



The Economic Impact of the Spring/Summer 2016 Tourism Ad Campaign in Minnesota



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Headline results

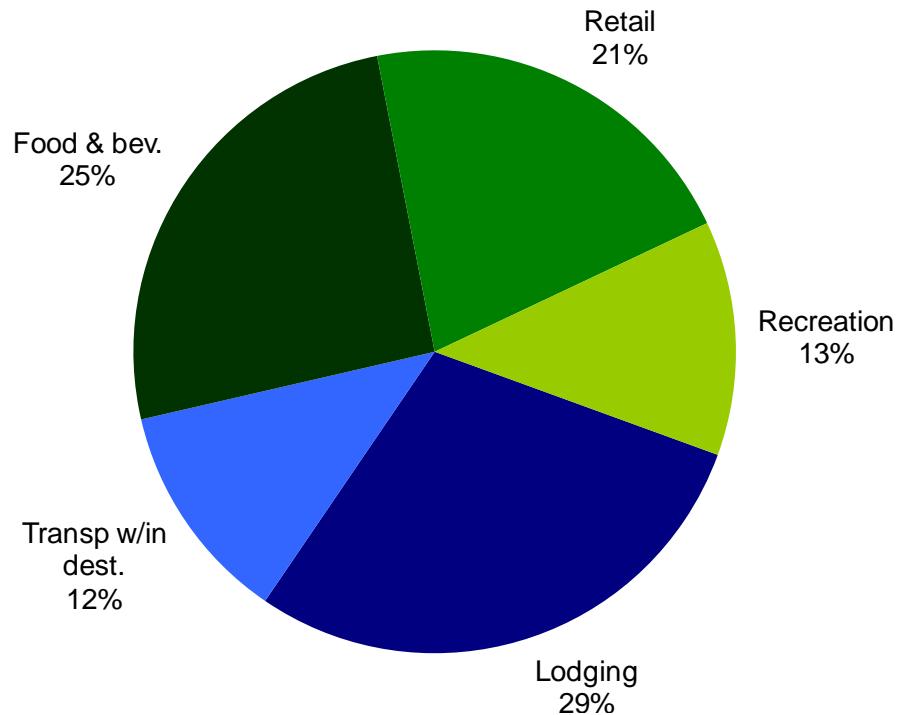
- The Spring/Summer 2016 Minnesota ad campaign generated 3.5 million trips to Minnesota, resulting in \$389 million in additional traveler spending.
- The additional spending directly supported 3,925 jobs earning \$103 million.
- Traveler spending generated from the ad campaign generated \$37.4 million in tax revenue for state and local governments.
- The \$389 million in additional traveler spending supported total business sales in Minnesota of \$645 million when the additional sales to suppliers (indirect) and purchases by workers (induced) effects are included.

Headline results

- The 2016 Spring/Summer Ad campaign supported \$645 million in total business sales across all industries in Minnesota.
- This spending supported nearly 5,550 jobs, with associated income of \$188 million.
- Including indirect and induced impacts, this ad campaign promoting Minnesota generated \$51.9 million in state and local taxes and \$47.6 million in Federal taxes.
- Travel-driven state and local tax proceeds of \$51.9 million helped offset the average household tax burden by \$24 per household. That is, were it not for the 2016 tourism ad campaign, Minnesota households would need to pay \$24 each in order to maintain the same level of government revenue.

Traveler spending by sector

Traveler Spending By Sector



Source: Longwoods International

- Of the incremental spending generated from the Spring/Summer Ad campaign, \$112.6 million was spent on lodging.
- \$100 million, 25% of the total, was spent on food and beverages.
- \$81.8 million from the incremental trips generated was spent at retailers.

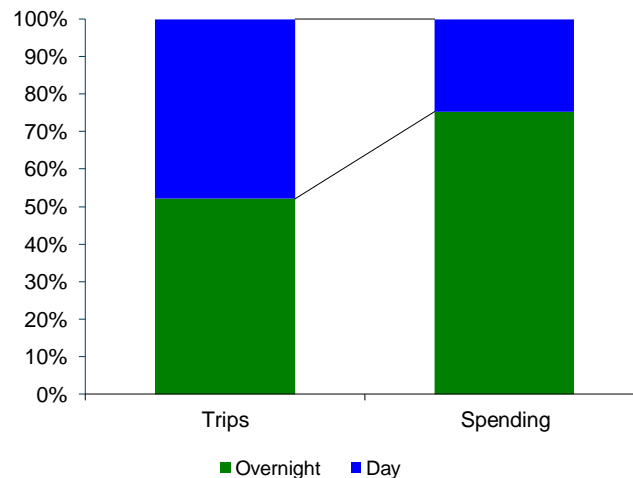
Overnight and day markets

- Of the more than 3.5 million incremental trips generated from this ad spend, 52% were overnight trips.
- Overnight trips generated \$292 million in spending, 75% of the total incremental spending.

Trips and Spend	
Ad-generated Spending Breakout	
Total Travelers	3,503,253
Overnight	1,825,933
Day	1,677,320
Total Spending	\$ 388,784,869
Overnight	\$ 292,653,914
Day	\$ 96,130,955
Per Traveler Spending	\$ 111
Overnight	\$ 160
Day	\$ 57

Ad-generated Spending Breakout

Share of Total



Spending Impacts



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Ad-generated travel sales

Tourism Sales				
(US\$ Million)				
	Direct	Indirect	Induced	Total
Agriculture, Fishing, Mining	-	1.4	0.8	2.2
Construction and Utilities	-	13.9	5.9	19.8
Manufacturing	-	13.5	7.7	21.2
Wholesale Trade	-	6.2	6.4	12.5
Air Transport	2.3	0.7	1.1	4.1
Other Transport	6.9	5.1	2.9	15.0
Retail Trade	81.8	2.1	9.9	93.8
Gasoline Stations	32.3	0.2	0.5	33.0
Communications	-	8.9	6.6	15.6
Finance, Insurance and Real Estate	-	23.4	40.7	64.1
Business Services	5.6	31.8	11.5	48.9
Education and Health Care	-	0.2	22.6	22.8
Recreation and Entertainment	45.0	2.1	2.3	49.4
Lodging	112.6	0.1	0.1	112.8
Food & Beverage	99.3	2.5	8.1	109.9
Personal Services	2.9	3.3	8.2	14.5
Government	-	3.7	2.1	5.8
TOTAL	388.8	119.0	137.5	645.4

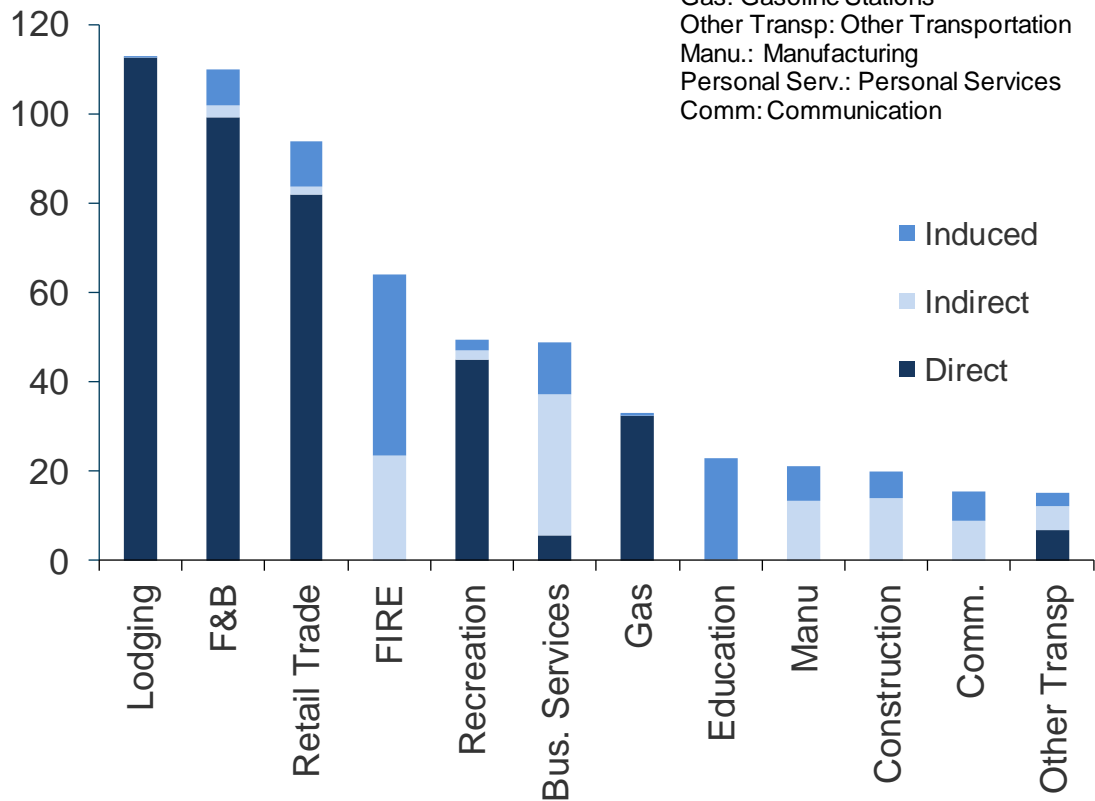
* Direct sales include cost of goods sold for retail sectors

Ad-generated travel sales

- The \$389 million direct spending generated from the incremental trips generated another \$256 million in sales in supplier industries.
- A total of \$645 million in business sales in Minnesota was generated from this ad campaign.

Tourism Sales by Industry

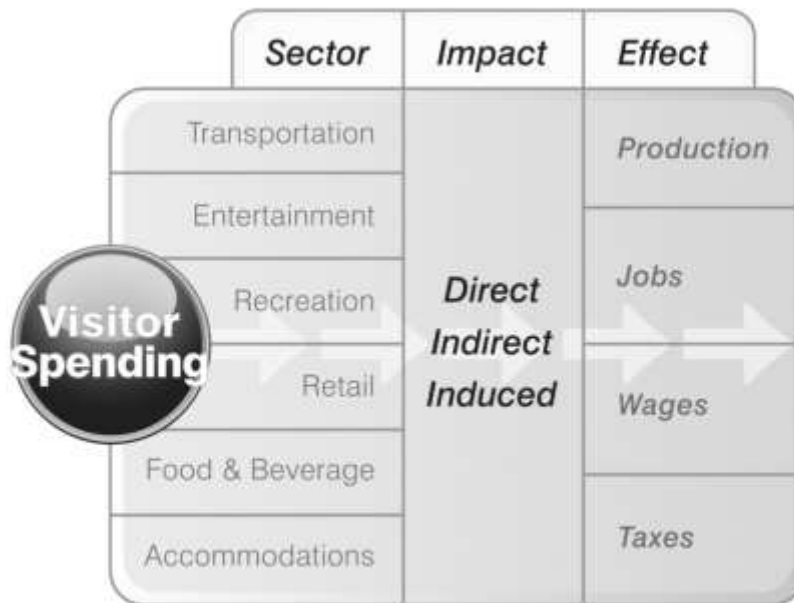
\$ million



F&B: Food and Beverage
 FIRE: Finance, Insurance, Real Estate
 Bus. Services: Business Services
 Gas: Gasoline Stations
 Other Transp: Other Transportation
 Manu.: Manufacturing
 Personal Serv.: Personal Services
 Comm: Communication

How spending generates impact

- Travelers create direct economic value within a discrete group of sectors (e.g. recreation, transportation). This supports a relative proportion of jobs, wages, taxes, and GDP within each sector.
- Each directly affected sector also purchases goods and services as inputs (e.g. food wholesalers, utilities) into production. These impacts are called indirect impacts.



- Lastly, the induced impact is generated when employees whose incomes are generated either directly or indirectly by travel, spend those incomes in the state economy.

Ad-generated travel GDP

Tourism GDP (Value Added)				
(US\$ Million)				
	Direct	Indirect	Induced	Total
Agriculture, Fishing, Mining	-	0.5	0.4	0.9
Construction and Utilities	-	5.4	2.3	7.8
Manufacturing	-	4.2	2.3	6.5
Wholesale Trade	-	3.9	4.0	7.9
Air Transport	0.9	0.3	0.4	1.6
Other Transport	3.6	2.6	1.4	7.6
Retail Trade	18.7	1.3	6.4	26.4
Gasoline Stations	2.4	0.1	0.3	2.8
Communications	-	4.5	3.3	7.8
Finance, Insurance and Real Estate	-	15.8	25.9	41.7
Business Services	3.3	20.1	7.4	30.8
Education and Health Care	-	0.1	14.5	14.6
Recreation and Entertainment	29.9	1.1	1.3	32.3
Lodging	71.6	0.1	0.0	71.7
Food & Beverage	52.0	1.4	4.7	58.2
Personal Services	1.5	2.2	3.7	7.3
Government	-	2.2	0.8	3.0
TOTAL	183.9	65.8	79.3	329.0

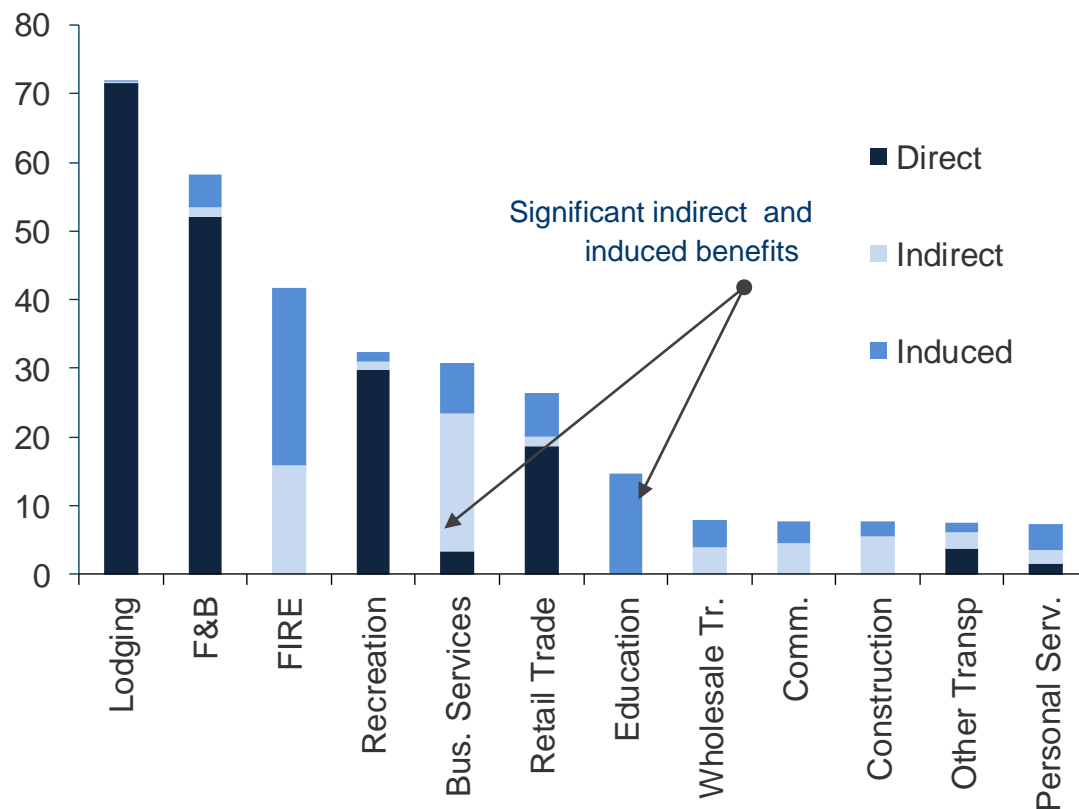
- The Spring/Summer 2016 Tourism Ad campaign contributed \$329 million to total state GDP.

Ad-generated travel GDP

- With higher spending on lodging and F&B, GDP levels in those industries also rose.
- While GDP in all sectors rose as a result of the increased spending, Finance, Insurance and Real Estate and Business Services', as suppliers to the travel industry, GDP increased as much and even more than sectors directly benefitting from traveler activity.

Tourism GDP by Industry

\$ million



Ad-generated travel employment

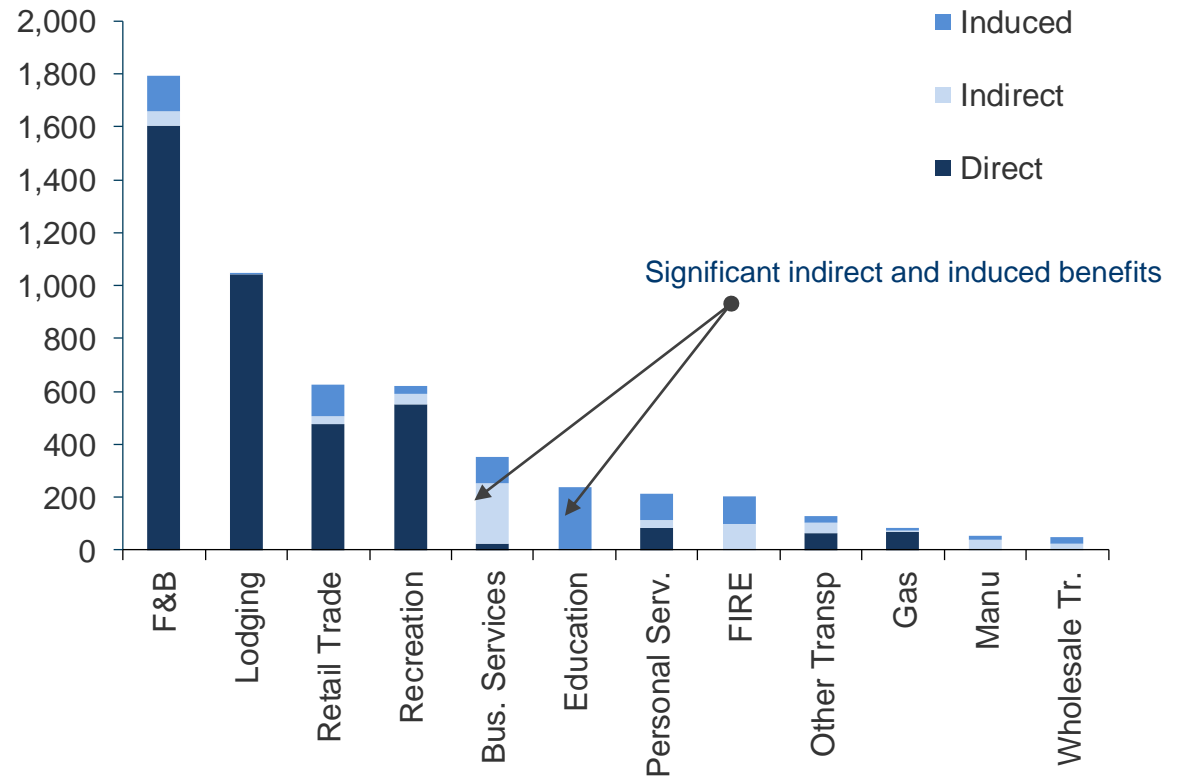
Tourism Employment				
	Direct	Indirect	Induced	Total
Agriculture, Fishing, Mining	-	8	5	13
Construction and Utilities	-	29	15	44
Manufacturing	-	37	16	53
Wholesale Trade	-	25	26	50
Air Transport	6	2	3	11
Other Transport	64	40	23	127
Retail Trade	479	27	119	625
Gasoline Stations	71	3	9	82
Communications	-	25	14	40
Finance, Insurance and Real Estate	-	100	102	202
Business Services	24	229	98	352
Education and Health Care	-	4	231	236
Recreation and Entertainment	551	37	32	620
Lodging	1,043	1	1	1,044
Food & Beverage	1,606	52	134	1,792
Personal Services	82	32	101	215
Government	-	26	11	37
TOTAL	3,925	678	940	5,543

- The tourism ad campaign directly and indirectly supported 5,543 jobs in Minnesota.

Ad-generated travel employment

- Tourism is an employment intensive industry and sectors in the industry are the biggest beneficiaries of that job support.
- Secondary benefits are realized across the entire economy through the supply chain and incomes as they are spent.

Tourism Employment by Industry



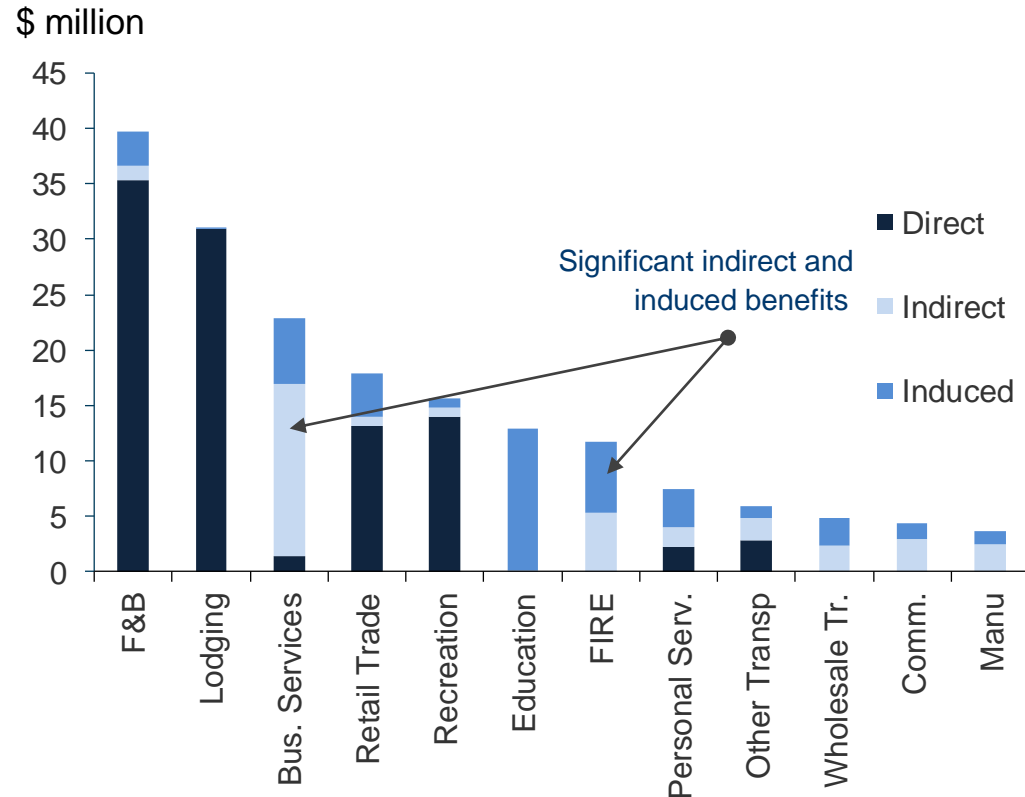
Ad-generated travel personal income

Tourism Labor Income (Compensation)				
(US\$ Million)				
	Direct	Indirect	Induced	Total
Agriculture, Fishing, Mining	-	0.4	0.2	0.6
Construction and Utilities	-	2.5	1.2	3.6
Manufacturing	-	2.5	1.2	3.7
Wholesale Trade	-	2.4	2.4	4.8
Air Transport	0.6	0.2	0.3	1.0
Other Transport	2.9	2.0	1.1	5.9
Retail Trade	13.1	0.9	3.9	17.9
Gasoline Stations	2.1	0.1	0.3	2.4
Communications	-	3.0	1.4	4.4
Finance, Insurance and Real Estate	-	5.4	6.3	11.7
Business Services	1.5	15.5	5.9	22.9
Education and Health Care	-	0.1	12.8	12.9
Recreation and Entertainment	14.0	0.9	0.8	15.6
Lodging	30.9	0.0	0.0	31.0
Food & Beverage	35.3	1.3	3.1	39.7
Personal Services	2.3	1.8	3.4	7.5
Government	-	2.0	0.7	2.7
TOTAL	102.6	40.6	44.9	188.2

Ad-generated travel personal income

- The increase in spending from the incremental trips in the lodging industry supported \$31 million in wages and benefits to lodging employees.
- The larger employment numbers in F&B support significant labor income in those industries.

Tourism Labor Income by Industry



Ad-generated travel taxes

- Taxes of \$99.4 million were directly and indirectly generated by this ad campaign in 2016.
- State and local taxes alone tallied \$51.9 million.
- Of that \$51.9 million, \$37.4 million came directly from the traveler activities, including spending at restaurants and hotels along with the taxes paid by those establishments.

All Traveler Generated Taxes			
(US\$ Million)			
Tax Type	Direct	Indirect/ Induced	Total
Federal	26.96	20.59	47.56
Personal Income	7.49	6.27	13.77
Corporate	2.90	3.81	6.71
Indirect business	5.08	1.28	6.36
Social Security	11.49	9.23	20.72
State and Local	37.35	14.53	51.88
Sales	19.51	5.07	24.58
Bed Tax	2.31	-	2.31
Personal Income	2.95	2.47	5.41
Corporate	0.55	0.72	1.28
Social Security	0.19	0.15	0.33
Excise and Fees	3.34	1.89	5.23
Property	8.50	4.23	12.73
TOTAL	64.32	35.12	99.43

Tax values show the income received by Federal and State/Local governments that stem from this activity. The tax values include any and all taxes, fees and other revenue streams received by governmental authorities.

Ad-generated travel taxes – non-federal breakout

Traveler Generated Taxes - State and Local Government Revenues			
(US\$ Million)			
Tax Type	Direct	Indirect/ Induced	Total
State Tax Subtotal	<u>23.94</u>	<u>9.37</u>	<u>33.31</u>
Corporate	0.55	0.72	1.28
Personal Income	2.95	2.47	5.41
Sales	18.87	4.90	23.77
Lodging	0.00	0.00	0.00
Property	0.83	0.41	1.25
Excise and Fees	0.55	0.72	1.27
State Unemployment	0.19	0.15	0.33
Local Tax Subtotal	<u>13.42</u>	<u>5.15</u>	<u>18.57</u>
Corporate	0.00	0.00	0.00
Personal Income	0.00	0.00	0.00
Sales	0.65	0.17	0.81
Lodging	2.31	0.00	2.31
Property	7.67	3.81	11.48
Excise and Fees	2.79	1.17	3.96
State Unemployment	0.00	0.00	0.00

- Of the \$51.9 million in state and local tax receipts, the state received \$33.3 million, or 64%.
- State government received \$23.8 million alone from sales tax receipts from the incremental trips generated by the ad spend.
- Local governments received \$18.6 million in additional tax receipts from trips generated by this ad spending.
- Property taxes, excise taxes and fees, and lodging taxes provided the majority of the local tax receipts.

METHODOLOGY AND BACKGROUND

Definitions and terms

- A traveler includes all overnight and day travelers - traveling outside of their usual environment, defined as beyond 50 miles
- The analysis measures the economic impact of travelers to the State of Minnesota, including:
 - Day trips and overnight travelers

Quantifying the travel and tourism economy

- Most economic sectors such as financial services, insurance, or construction are easily defined within a country's national accounts statistics.
- Travel is not so easily measured because it is not a single industry. It is a demand-side activity which affects multiple sectors to various degrees.
- Travel spans nearly a dozen sectors including lodging, retail, real estate, air passenger transport, food & beverage, car rental, taxi services, travel agents, and recreation (including museums, theme parks, sports events and others).

Methods and data sources

- Domestic traveler expenditure estimates are provided by Longwoods International's representative survey of US travelers. These are broken out by sectors (lodging, transport at destination, food & beverage, retail, and recreation), by purpose (business and leisure), and by length of stay (day and overnight).
- Tourism Economics (TE) then adds and cross-checks several categories of spending:
 - Overseas traveler spending (source: OTTI, TE)
 - Canada traveler spending (source: Statistics Canada, TE)
 - Spending on air travel which accrues to MN airports and locally-based airlines
 - Gasoline purchases by travelers (source: TE calculation)
 - Recreational second home expenditures (source: US Census)
 - Smith Travel Research (lodging performance)
 - Local level lodging tax data
 - Sales tax by industry (MN Department of Revenue)
 - Industry-by-industry employment and personal income (Bureau of Economic Analysis and Bureau of Labor Statistics)

Methods and data sources

- An IMPLAN model was utilized for the state of Minnesota. This traces the flow of traveler-related expenditures through the local economy and their effects on employment, wages, and taxes. IMPLAN also quantifies the indirect (supplier) and induced (income) impacts of travel.
- Tourism Economics then cross-checks these findings with employment and wage data for each sector to ensure the findings are within reasonable ranges.
- The source of the employment and wage data is the Regional Economic Information System (REIS), Bureau of Economic Analysis, U.S. Department of Commerce. This is more comprehensive than Bureau of Labor Statistics (ES202/QCEW) data. The main definitional difference is that sole-proprietors, which do not require unemployment insurance, are not counted in the ES202 data.

Description of spending categories

Spend Category	Description
Lodging	Includes traveler spending in accommodation sector. This includes food and other services provided by hotels and similar establishments.
Recreation	Includes traveler spending within the arts, entertainment and recreation supersector.
Air transport	Includes the local economic activity generated by travelers within the air transport (airline) and support services (on airport) sectors.
Other transport	Includes all forms of local transport services such as taxis, limos, trains, rental cars, and buses.
Shopping	Includes traveler spending within all retail sectors within the Minnesota economy.
Service stations	Traveler spending on gasoline. Only the margin counts as local economic impact.
Second homes	Spending associated with the operation of seasonal second homes for recreational use as defined by the Census Department. This is based on an “imputed rent” calculation over an estimated peak season.
Food and beverage	Includes all traveler spending at restaurants and bars.



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