent of one new job and 1,000 new parties the equivalent of 10 new jobs.

Using the Travel Oregon number of \$249 per person per day visitor spending and an average traveling party size of 2.1 spending 3 days in a community, results in a total of \$156,870 in visitor spending. Comparing that figure to the US Travel number, 100 new traveling parties creates the equivalent of 1.5 new jobs and 1,000 new parties, the equivalent of 15 new jobs.

Quad Cities stated that 8,618 people were employed in the visitor economy industry while Tybee Island, Georgia indicated visitor spending supported 1,902 jobs on the island, and many more off-island. The State of Georgia calculated that 484,00 people are employed in tourism within 159 counties, an average of 3,044 tourism supported jobs per county. Tri-Valley, California indicated that visitor spending supported 7,396 jobs.



One of the clearest statements about the value of tourism was issued by New York State, where a side-by-side graph clearly illustrates that the unemployment rate in New York State was 5.3% in 2015 with jobs in tourism included. It would have been 13.2% if the tourism jobs were eliminated.

Research by Tourism Economics revealed that visitor spending also spurs faster growth in a region as a whole. According to their study, destinations with a higher concentration of visitor industries grew faster than other areas, and a 10% increase in travel and tourism employment tended to be followed by a 1.5% increase in broader employment.

At the conclusion of compiling all of the above information on an annual basis, it will be very important to develop a very succinct, visually attractive presentation and distribute it widely. Be prepared to answer any and all questions about how the information was generated. Communicate interactively with all interested parties and ask for support to assist in visitor spending growth.