



# The Economic Impact of the Spring/Summer 2018 Tourism Ad Campaign in Minnesota

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November 2018



# Headline results

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- The Spring/Summer 2018 Minnesota ad campaign generated 3.5 million trips to Minnesota, resulting in \$416 million in additional traveler spending.
- The additional spending directly supported 4,250 jobs earning \$110 million.
- Traveler spending generated from the ad campaign generated \$40.8 million in tax revenue for state and local governments.
- The \$416 million in additional traveler spending supported total business sales in Minnesota of \$685 million when the additional sales to suppliers (indirect) and purchases by workers (induced) effects are included.

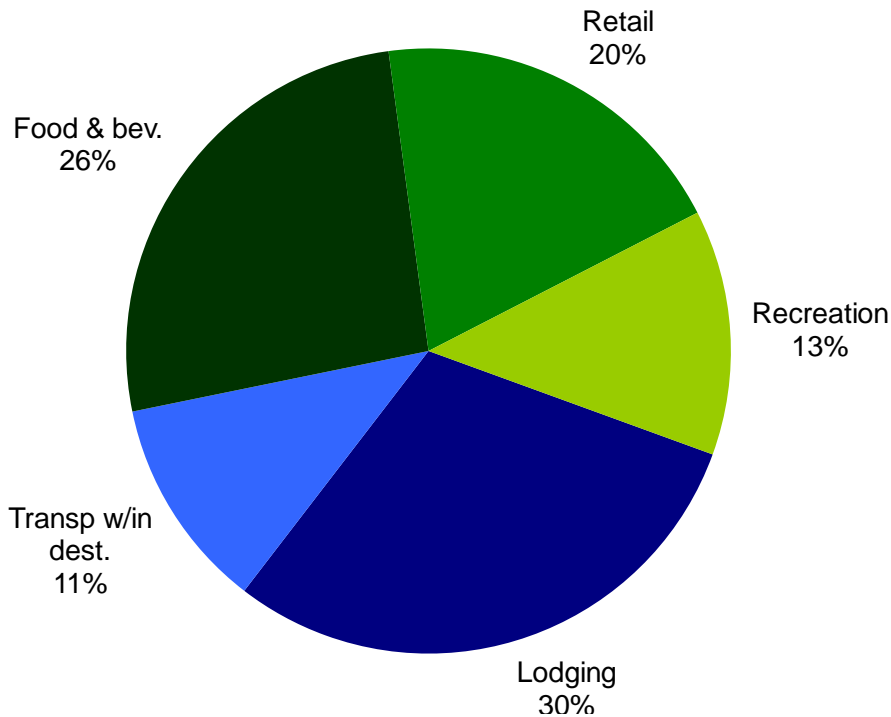
# Headline results

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- The 2018 Spring/Summer Ad campaign supported \$685 million in total business sales across all industries in Minnesota.
- This spending supported 6,013 jobs, with associated income of \$204 million.
- Including indirect and induced impacts, this ad campaign promoting Minnesota generated \$55.6 million in state and local taxes and \$50.2 million in Federal taxes.
- Travel-driven state and local tax proceeds of \$55.6 million helped offset the average household tax burden by \$24 per household. That is, were it not for the 2018 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, \$124 million was spent on lodging.
- \$108 million, 26% of the total, was spent on food and beverages.
- \$81.3 million from the incremental trips generated was spent at retailers.

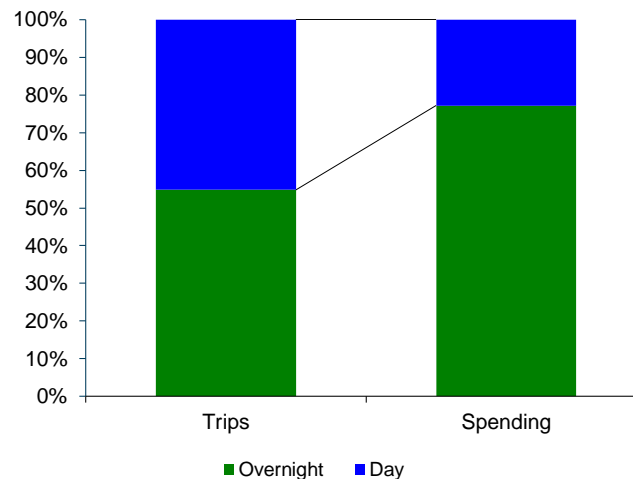
# Overnight and day markets

- Of the 3.5 million incremental trips generated from this ad spend, 55% were overnight trips.
- Overnight trips generated \$320.7 million in spending, 77% of the total incremental spending.

<b>Trips and Spend</b>	
<b>Ad-generated Spending Breakout</b>	
<b>Total Travelers</b>	<b>3,487,739</b>
Overnight	1,913,439
Day	1,574,300
<b>Total Spending</b>	<b>\$ 415,515,723</b>
Overnight	\$ 320,679,211
Day	\$ 94,836,512
<b>Per Traveler Spending</b>	<b>\$ 119</b>
Overnight	\$ 168
Day	\$ 60

## Ad-generated Spending Breakout

Share of Total



# Spending Impacts



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## Business sales impacts (1 of 2)

Visitors influenced by Minnesota's ad campaign spent \$415 million in 2018. This supported a total of \$685 million in business sales when indirect and induced impacts are considered.

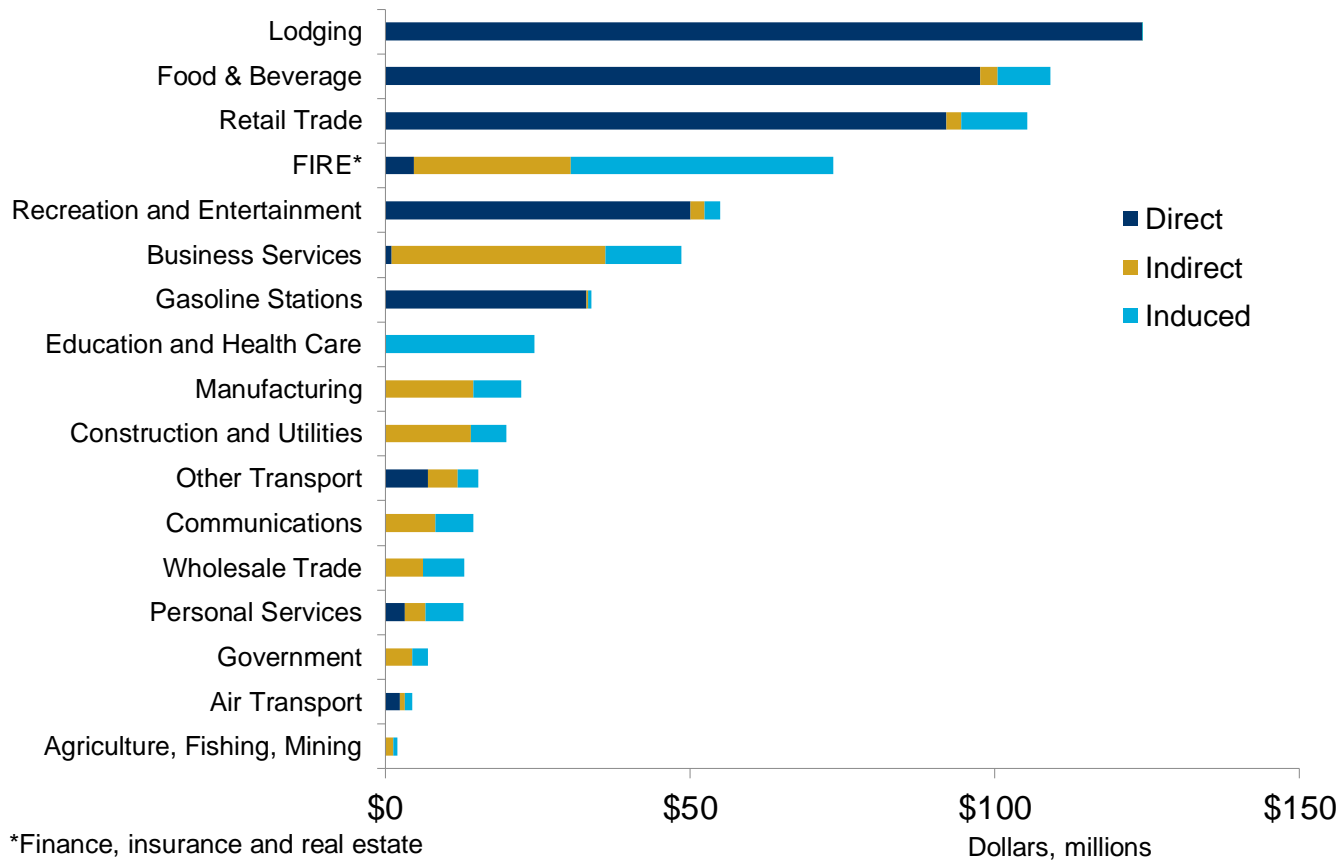
### Business sales impacts, 2018 (US\$ Millions)

	Direct	Indirect	Induced	Total
Agriculture, Fishing, Mining	-	1.3	0.8	2.0
Construction and Utilities	-	14.1	5.8	19.9
Manufacturing	-	14.4	8.0	22.4
Wholesale Trade	-	6.3	6.7	13.0
Air Transport	2.4	0.8	1.3	4.4
Other Transport	7.1	4.9	3.3	15.2
Retail Trade	92.1	2.3	10.9	105.4
Gasoline Stations	33.0	0.2	0.6	33.8
Communications	-	8.2	6.3	14.5
Finance, Insurance and Real Estate	4.7	25.7	43.0	73.5
Business Services	1.1	35.0	12.5	48.7
Education and Health Care	-	0.2	24.3	24.4
Recreation and Entertainment	50.1	2.3	2.5	54.9
Lodging	124.1	0.1	0.1	124.3
Food & Beverage	97.6	2.9	8.7	109.2
Personal Services	3.3	3.4	6.1	12.8
Government	-	4.5	2.6	7.1
<b>TOTAL</b>	<b>415.5</b>	<b>126.4</b>	<b>143.6</b>	<b>685.5</b>

## Business sales impacts (2 of 2)

While the majority of sales are in industries directly serving visitors, \$35 million in business sales is happening in finance, insurance and real estate as a result of selling to tourism businesses.

### Business sales impacts, 2018

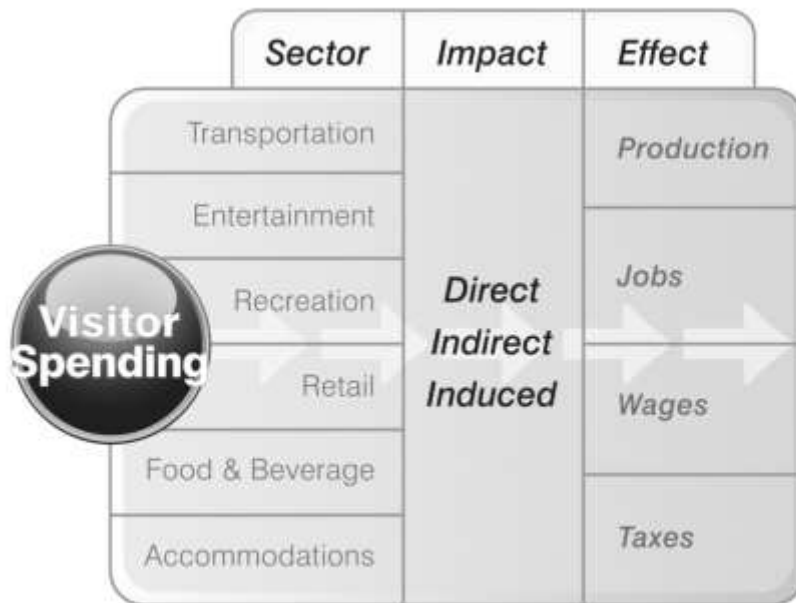


Source: Tourism Economics



# 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.

## GDP (Value Added) impacts (1 of 2)

Travel generated \$342 million in state GDP in 2018. This excludes all import leakages to arrive at the economic value generated by travel.

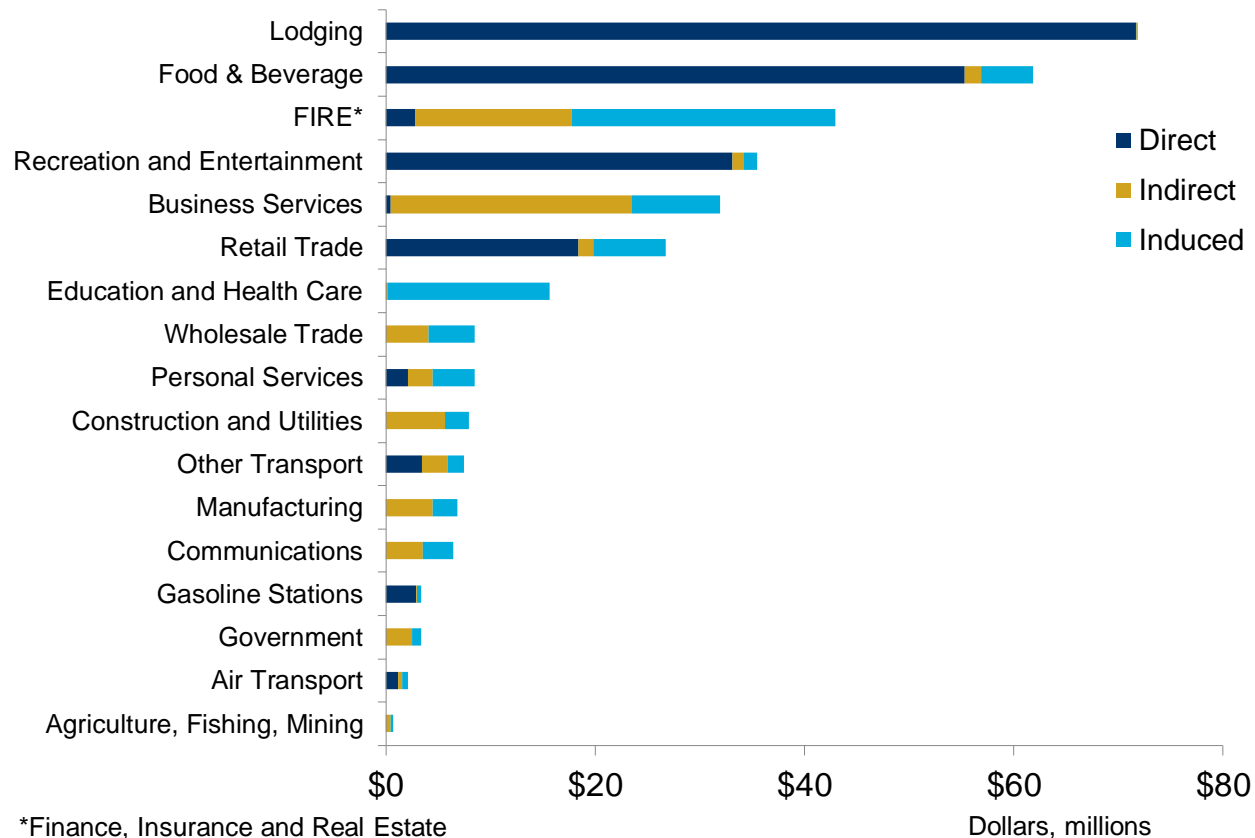
<b>GDP impacts, 2018 (US\$ Millions)</b>				
	<b>Direct</b>	<b>Indirect</b>	<b>Induced</b>	<b>Total</b>
<b>Agriculture, Fishing, Mining</b>	-	0.4	0.3	0.7
<b>Construction and Utilities</b>	-	5.6	2.4	8.0
<b>Manufacturing</b>	-	4.5	2.3	6.8
<b>Wholesale Trade</b>	-	4.1	4.4	8.5
<b>Air Transport</b>	1.1	0.4	0.6	2.1
<b>Other Transport</b>	3.4	2.4	1.6	7.5
<b>Retail Trade</b>	18.4	1.5	6.9	26.8
<b>Gasoline Stations</b>	2.9	0.1	0.4	3.4
<b>Communications</b>	-	3.5	3.0	6.5
<b>Finance, Insurance and Real Estate</b>	2.8	15.0	25.2	43.0
<b>Business Services</b>	0.5	23.1	8.4	32.0
<b>Education and Health Care</b>	-	0.1	15.5	15.6
<b>Recreation and Entertainment</b>	33.1	1.1	1.3	35.5
<b>Lodging</b>	71.7	0.1	0.0	71.8
<b>Food &amp; Beverage</b>	55.4	1.5	5.0	61.9
<b>Personal Services</b>	2.1	2.4	4.0	8.5
<b>Government</b>	-	2.5	0.9	3.4
<b>TOTAL</b>	<b>191.4</b>	<b>68.2</b>	<b>82.1</b>	<b>341.8</b>

Source: Tourism Economics

## GDP (Value Added) impacts (2 of 2)

The lodging and restaurant industries have the largest economic contribution from visitor spending, followed closely by finance, insurance and real estate (FIRE).

### GDP impacts, 2018



\*Finance, Insurance and Real Estate

Source: Tourism Economics

## Employment impacts (1 of 2)

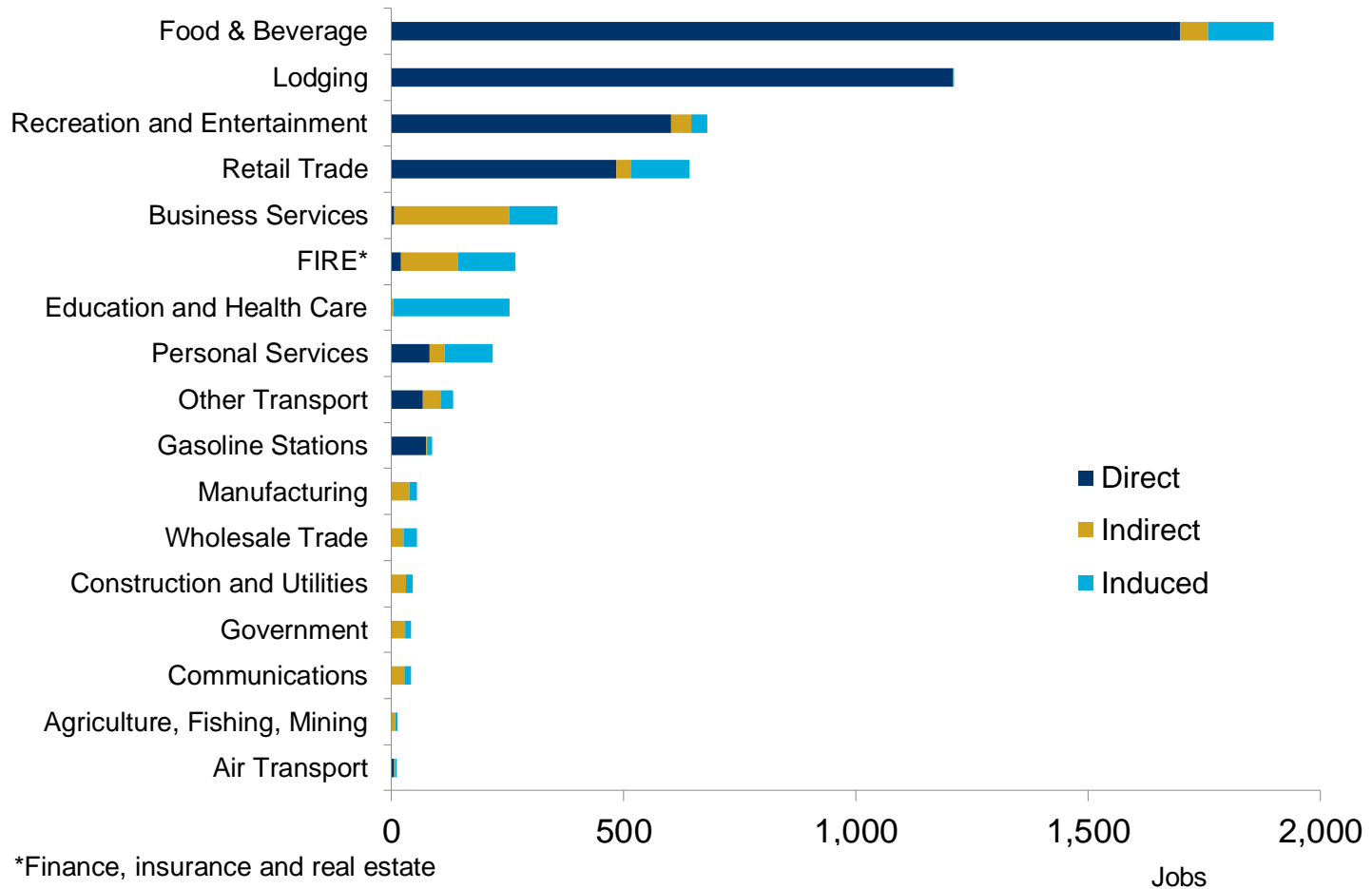
Tourism supported a total of 6,013 jobs when indirect and induced impacts are considered.

<b>Employment impacts, 2018</b>				
	<b>Direct</b>	<b>Indirect</b>	<b>Induced</b>	<b>Total</b>
<b>Agriculture, Fishing, Mining</b>	-	8	5	13
<b>Construction and Utilities</b>	-	30	15	45
<b>Manufacturing</b>	-	39	16	56
<b>Wholesale Trade</b>	-	27	29	55
<b>Air Transport</b>	6	2	3	11
<b>Other Transport</b>	68	38	26	132
<b>Retail Trade</b>	485	30	127	642
<b>Gasoline Stations</b>	74	3	10	87
<b>Communications</b>	-	27	15	42
<b>Finance, Insurance and Real Estate</b>	20	123	123	267
<b>Business Services</b>	6	249	104	358
<b>Education and Health Care</b>	-	4	250	255
<b>Recreation and Entertainment</b>	603	42	35	680
<b>Lodging</b>	1,209	1	1	1,211
<b>Food &amp; Beverage</b>	1,698	61	142	1,900
<b>Personal Services</b>	82	32	104	218
<b>Government</b>	-	30	12	42
<b>TOTAL</b>	<b>4,252</b>	<b>746</b>	<b>1,016</b>	<b>6,013</b>

Source: Tourism Economics

# Employment impacts (2 of 2)

## Employment impacts, 2018



\*Finance, insurance and real estate

Source: Tourism Economics

## Personal income impacts (1 of 2)

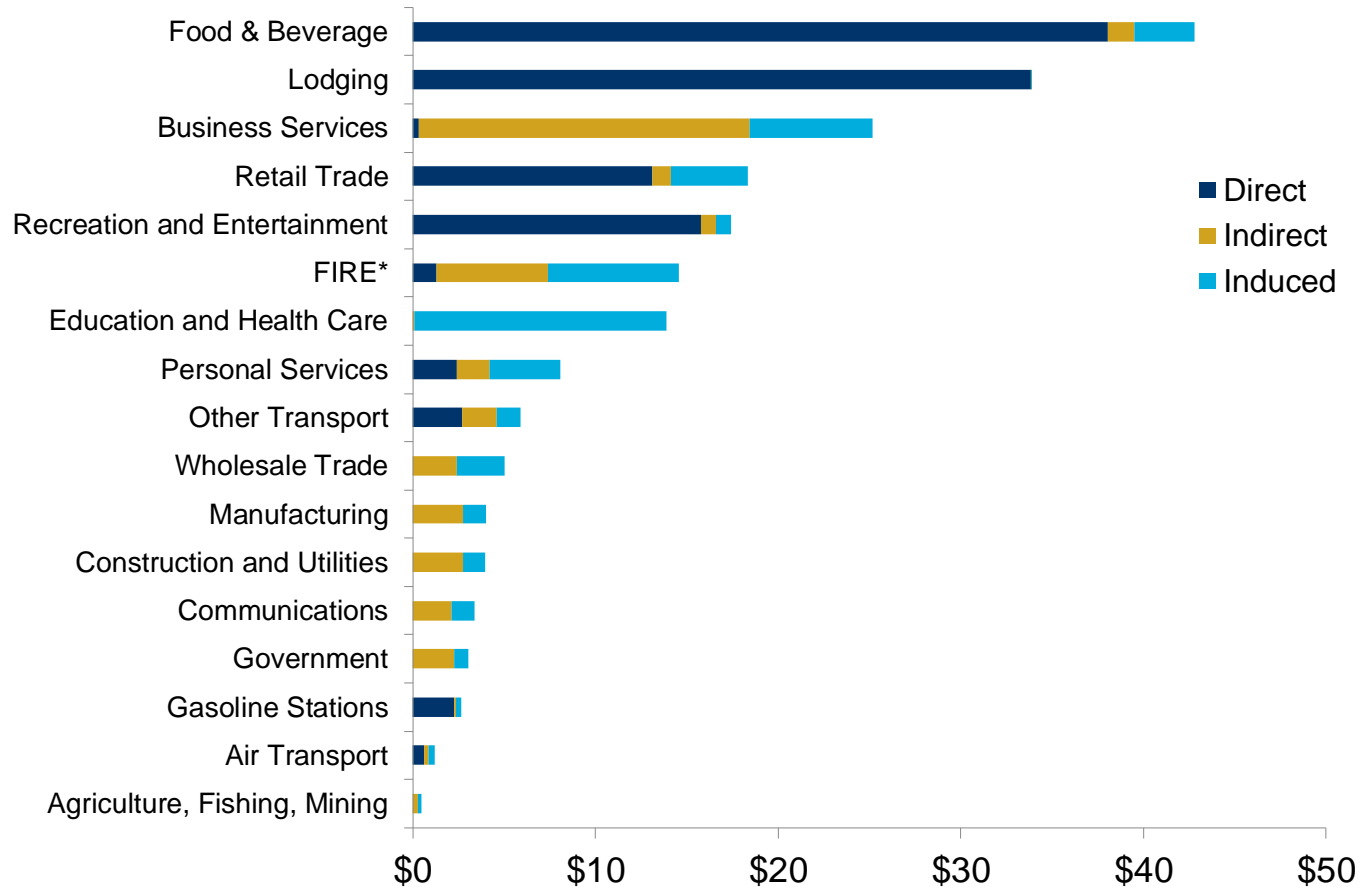
Tourism generated \$110 million in direct income and \$204 million when indirect and induced impacts are considered.

<b>Personal income impacts, 2018 (US\$ Millions)</b>				
	<b>Direct</b>	<b>Indirect</b>	<b>Induced</b>	<b>Total</b>
<b>Agriculture, Fishing, Mining</b>	-	<b>0.3</b>	<b>0.2</b>	<b>0.4</b>
<b>Construction and Utilities</b>	-	<b>2.7</b>	<b>1.2</b>	<b>4.0</b>
<b>Manufacturing</b>	-	<b>2.8</b>	<b>1.2</b>	<b>4.0</b>
<b>Wholesale Trade</b>	-	<b>2.4</b>	<b>2.6</b>	<b>5.0</b>
<b>Air Transport</b>	<b>0.6</b>	<b>0.2</b>	<b>0.3</b>	<b>1.2</b>
<b>Other Transport</b>	<b>2.7</b>	<b>1.9</b>	<b>1.3</b>	<b>5.9</b>
<b>Retail Trade</b>	<b>13.1</b>	<b>1.0</b>	<b>4.2</b>	<b>18.3</b>
<b>Gasoline Stations</b>	<b>2.3</b>	<b>0.1</b>	<b>0.3</b>	<b>2.6</b>
<b>Communications</b>	-	<b>2.1</b>	<b>1.2</b>	<b>3.4</b>
<b>Finance, Insurance and Real Estate</b>	<b>1.3</b>	<b>6.1</b>	<b>7.2</b>	<b>14.6</b>
<b>Business Services</b>	<b>0.3</b>	<b>18.1</b>	<b>6.7</b>	<b>25.2</b>
<b>Education and Health Care</b>	-	<b>0.1</b>	<b>13.8</b>	<b>13.9</b>
<b>Recreation and Entertainment</b>	<b>15.8</b>	<b>0.8</b>	<b>0.8</b>	<b>17.4</b>
<b>Lodging</b>	<b>33.8</b>	<b>0.0</b>	<b>0.0</b>	<b>33.9</b>
<b>Food &amp; Beverage</b>	<b>38.1</b>	<b>1.5</b>	<b>3.3</b>	<b>42.8</b>
<b>Personal Services</b>	<b>2.4</b>	<b>1.8</b>	<b>3.9</b>	<b>8.1</b>
<b>Government</b>	-	<b>2.3</b>	<b>0.8</b>	<b>3.1</b>
<b>TOTAL</b>	<b>110.4</b>	<b>44.2</b>	<b>49.1</b>	<b>203.7</b>

Source: Tourism Economics

# Personal income impacts (1 of 2)

## Personal income impacts, 2018



\*Finance, insurance and real estate

Source: Tourism Economics

# Ad-generated travel taxes

<b>All Traveler Generated Taxes</b>			
<b>(US\$ Million)</b>			
<b>Tax Type</b>	<b>Direct</b>	<b>Indirect/ Induced</b>	<b>Total</b>
<b>Federal</b>	<b>28.40</b>	<b>21.79</b>	<b>50.19</b>
Personal Income	8.57	7.29	15.86
Corporate	2.36	3.01	5.37
Indirect business	4.68	1.19	5.87
Social Security	12.79	10.30	23.09
<b>State and Local</b>	<b>40.77</b>	<b>14.80</b>	<b>55.57</b>
Sales	20.80	5.28	26.08
Bed Tax	2.55	-	2.55
Personal Income	3.35	2.85	6.20
Corporate	0.64	0.81	1.45
Social Security	0.05	0.04	0.08
Excise and Fees	4.33	1.39	5.72
Property	9.06	4.44	13.50
<b>TOTAL</b>	<b>69.18</b>	<b>36.59</b>	<b>105.76</b>

- Taxes of \$106 million were directly and indirectly generated by this ad campaign in 2018.
- State and local taxes alone tallied \$55.6 million.
- Of that \$55.6 million, \$40.8 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

<b>Traveler Generated Taxes - State and Local Government Revenues</b>			
<b>(US\$ Million)</b>			
<b>Tax Type</b>	<b>Direct</b>	<b>Indirect/ Induced</b>	<b>Total</b>
<b>State Tax Subtotal</b>	<b><u>25.75</u></b>	<b><u>9.76</u></b>	<b><u>35.51</u></b>
Corporate	0.64	0.81	1.45
Personal Income	3.35	2.85	6.20
Sales	20.11	5.10	25.21
Lodging	0.00	0.00	0.00
Property	0.89	0.43	1.32
Excise and Fees	0.72	0.53	1.25
State Unemployment	0.05	0.04	0.08
<b>Local Tax Subtotal</b>	<b><u>15.03</u></b>	<b><u>5.04</u></b>	<b><u>20.07</u></b>
Corporate	0.00	0.00	0.00
Personal Income	0.00	0.00	0.00
Sales	0.69	0.17	0.86
Lodging	2.55	0.00	2.55
Property	8.18	4.00	12.18
Excise and Fees	3.61	0.86	4.47
State Unemployment	0.00	0.00	0.00

- Of the \$55.6 million in state and local tax receipts, the state received \$35.5 million, or 64%.
- State government received \$25.2 million alone from sales tax receipts from the incremental trips generated by the ad spend.
- Local governments received \$20.1 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

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- 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

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- 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

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- 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

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- 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

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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

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