



The Economic Impact of the Spring/Summer 2014 Tourism Ad Campaign in Minnesota



January 2015



TOURISM
ECONOMICS

AN OXFORD ECONOMICS COMPANY

Headline results

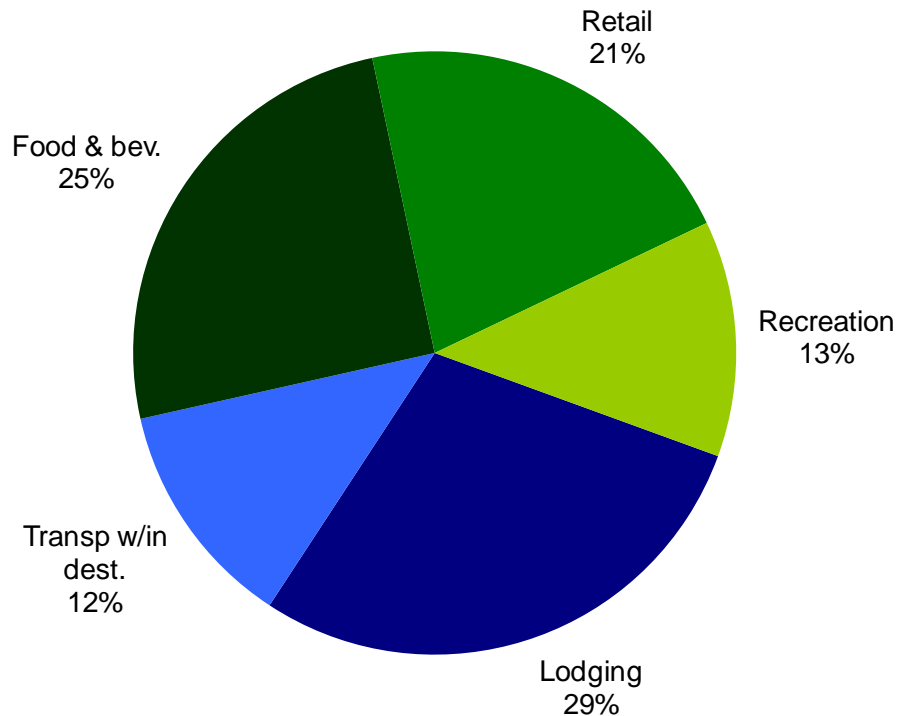
- The Spring/Summer 2014 Minnesota ad campaign generated 3.1 million trips to Minnesota, resulting in \$320 million in additional traveler spending.
- The additional spending directly supported nearly 3,550 jobs earning \$80 million.
- Traveler spending generated from the ad campaign generated \$29.7 million in tax revenue for state and local governments.
- The \$320 million in additional traveler spending supported total business sales in Minnesota of \$540 million when the additional sales to suppliers (indirect) and purchases by workers (induced) effects are included.

Headline results

- The 2014 Spring/Summer Ad campaign supported \$540 million in total business sales across all industries in Minnesota.
- This spending supported 5,135 jobs, with associated income of \$156 million.
- Including indirect and induced impacts, this ad campaign promoting Minnesota generated \$42.4 million in state and local taxes and \$38.2 million in Federal taxes.
- Travel-driven state and local tax proceeds of \$42.4 million helped offset the average household tax burden by \$20 per household. That is, were it not for the 2014 tourism ad campaign, Minnesota households would need to pay \$20 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, \$91.8 million was spent on lodging.
- \$80.6 million, 25% of the total, was spent on food and beverages.
- \$68.0 million from the incremental trips generated was spent at retailers.

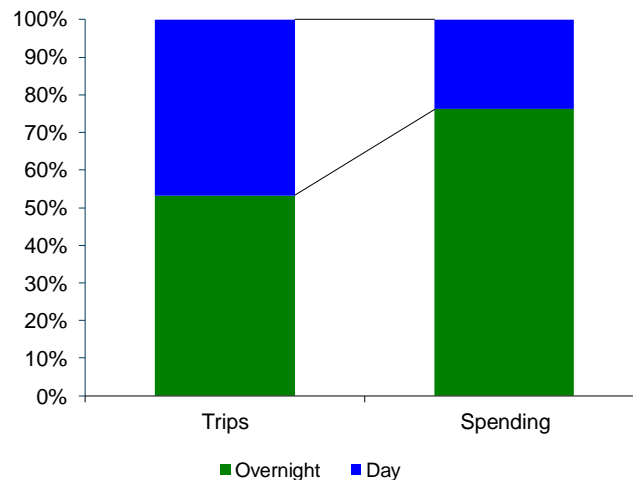
Overnight and day markets

- Of the nearly 3.1 million incremental trips generated from this ad spend, 53% were overnight trips.
- Overnight trips generated \$244 million in spending, 76% of the total incremental spending.

| Trips and Spend | |
|---------------------------------------|-----------------------|
| Ad-generated Spending Breakout | |
| Total Travelers | 3,125,000 |
| Overnight | 1,664,000 |
| Day | 1,461,000 |
| Total Spending | \$ 320,154,000 |
| Overnight | \$ 243,858,000 |
| Day | \$ 76,296,000 |
| Per Traveler Spending | \$ 102 |
| Overnight | \$ 147 |
| Day | \$ 52 |

Ad-generated Spending Breakout

Share of Total



Spending Impacts



TOURISM
ECONOMICS

AN OXFORD ECONOMICS COMPANY

Ad-generated travel sales

| Ad-Generated Travel Sales | | | | |
|------------------------------------|---------------|-----------------|----------------|--------------|
| (US\$ Million) | | | | |
| | Direct | Indirect | Induced | Total |
| Agriculture, Fishing, Mining | - | 0.9 | 0.8 | 1.7 |
| Construction and Utilities | - | 8.4 | 3.2 | 11.5 |
| Manufacturing | - | 12.0 | 8.3 | 20.3 |
| Wholesale Trade | - | 2.8 | 4.7 | 7.5 |
| Air Transport | 2.9 | 0.5 | 0.8 | 4.2 |
| Other Transport | 6.9 | 3.6 | 1.9 | 12.3 |
| Retail Trade | 68.0 | 0.4 | 8.6 | 76.9 |
| Gasoline Stations | 25.5 | 0.0 | 0.6 | 26.1 |
| Communications | - | 8.5 | 4.3 | 12.9 |
| Finance, Insurance and Real Estate | 3.9 | 24.7 | 38.7 | 67.3 |
| Business Services | 0.8 | 26.9 | 8.8 | 36.5 |
| Education and Health Care | - | 0.2 | 21.2 | 21.4 |
| Recreation and Entertainment | 37.3 | 1.4 | 1.6 | 40.2 |
| Lodging | 91.8 | 0.1 | 0.1 | 91.9 |
| Food & Beverage | 80.6 | 3.6 | 7.1 | 91.3 |
| Personal Services | 2.4 | 3.2 | 5.7 | 11.3 |
| Government | - | 4.1 | 2.3 | 6.4 |
| TOTAL | 320.2 | 101.1 | 118.5 | 539.8 |

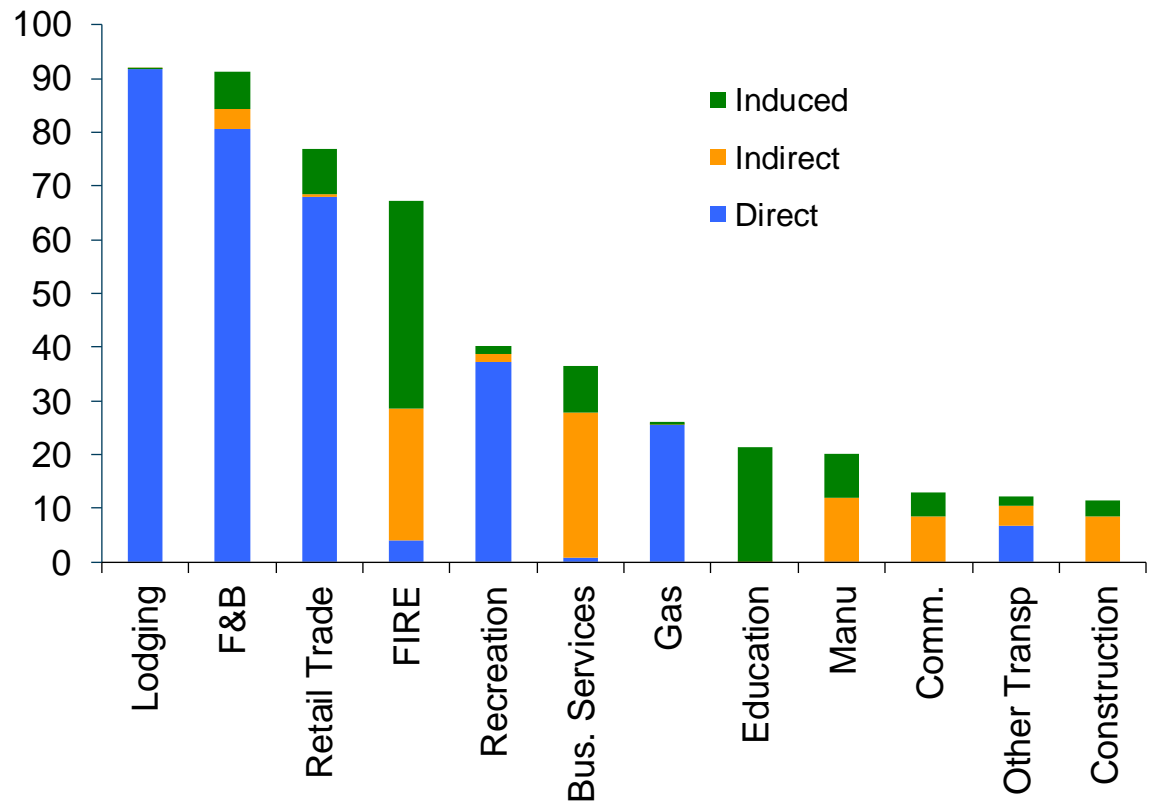
* Direct sales include cost of goods sold for retail sectors

Ad-generated travel sales

- The \$320 million direct spending generated from the incremental trips generated another \$220 million in sales in supplier industries.
- A total of \$540 million in business sales in Minnesota were generated from this ad campaign.

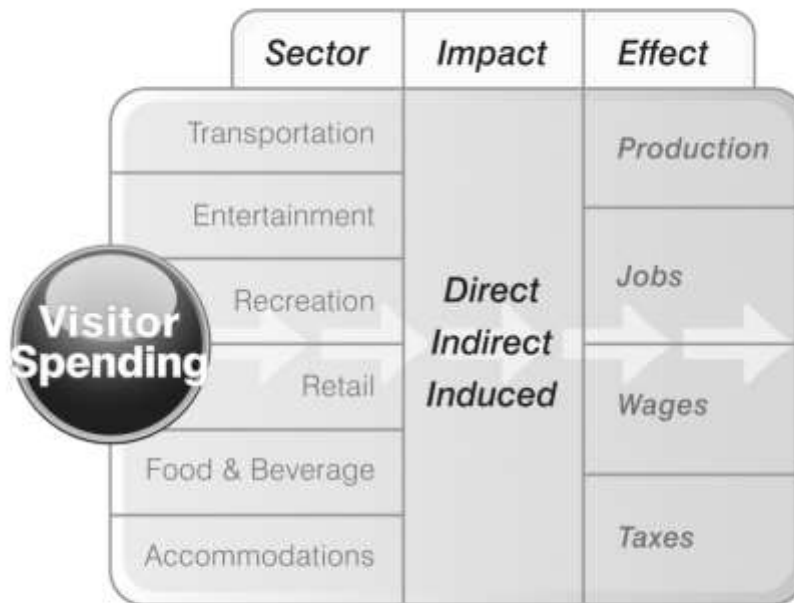
Ad-Generated Travel Sales

By Industry, \$ million



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

| Ad-Generated Travel GDP (Value Added) | | | | |
|----------------------------------------------|---------------|-----------------|----------------|--------------|
| (US\$ Million) | | | | |
| | Direct | Indirect | Induced | Total |
| Agriculture, Fishing, Mining | - | 0.4 | 0.3 | 0.7 |
| Construction and Utilities | - | 6.1 | 2.3 | 8.4 |
| Manufacturing | - | 3.5 | 2.1 | 5.6 |
| Wholesale Trade | - | 2.4 | 4.2 | 6.6 |
| Air Transport | 1.4 | 0.2 | 0.4 | 2.0 |
| Other Transport | 4.4 | 2.2 | 1.1 | 7.8 |
| Retail Trade | 15.7 | 0.3 | 5.7 | 21.7 |
| Gasoline Stations | 2.8 | 0.0 | 0.4 | 3.3 |
| Communications | - | 4.2 | 2.4 | 6.6 |
| Finance, Insurance and Real Estate | 2.5 | 16.9 | 27.6 | 46.9 |
| Business Services | 0.5 | 18.3 | 6.1 | 24.9 |
| Education and Health Care | - | 0.1 | 12.7 | 12.7 |
| Recreation and Entertainment | 21.4 | 0.7 | 0.9 | 22.9 |
| Lodging | 45.1 | 0.0 | 0.0 | 45.1 |
| Food & Beverage | 36.9 | 1.8 | 4.0 | 42.7 |
| Personal Services | 1.4 | 1.9 | 2.7 | 6.0 |
| Government | - | 2.5 | 0.8 | 3.2 |
| TOTAL | 132.0 | 61.5 | 73.7 | 267.2 |

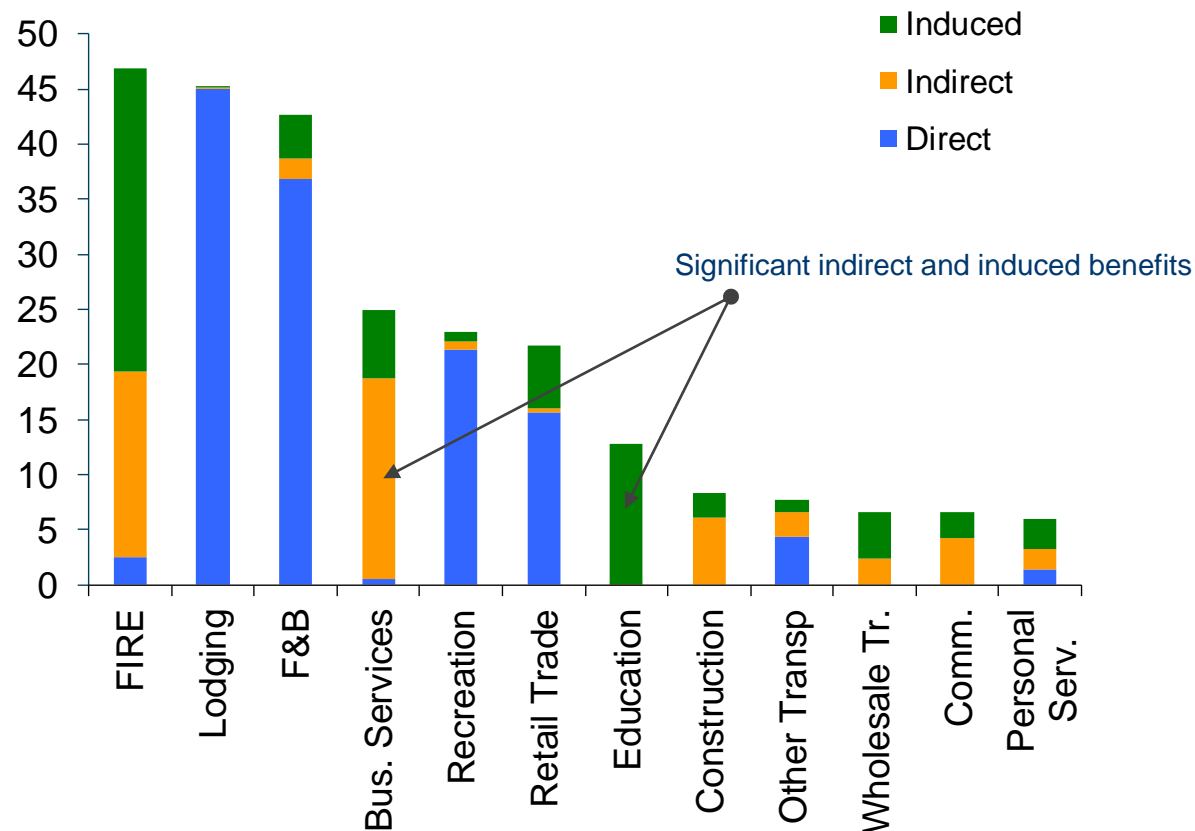
- The Spring/Summer 2014 Tourism Ad campaign contributed \$267 million to total state GDP.

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.

Ad-Generated Travel GDP

By Industry, \$ million



Ad-generated travel employment

| Ad-Generated Travel Employment | | | | |
|-------------------------------------------|---------------|-----------------|----------------|--------------|
| | Direct | Indirect | Induced | Total |
| Agriculture, Fishing, Mining | - | 5 | 4 | 9 |
| Construction and Utilities | - | 30 | 11 | 41 |
| Manufacturing | - | 34 | 16 | 50 |
| Wholesale Trade | - | 15 | 26 | 42 |
| Air Transport | 9 | 1 | 2 | 12 |
| Other Transport | 76 | 36 | 19 | 132 |
| Retail Trade | 441 | 6 | 136 | 583 |
| Gasoline Stations | 61 | 1 | 9 | 71 |
| Communications | - | 34 | 14 | 48 |
| Finance, Insurance and Real Estate | 13 | 110 | 131 | 254 |
| Business Services | 5 | 237 | 82 | 323 |
| Education and Health Care | - | 2 | 221 | 223 |
| Recreation and Entertainment | 656 | 32 | 31 | 719 |
| Lodging | 963 | 1 | 1 | 965 |
| Food & Beverage | 1,282 | 64 | 125 | 1,472 |
| Personal Services | 38 | 36 | 78 | 151 |
| Government | - | 29 | 11 | 40 |
| TOTAL | 3,544 | 673 | 918 | 5,135 |

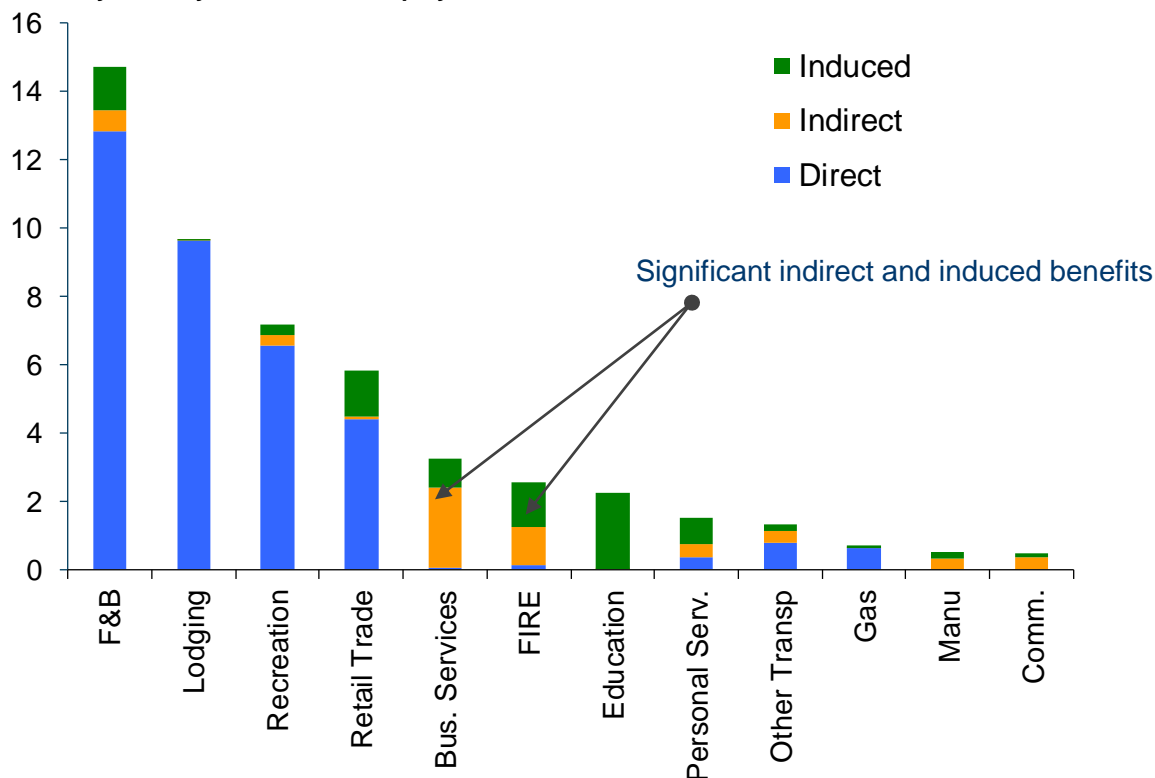
- The tourism ad campaign directly and indirectly supported 5,135 jobs in Minnesota.

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.

Ad-Generated Travel Employment

By Industry, Hundreds of Employees



Ad-generated travel personal income

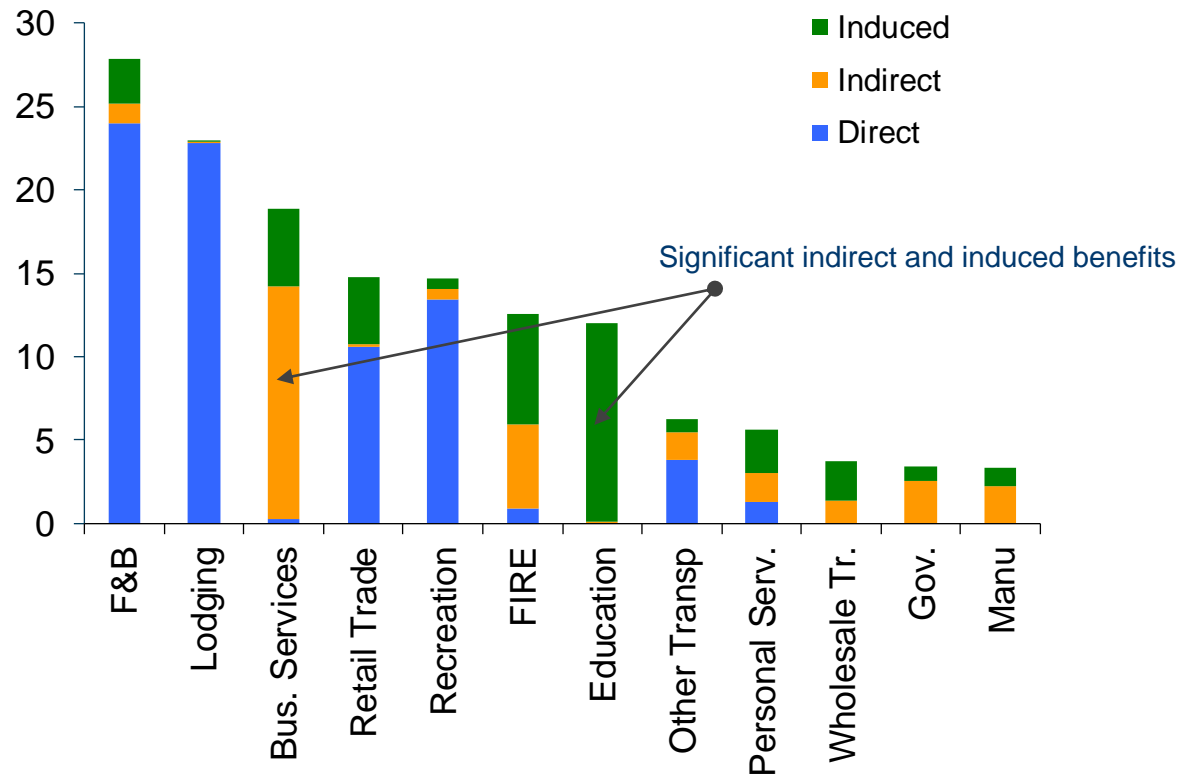
| Ad-Generated Travel Labor Income (Compensation) | | | | |
|--------------------------------------------------------|---------------|-----------------|----------------|--------------|
| (US\$ Million) | | | | |
| | Direct | Indirect | Induced | Total |
| Agriculture, Fishing, Mining | - | 0.2 | 0.2 | 0.4 |
| Construction and Utilities | - | 2.4 | 0.9 | 3.2 |
| Manufacturing | - | 2.2 | 1.1 | 3.3 |
| Wholesale Trade | - | 1.4 | 2.4 | 3.7 |
| Air Transport | 0.8 | 0.1 | 0.2 | 1.1 |
| Other Transport | 3.8 | 1.6 | 0.9 | 6.3 |
| Retail Trade | 10.6 | 0.2 | 4.0 | 14.8 |
| Gasoline Stations | 1.7 | 0.0 | 0.2 | 1.9 |
| Communications | - | 2.0 | 0.9 | 3.0 |
| Finance, Insurance and Real Estate | 0.9 | 5.1 | 6.6 | 12.6 |
| Business Services | 0.3 | 13.9 | 4.7 | 18.9 |
| Education and Health Care | - | 0.1 | 11.9 | 12.0 |
| Recreation and Entertainment | 13.4 | 0.6 | 0.6 | 14.7 |
| Lodging | 22.8 | 0.0 | 0.0 | 22.9 |
| Food & Beverage | 24.0 | 1.2 | 2.6 | 27.9 |
| Personal Services | 1.3 | 1.7 | 2.6 | 5.6 |
| Government | - | 2.6 | 0.9 | 3.4 |
| TOTAL | 79.6 | 35.3 | 40.8 | 155.7 |

Ad-generated travel personal income

- The increase in spending from the incremental trips in the lodging industry supported nearly \$23 million in wages and benefits to lodging employees.
- The larger employment numbers in F&B support significant labor income in those industries.

Ad-Generated Travel Labor Income

By Industry, \$ million



Ad-generated travel taxes

| All Traveler Generated Taxes | | | |
|---------------------------------------|---------------|------------------------------|--------------|
| (US\$ Million) | | | |
| Tax Type | Direct | Indirect/ Induced | Total |
| Federal Taxes Subtotal | <u>19.6</u> | <u>18.7</u> | <u>38.2</u> |
| Corporate | 2.3 | 3.4 | 5.7 |
| Indirect Business | 3.0 | 1.7 | 4.7 |
| Personal Income | 5.2 | 5.0 | 10.2 |
| Social Security | 9.1 | 8.6 | 17.7 |
| State and Local Taxes Subtotal | <u>29.7</u> | <u>12.7</u> | <u>42.4</u> |
| Corporate | 0.4 | 0.6 | 0.9 |
| Personal Income | 2.1 | 2.1 | 4.2 |
| Sales | 15.7 | 4.5 | 20.1 |
| Lodging | 1.9 | 0.0 | 1.9 |
| Property | 6.6 | 3.7 | 10.4 |
| Excise and Fees | 2.8 | 1.8 | 4.6 |
| State Unemployment | 0.2 | 0.1 | 0.3 |
| TOTAL | 49.3 | 31.4 | 80.6 |

- Taxes of \$80.6 million were directly and indirectly generated by this ad campaign in 2014.
- State and local taxes alone tallied \$42.4 million.
- Of that \$42.4 million, \$29.7 million came directly from the traveler activities, including spending at restaurants and hotels along with the taxes paid by those establishments.

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>19.0</u> | <u>8.2</u> | <u>27.2</u> |
| Corporate | 0.4 | 0.6 | 0.9 |
| Personal Income | 2.1 | 2.1 | 4.2 |
| Sales | 15.2 | 4.3 | 19.5 |
| Lodging | 0.0 | 0.0 | 0.0 |
| Property | 0.7 | 0.4 | 1.1 |
| Excise and Fees | 0.5 | 0.7 | 1.1 |
| State Unemployment | 0.2 | 0.1 | 0.3 |
| Local Tax Subtotal | <u>10.7</u> | <u>4.6</u> | <u>15.3</u> |
| Corporate | 0.0 | 0.0 | 0.0 |
| Personal Income | 0.0 | 0.0 | 0.0 |
| Sales | 0.5 | 0.1 | 0.6 |
| Lodging | 1.9 | 0.0 | 1.9 |
| Property | 5.9 | 3.4 | 9.3 |
| Excise and Fees | 2.3 | 1.1 | 3.4 |
| State Unemployment | 0.0 | 0.0 | 0.0 |

- Of the \$42.4 million in state and local tax receipts, the state received \$27.2 million, or 64%.
- State government received \$19.5 million alone from sales tax receipts from the incremental trips generated by the ad spend.
- Local governments received \$15.3 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. |



TOURISM ECONOMICS

AN OXFORD ECONOMICS COMPANY

For more information:

info@tourismeconomics.com