



Economic Impacts of Heritage Routes



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Outline

- Economic Impact Concepts
- Heritage Routes & Byways Issues
- Some Results from MITEIM model and Studies of National Heritage Areas
- A Few Marketing Recommendations
- Comments, Q & A

Economic Impacts are the:

- changes in economic activity
 - sales, jobs, income, tax revenues , value added
- in an area (region)
- resulting from some action.

Economic Impacts...

OF...

- Visitor Spending
- Construction
- Gov't Operations
- A New Business
- Special Event
- Heritage Route

ON...

- Community
- Local Economy (county)
- State/Multi-county Region
- National/Multi-State Region
- Particular Economic Sectors

Questions a Tourism Economic Impact Analysis Answers

- How much do tourists spend in the area?
- What portion of sales by local businesses is due to tourism?
- How much income does tourism generate for households and businesses in the area?
- How many jobs in the area does tourism support?
- How much tax revenue is generated from tourism?
- How are businesses in an area linked

Doesn't Measure

- Values to Visitors or Area Residents
- Financial feasibility or profitability
- Environmental or social impacts
- Costs to Government or Residents

Economic impact analysis should be part of
broader planning/evaluation effort

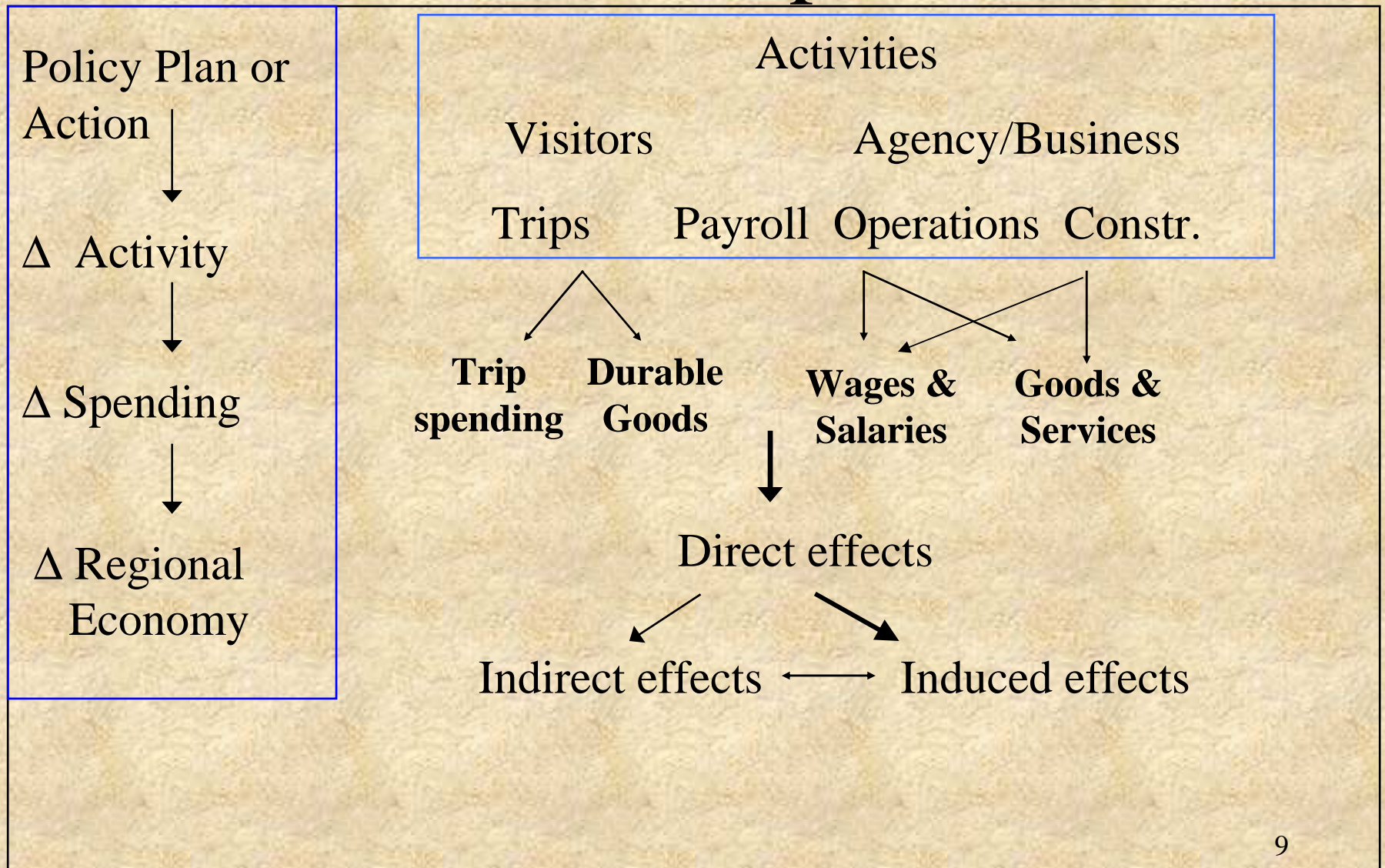
Uses of EIA Results

- Justification of existing programs
- Industry Targeting for Economic Development
- Evaluation of alternatives
 - Supply Changes
 - Changes in Demand/Use
 - Management, Marketing, Policy Actions
- Evaluation of Regional Econ Dev Alternatives
 - e.g. Timber vs Tourism vs Manufacturing
- Obtaining Local Support or Tax Breaks

Evaluating Proposed Actions

- Evaluate WITH vs WITHOUT the action
NOT BEFORE vs AFTER
- Which spending or jobs would be lost in the absence of the activity or How much new spending/jobs would be gained?
 - Local visitors vs “new” money to the region
 - Substitutions
 - What are the alternatives to the proposed action?

The Economic Impact Process



Types of Effects

Direct effect- Businesses receiving money directly from tourists,
e.g. hotel

Indirect Effects-Businesses receiving money from tourist
businesses, e.g. linen supply firm

Induced Effects- Businesses receiving money from workers
in a direct or indirectly impacted business -
e.g. apartment rentals, groceries, ...

Measures of Effects

Sales

Income

Jobs

Value Added

Example – Hotel Sector

- **Inputs to Production (per \$ of output)**
 - Utilities .15
 - Business Svc .15
 - Supplies .15 Starts indirect effects
 - F.I.R.E. .10
 - Total Inputs .55
- **Value added**
 - Wages and salaries .30 Starts induced effects
 - Profits and rents .08
 - Indirect Bus Taxes .07
 - Total VA .45 - Direct effects of Hotel
- Hotel Jobs: 18 jobs per million sales

The Basic Equation

$$\text{Economic Impact} = \text{VISITS} * \text{SPENDING} * \text{MULTIPLIER}$$

Example:

$$\begin{array}{ccccccc} 10 \text{ thousand} & * & \$100 \text{ per night} & * & 1.5 & = & \$1.5 \text{ million} \\ \text{Party nights} & & \text{spending} & & \text{sales multiplier} & & \text{total sales effects} \end{array}$$

Economic Impact

$$= \text{VISITS} * \text{SPENDING} * \text{MULTIPLIER}$$

Visitor Segments

- Day trips
- Overnight
 - Motel
 - Camp
 - Seas. home

Spending categories

- Lodging
- Restaurant
- Groceries
- Gas & oil
- Amusements
-

Sector Specific ratios/multipliers

- Capture rate
- Direct ratios
- Multipliers

Visitor Segments for Heritage Routes

- Local residents
- Day Trips from within 90 miles
- Overnight Tourists in Hotels, B&B's,...
- Campers
- VFR or Seasonal Home Stays
- Primary purpose trips vs an extra activity on trip
- Activities : wine touring, visiting historic sites, fall color,...

Table 1. Michigan Tourism Destination Spending Profiles, 2007

CATEGORY	Day	Motel	Camp	Seas	VFR
	Spending per party per day				
Motel,cabin,B&B	0.00	95.93	0.00	0.00	0.00
Camping fees	0.00	0.00	19.19	0.00	0.00
Restaurants & bars	23.00	49.77	17.03	21.64	14.41
Groceries	6.34	12.79	12.79	15.97	22.69
Gas & oil	23.10	28.58	27.07	21.05	22.01
Other vehicle expenses	0.49	1.76	2.15	5.24	0.25
Local transportation	1.57	7.51	3.31	4.67	0.75
Amusements	11.76	12.16	6.28	4.50	4.71
Clothing	5.03	7.67	3.59	5.03	2.74
Sporting goods	0.40	0.99	1.07	1.47	1.46
Gambling	0.00	0.00	0.00	0.00	0.00
<u>Souvenirs</u>	<u>22.35</u>	<u>18.37</u>	<u>11.64</u>	<u>11.89</u>	<u>22.77</u>
Total	94.03	235.54	104.12	91.46	91.79 ¹⁵

National Heritage Areas Study

- Visitor Surveys in 2003-2004
- MotorCities NHA (MI)
- Essex NHA (MA)
- Augusta Canal (GA)
- Cane River (LA)
- Lackawanna Valley (PA)
- Silos and Smokestacks (IO)

Table 2. Spending Averages, Selected National Heritage Areas, 2003

National Heritage Area	Local	Day Trip	Hotel	Other	OVN
MotorCities NHA (MI)	55	74	260		90
Cane River NHA (LA)	-	104	251		67
Essex NHA (MA)	70	108	280		149
Lackawanna Valley NHA (PA)	-	50	223		56
Silos & Smokestacks NHA (IO)	-	77	161		66

Note : Spending on a per party per day basis

Table 3 . Spending Profiles - Heritage Areas, per day

Spending Category	Local	Day Trip	Hotel	Other OVN
	Spending per party per day/night			
Lodging	0	0	96.52	8.41
Restaurants	12.98	29.08	46.51	19.23
Groceries	1.14	4.59	4.74	7.68
Gas	4.39	8.36	14.82	7.28
Local transportation	0.09	6.46	8.46	4.48
Amusements	15.07	14.25	19.54	10.09
<u>Shopping</u>	<u>22.24</u>	<u>22.29</u>	<u>36.24</u>	<u>17.74</u>
Total	55.91	85.03	226.83	74.91

Table 4. Spending Profiles - Heritage Areas, per trip

Spending Category	Local	Day Trip	Hotel	Other OVN
	Spending per party per trip			
Lodging	0	0	222.54	26.23
Restaurants	12.98	29.08	107.24	59.95
Groceries	1.14	4.59	10.93	23.95
Gas	4.39	8.36	34.16	22.69
Local transportation	0.09	6.46	19.51	13.97
Amusements	15.07	14.25	45.06	31.47
<u>Shopping</u>	<u>22.24</u>	<u>22.29</u>	<u>83.54</u>	<u>55.31</u>
Total	55.91	85.03	522.98	233.57

**Table 5. Spending and Visits by Segment, Typical Heritage Area 10,000
Trips (25,000 Visitors)**

Segment	Segment Share	Visits in Party-trips,	Avg Spending (\$)	Total Spending \$000's	Pct of Spending
Local	22%	2,200	56	123	5%
Day Trip	30%	3,000	85	255	10%
Hotel	34%	3,400	523	1,778	72%
<u>Other OVN</u>	<u>14%</u>	<u>1,400</u>	<u>234</u>	<u>327</u>	<u>13%</u>
TOTAL	100%	10,000	248	2,483	100%

Table 6. Economic Significance of 10,000 Heritage Area Visitor Groups

Sector	Sales \$000's	Jobs	Income \$000's	Value Added \$000's
Motel, cabin, B&B	793	17	259	393
Restaurants & bars	564	16	192	268
Amusements	273	8	95	155
Local transportation	105	3	60	70
Retail Trade	301	8	154	240
Wholesale Trade	43	0	17	29
<u>Local Manf</u>	<u>37</u>	<u>0</u>	<u>3</u>	<u>5</u>
Total Direct Effects	2,117	51	779	1,161
<u>Secondary Effects</u>	<u>970</u>	<u>13</u>	<u>352</u>	<u>607</u>
Total Effects	\$ 3,088	64	\$ 1,131	\$ 1,768

Table 7. How Economic Impacts Depend on Regional Setting

	Type of Region		
	Rural	Small Metro	Large Metro
Direct Effects			
Sales	\$ 2,085	\$ 2,117	\$ 2,136
Jobs	58	51	46
Income	727	779	819
Value Added	\$ 1,083	\$ 1,161	\$ 1,222
Total Effects			
Sales	\$ 2,762	\$ 3,088	\$ 3,328
Jobs	68	64	61
Income	954	1,131	1,258
Value Added	\$ 1,502	\$ 1,768	\$ 1,966
Sales Multiplier	1.32	1.46	1.56

Note: Sales, Income and value added in \$000's

Impact vs Significance

- **Significance** measures economic activity associated with the proposed action
 - Overall size of an industry
 - Contribution to local economy
- **Impacts** measure net changes with vs without the proposed action
 - Only include “new” money to area
 - Adjust for substitutions to obtain net effect

Adjustments

- Over half of visitors in NHA studies had not heard of the heritage area
- Only 45% indicated the heritage area (or the site where they were contacted) was the primary reason for the trip
- \$2.5 million total spending reduced to \$1.8 million that represents a net increase attributed to the heritage area
- Counted one night of spending for non-primary overnight visitors
- This reduces impacts by about 25% compared to counting all visitor spending

Table 8. Economic Impact of 10,000 Heritage Area Visitors

Sector	Sales \$000's	Jobs	Income \$000's	Value Added \$000's
Motel, cabin, B&B	544	11	177	269
Restaurants & bars	419	12	143	199
Amusements	209	6	72	118
Local transportation	77	2	44	52
Retail Trade	226	6	115	180
Wholesale Trade	32	-	13	22
<u>Local Manf</u>	<u>27</u>	<u>-</u>	<u>2</u>	<u>4</u>
Total Direct Effects	1,534	37	566	844
<u>Secondary Effects</u>	<u>700</u>	<u>9</u>	<u>254</u>	<u>438</u>
Total Effects	\$ 2,234	47	\$ 820	\$ 1,282

Complications of Heritage Routes for a true “Impact Analysis”

- Local visitors- Spending not “new money” to area
- Tourists in the area for other reasons
 - Did they extend their stay or spend more money because of heritage routes
- How important is heritage route in generating trips to the area?
- Most businesses and attractions along the route already existed – Does heritage route designation or new marketing efforts increase sales, add jobs?
- Substitutions: Is heritage route diverting activity or spending from one place to another within the same region?

Determinants of Impacts

- Number & types of visitors attracted
 - overnight stays
- Spending opportunities
- Size and economic development of the region
- Local multiplier effects
 - Locally made goods, local services
 - Businesses buy local

Two County Economies

Pct of all Jobs, 2006

- **Leelanau – 8,654**
 - Education (21%), Construction (12%), Services (11%), Retail (10%), Restaurants (8%), Agric. (8%)
- **Grand Traverse – 63,935 jobs**
 - Medical (18%), Retail (15%), Services (12%), Education (10%), Constr (7%), Restaurants (6%), Manf (6%)

Tourism Activity (2006)

- Grand Traverse County
 - \$230 million tourism spending
 - Tourism 5% of all jobs
 - Tourism sales multiplier 1.44
- Leelanau County
 - \$60 million tourism spending
 - Tourism 10% of all jobs
 - Tourism Sales Multiplier 1.29

Marketing

- Identify target market segments
- Product development
- Agglomeration effects
- Promotional Activity
- Special Events

Example: Bike Events

- Michigander
 - 1,811 participants, 2+ day event
 - 500 room nights
 - Spending : \$289,000
- Midwest Tandem
 - 550 teams, 2 day events
 - 1,100 room nights
 - Spending : \$260,000

Economic Impacts of Recreation and Tourism Web Site

- **<http://web4.canr.msu.edu/mgm2/econ>**
 - **Concepts and Methods**
 - **Spending profiles**
 - **Economic impact bulletins**
 - **Reports in PDF format**
 - **Spreadsheet Models**
 - **Sample spending survey methods**