

# Summary of Greater Lansing Region Tourism Impacts, 2000

## Clinton, Eaton and Ingham Counties

### Visitors

- 5.1 million visitors (person trips to the area)
  - 2.5 million day trips, 2.6 million overnight trips
- 10 million visitor days/nights
  - 2.5 million day trips and 7.5 million person nights on overnight trips
- 3.8 million travel party days/nights (average party size 2.6)
  - 46% overnight stays with friends and relatives (VFR), 29% day trips, 23% motel, 2% camp

### Spending

- \$431 million overall tourism sales, counting half of airport activity
- \$372 million total visitor spending in tri-county region excluding airfares.
  - \$70 per travel party per day for day visitors and VFR , \$197 per party per night for visitors in motels
  - Spending by category: restaurants (23%), lodging (20%), local transportation (17%), groceries (14%), recreation/entertainment (8%), other retail (17%).
  - Tourist spending accounts for 81% of all hotel sales in the area, 17% of restaurant sales, 20% of amusements, and 4% of retail trade
- Overnight visitors staying in motels account for 46% of visitor spending.

### Economic Impacts

- Direct Effects in tourism-related businesses
  - 7,500 jobs
  - \$110 million for wages, salaries and payroll benefits
  - \$170 million value added
  - 2.8 million in local room tax, \$22 million in state sales taxes
  - Tourism jobs by sector
    - restaurants -2,600      hotels      -1,900
    - amusements -1,400      retail trade      - 1,400
- Total impacts including secondary effects
  - 9,500 jobs
  - \$160 million wages and salaries
  - \$250 million value added
  - Tourism accounts for about 1.5% of all sales in the region and about 3% of all jobs.

# Economic Impacts of Tourism on Greater Lansing Region

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## Visitor Spending

Tourism sales in the Greater Lansing region was \$431 million in 2000. This includes \$372 million spent by visitors in the three county region and half of airport-related sales.<sup>2</sup> The tri-county area hosted 5.1 million visitors on trips of 60 miles or more in 2000. These visitors spent 3.7 million party days/nights in the area. An average travel party spent \$99 per night in 2000 (Table 1). The number of visitors has grown by 14% since 1997 and total tourist spending has grown by 26% over this same period.

**Table 1. Lansing Region Tourist Activity and Spending, 1997-2000**

	1997	1998	1999	2000
Party nights (000's) <sup>a</sup>	3,307	3,505	3,520	3,769
Spending per party night	90	90	93	99
Tourist Spending (\$millions) <sup>b</sup>	\$298	\$315	\$327	\$372
Airfares/Car rentals (\$ millions)	\$64	\$60	\$60	\$59
Total spending with airfares/car rentals (\$ millions)	\$361	\$375	\$387	\$431

a. Covers all trips to the Lansing area (Clinton, Eaton & Ingham counties) from 60 miles or more. A party night is one travel party staying one night in the area. One day for day trips is counted as one night.

b. Spending excludes airfares and car rentals.

Tourist spending estimates are derived using the Michigan Tourism Economic Impact Model (MITEIM - Stynes 2000). This model divides visitors into segments with distinct spending patterns. Day visitors spent about \$70 per party per day in 2000 while overnight visitors staying in motels spent \$197 per party per night (Table 2).

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<sup>2</sup> We do not have firm estimates of what percentage of air passengers and car rentals are to tourists. Half of the sales in the air transportation and car rental sectors are counted as tourism sales.

**Table 2. Greater Lansing Visitor Spending Summary, 2000 <sup>a</sup>**

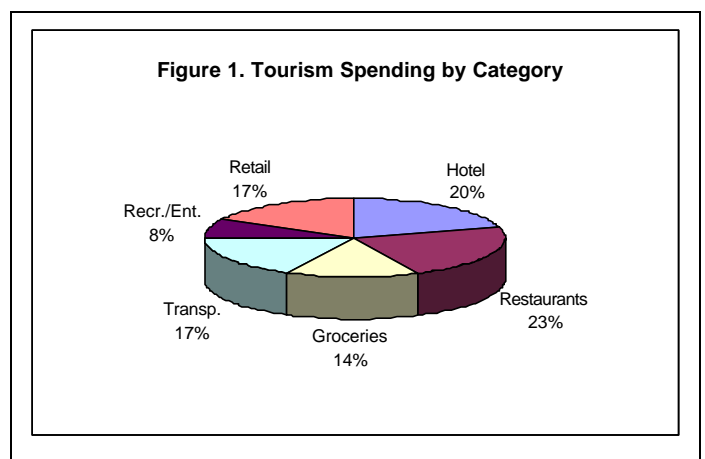
Spending category	Segment spending averages				Total Spending	
	Day	Motel	Camp	VFR	\$MM's	Percent
	<i>\$ per party per night</i>					
Motel, hotel, B&B	0.00	85.00	0.00	0.00	73.7	20%
Camping fees	0.00	0.00	16.00	0.00	1.4	0%
Restaurants & bars	20.73	44.88	15.35	12.99	85.2	23%
Groceries, take-out food	5.85	11.79	11.79	20.91	53.8	14%
Gas & oil	13.68	16.92	12.40	13.03	53.1	14%
Other vehicle expenses	0.45	1.62	1.97	0.23	2.5	1%
Local transportation	1.45	6.89	3.04	0.69	9.0	2%
Admissions & fees	10.76	11.13	5.75	4.31	29.2	8%
Clothing	3.85	5.88	2.75	2.10	13.1	4%
Sporting goods	0.29	0.72	0.78	1.20	3.1	1%
<u>Souvenirs, other expenses</u>	<u>13.13</u>	<u>11.84</u>	<u>6.84</u>	<u>13.27</u>	<u>48.1</u>	<u>13%</u>
<b>Total per party per night</b>	<b>70.18</b>	<b>196.66</b>	<b>76.67</b>	<b>68.73</b>	<b>372.3</b>	<b>100%</b>
Party nights (000's)	1,078	867	89	1,735	3,769	
Total spending (\$millions)	75.7	170.5	6.8	119.3	372.3	
Percent of spending	20%	46%	2%	32%	100%	

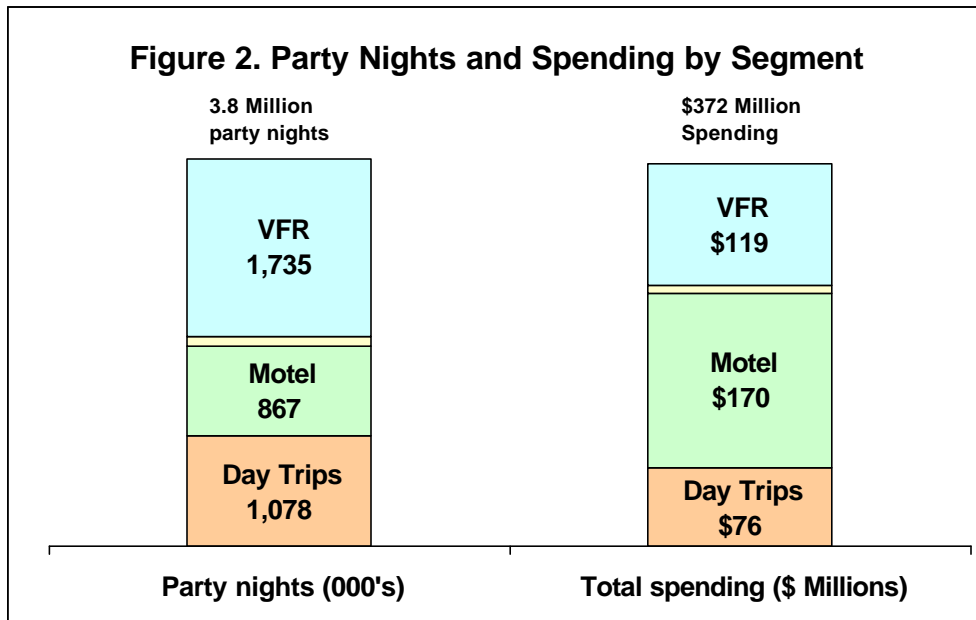
a. Spending excludes airfares and car rentals. VFR are overnight visitors staying with friends and relatives

Tourist spending is divided 23% to restaurants/bars, 20% to hotels, 17% each to transportation and retail spending, 14% groceries and 8% for recreation and entertainment expenses

(Figure 1). These figures do not include airfares or car rentals.

Overnight visitors staying with friends or relatives in the area (VFR) account for 46% of all party nights and about a third of tourist spending (Figure 2). Visitors staying in motels, hotels, B&B's and other commercial lodging account for 46% of all tourist spending in the region and about 23% of party nights.





VFR= overnight stays with friends and relatives

### Economic Impacts of Tourist Spending

The economic impacts of the tourism spending on the Lansing area were estimated by applying the spending figures in Table 2 to an input-output model of the local economy. Economic ratios in the model are used to convert tourist spending to the associated income, jobs and value added. This was carried out using the MITEIM model with multipliers for the tri-county area<sup>3</sup>.

Three-fourths of the \$372 million spent by tourists in the region in 2000 was captured by area businesses as direct sales.<sup>4</sup> These sales generated \$111 million in wages and salaries to area residents and \$171 million in value added<sup>5</sup>. Tourism directly supports 7,742 jobs, not counting the Lansing airport<sup>6</sup>. Hotels, restaurants, retail trade and amusements account for the bulk of direct tourism sales, income and jobs.

<sup>3</sup> Sector specific multipliers are taken from an input-output model estimated with the IMPLAN system using 1998 data (MIG, Inc. 1999).

<sup>4</sup> The \$94 million that is not captured is primarily the production of imported goods purchased by tourists (e.g. gas, groceries, souvenirs). For goods that tourists buy that are made outside of the local region, only the retail margin is captured locally.

<sup>5</sup> Value added is the preferred measure of the contribution of a region or sector to gross national product. It includes wages and salaries, profits and rents, and indirect business taxes.

<sup>6</sup> There were 1,200 employees at the Lansing airport in 2000. Other jobs not fully included in Table 5 include 24 CVB employees, and about 75 jobs in government and non-profit agencies serving tourists.

**Table 3. Economic impact of tourism spending on Lansing Area economy, 2000**

<b>Sector/Spending category</b>	<b>Direct Sales \$Millions</b>	<b>Jobs</b>	<b>Personal Income \$Millions</b>	<b>Value Added \$Millions</b>
<b>Direct effects</b>				
Motel, hotel, B&B	74	1,918	29	47
Camping fees	1	37	1	1
Restaurants & bars	85	2,638	30	43
Recreation/Entertainment	29	1,427	12	19
Other vehicle expenses	2	28	1	1
Local transportation	9	224	4	5
Retail Trade	56	1,440	29	47
Wholesale Trade	10	88	4	7
<u>Local Production</u>	<u>11</u>	<u>30</u>	<u>2</u>	<u>-</u>
<b>Total Direct Effects</b>	<b>278</b>	<b>7,742</b>	<b>111</b>	<b>171</b>
<b>Secondary effects</b>	<b>126</b>	<b>1,775</b>	<b>47</b>	<b>83</b>
<b>Total Effects</b>	<b>404</b>	<b>9,517</b>	<b>159</b>	<b>254</b>

a. Covers spending by visitors to Clinton, Eaton and Ingham counties on trips of 60 miles or more in 2000. Excludes airfares and car rentals.

Secondary effects capture the impacts of tourism on other sectors as tourism dollars circulate through the local economy. The tourism sales multiplier for the tri-county area is 1.45, which means that \$.45 in additional sales is generated for every dollar of direct sales to tourists.

Including secondary effects, the total impact of tourist spending on the region is \$404 million in sales, \$159 million in personal income, \$254 million in value added and 9,517 jobs<sup>7</sup>.

### **Contribution of Greater Lansing CVB**

The Greater Lansing CVB supports area tourism through general marketing and information programs to attract visitors to Lansing, and particularly programs to attract conventions, meetings, group tours and special events. The GLCVB has not previously estimated overall tourism activity, but has studied impacts of visitors attending conventions, meetings, group tours, and special events.

In 1996, the Greater Lansing CVB programs helped attract 421,000 visitors to the Lansing area to attend trade shows, conventions, meetings and other events. Pace and Partners (1997)

estimates that these visitors spent \$66 million in the area. This would constitute over 20% of overall tourism spending in 1996. The PACE figures include some spending by visitors who live in the area and they may also be inflated somewhat due to low response rates and some double counting. At 20% of overall tourism spending, conventions, meetings and group tours would account for roughly a third of room sales and about 20% of all day trips.

### Validating the Estimates

The models used to estimate tourism spending assure consistency with a number of "hard" data sources. Party nights in the motel segment are consistent with reported motel occupancy and room sales/taxes in the tri-county region over the period 1997-2000. Recent developments in tourism satellite accounting methods (WTO, 1999) also permit the spending estimates to be validated against official sales statistics for the tri-county region. As the most recent year for which complete economic data exists is 1998, we compare MITEIM and Satellite approaches for that year. Table 4 reports the MITEIM model estimates of spending and party nights for the Greater Lansing region for 1998.

**Table 4. Greater Lansing Visitor Spending Summary, 1998**

	Segment spending averages				Total \$MM's	Spending Percent
	Day	Motel	Camp	VFR		
<b>Spending category</b>	<i>\$ per party per night</i>					
Motel, hotel, B&B	0.00	79.00	0.00	0.00	64	20%
Camping fees	0.00	0.00	14.87	0.00	1	0%
Restaurants & bars	19.76	42.77	14.63	12.38	75	24%
Groceries, take-out food	5.59	11.27	11.27	20.00	48	15%
Gas & oil	9.75	12.06	8.84	9.29	35	11%
Other vehicle expenses	0.43	1.53	1.87	0.22	2	1%
Local transportation	1.37	6.53	2.88	0.65	8	3%
Admissions & fees	9.59	9.93	5.13	3.84	24	8%
Clothing	3.95	6.03	2.82	2.15	13	4%
Sporting goods	0.30	0.74	0.80	1.23	3	1%
Souvenirs, other expenses	<u>12.44</u>	<u>11.22</u>	<u>6.48</u>	<u>12.57</u>	<u>42</u>	13%
<b>Total</b>	<b>63.17</b>	<b>181.07</b>	<b>69.58</b>	<b>62.33</b>	<b>316</b>	<b>100%</b>
Party nights (000's)	1,003	806	83	1,613	3,505	
Total spending (\$MM)	63.3	146.0	5.7	100.6	316	
Percent of spending	20%	46%	2%	32%	100%	

<sup>7</sup> These figures do not include air-related spending, local resident's spending in tourism businesses, tourism-related construction, or consumer purchases of durable goods like boats and RV's.

The MITEIM model applies price indices for each spending category to adjust the spending profiles over time. Room rentals are the primary indicator for predicting changes in party nights. As good information about day trips or VFR trips is lacking at the local level, we assume that these segments have grown/declined at the same rate as nights in motels over the 1997-2000 period.

### **Tourism Satellite Accounts**

The 1998 tourist spending estimates may be validated against actual sales in hotels, restaurants, amusements and other sectors using tourism satellite accounting (TSA) methods. Satellite accounts extract the portion of sales in different industries to tourists (WTO, 1999). Table 5 reports tri-county area sales and value added for 15 tourism-related industries for 1998. With the exception of air transportation, travel arrangements and the auto leasing & rental sectors, the tourism industry (TI) ratios from the U.S. Tourism Satellite Accounts (Kass and Okubo, 2000) were used to extract the portion of sales to tourists in each industry. For example, 81% of hotel sales, 17% of restaurant sales, and 4% of retail sales are to tourists. These ratios rest largely on the relative number of tourists to local residents of an area and the propensities of tourists vs locals to purchase particular goods and services. As the ratio of visitor nights to residents for the tri-county area is close to the national ratio, the national TI ratios should apply reasonably well to the Lansing area.

Using the TSA approach, we estimate tourism sales in the Greater Lansing area in 1998 at \$293 million (Table 5). To compare the \$293 million sales from TSA approach with the \$315 million tourism spending estimate using the MITEIM approach, we must subtract \$63 million in air transportation and car rentals that are not included in MITEIM spending and add in \$86 million to cover the full price of goods bought at retail (The TSA approach only includes retail and wholesale margins on these items.). The net effect is an increase of \$23 million in the TSA estimate, bringing the satellite estimate for 1998 to \$316 million, almost exactly the same as the MITEIM estimate. Sales figures for the key tourism sectors using the TSA approach are similar to the corresponding totals in Table 4.

**Table 5. Tourism Satellite Accounts for Greater Lansing Region, 1998<sup>a</sup>**

Sector	Tourism Industry Output		Tourism Industry Ratio	Tourism Sales		
	Output (\$millions)	Value Added (\$millions)		Tourism Output (\$millions)	Tourism Value Added (\$millions)	Pct of Tourism Output
Hotels	81	52	81%	66	42	22%
Eating & Drinking	442	225	17%	75	38	26%
Amusements/Recreation	25	16	20%	5	3	2%
Membership sports	13	6	32%	4	2	1%
Entertainment	55	12	18%	10	2	3%
Prof sports	5	2	9%	0	0	0%
Retail Trade	1,208	1,032	4%	48	41	16%
Wholesale Trade	1,009	689	1%	10	7	3%
Auto rental and leasing	60	39	11%	6.6	4	2%
Auto repair and services	136	77	3%	4	2	1%
Local transportation	22	13	23%	5	3	2%
Air transportation	113	73	50%	57	37	19%
Arrange. Pass. Trans.	19	14	5%	1	1	0%
Transportation Services	8	5	5%	0	0	0%
<u>Rail Transport</u>	<u>31</u>	<u>18</u>	<u>3%</u>	<u>1</u>	<u>1</u>	<u>0%</u>
Total tourism	3,228	2,274		293	183	100%
Total economy	27,690	14,411				
Tourism industry Pct	12%	16%		1.1%	1.3%	

a. Covers all sales by businesses in Clinton, Eaton and Ingham Counties in 1998. Tourism industry output includes all sales of each industry, while tourism sales includes only sales to tourists. The tourism industry ratios are the percentage of sales in each industry to tourists. These ratios are taken from the National Tourism Satellite Accounts for 1997. Ratios for auto rentals, air transportation and travel arrangements were adjusted downward to omit sales to local residents traveling away from Lansing. All data from 1998 IMPLAN accounts.

### Research Recommendations

The spending profiles and tourism satellite methods developed here provide a sound basis for tracking tourism activity and its economic impacts on the Greater Lansing area economy. Consistency of the satellite and survey approaches lends considerable credibility to these estimates. The detail in terms of spending categories, visitor segments, and economic sectors provides useful information about the relative importance of different market segments and industries, while also providing a host of avenues for validating and refining the estimates.

Spending patterns may be updated in the short term using price indices. It would be useful to extend the spending profiles to separate out business travelers, bus tours, and tourists attending conventions, meetings and special events. Distinct profiles for air travelers would also be useful. Armed with these spending patterns, one can readily estimate economic impacts of a variety of marketing and development decisions using the MITEIM model.

Lodging room taxes provide a solid basis for tracking the most important segment -- visitors staying in hotels. The VFR segment should be reasonably stable over time, with changes closely tied to population change. The day trip segment is the most difficult to measure accurately. The presence of Michigan State University and State Government likely generate an above average number of day trips than for a similar size community. Our day trip estimates are therefore likely to be conservative. There are no easy ways to check or refine the day trip estimates. We recommend targeting particular day trip segments that are important to the GLCVB and periodically conducting small studies to better understand them. Such studies could be carried out in cooperation with GLCVB members. Surveys have been conducted of visitors to special events or particular attractions in the past.

A more comprehensive approach might employ a common survey conducted of visitors at a set of Lansing's major attractions. It would be desirable to decide on a basic set of visitor and trip characteristics that could be included in any local visitor survey, e.g., zipcode of origin, day or overnight trip, lodging type, length of stay in the area, party size, trip purpose, and activities in the area. Prototype questions could be developed to assure greater consistency across studies.

While room taxes permit accurate tracking of visitors staying overnight in hotels, periodic marketing surveys of the hotel segment would be useful to better understand this important segment. A common questionnaire with the same kinds of questions as suggested for day visitors above could be administered to a representative sample of hotel guests in the area. A one page instrument might be adopted as a regular hotel guest survey. This could be administered in hotels as customers check out.

We conclude with a list of potential research areas beginning with the motel and attractions surveys mentioned above. GLCVB does not have the resources to conduct all of these studies immediately, but should think in terms of a program of studies over time that continues to

increase understanding of the Lansing tourism market and improves the performance of the industry and community in serving this market. A new position within the GLCVB to coordinate marketing research activity would help to advance this goal. A cooperative strategy involving GLCVB members and other local agencies and organizations will be the most cost effective approach. Research priorities should be established in consultation with GLCVB members.

**Hotel guest survey:** The hotel segment is the most important one for the GLCVB. Additional marketing information about hotel guests would be useful to GLCVB and its members. This segment is readily sampled at hotels in the area. A short survey could be administered to a representative sample of hotel guests at checkout. This would be best done in cooperation with local hotels, providing individual hotels with a profile of their own customers and also pooling the data across hotels to provide an overall picture for the Lansing area. This could be designed as a "one time" effort or established as a regular tracking measure.

**Visitor Surveys at major attractions:** Use of a common survey across Lansing's major attractions would provide a more complete picture of visitors to the area, and particularly the day trip and VFR segments. This could be conducted as a comprehensive survey or could be facilitated over time by encouraging GLCVB members and local attractions to periodically conduct their own visitor surveys and when they do, to use some standard questions and sampling approaches. GLCVB or MSU could provide technical support for such studies and by doing so encourage greater consistency and pooling of information.

**Study of visitors using the Lansing airport.** The Lansing airport is extremely important to the community, yet we did not surface any recent studies that document the characteristics of Lansing air travelers or the share of tourists to the area arriving by air. MDOT has a model for estimating economic impacts of airports to the community, which they plan to update in the near future (MDOT, 1989). With many recent concerns about the future of the Lansing airport, a survey of air travelers at the Lansing airport would be useful. GLCVB should assure that any such studies gather data suitable for measuring the airport's contribution to tourism in the region.

**Further studies conducted in cooperation with special events.** Special events bring many visitors to the area. However, studies of special events are notorious for generating inflated estimates of visitors and associated impacts. Most important is a sound estimate of the number of visitors (preferably in party days/nights in the area), which distinguishes local residents from tourists, separates tourists into day, motel, and VFR segments, and does not double count the same visitors across multiple venues or days.

**Household surveys in target market areas.** Household surveys reach both existing and potential visitors. Costs and the dispersed nature of tourism markets has tended to preclude such studies by CVB's. Nevertheless, GLCVB should consider surveys in prime or potential markets for day trips and overnight weekend packages to assess customer awareness, image, and the effectiveness of advertising programs. The Detroit metro area, Grand Rapids, and other major cities within a two hour drive are

markets that likely have further potential. These studies could be conducted in conjunction with paid advertising and other promotions.

**Evaluation Studies.** Any of the above studies can include evaluation components to systematically obtain customer feedback and evaluate particular programs and marketing strategies. GLCVB could also conduct additional studies relative to its own programs aimed at general visitors to Lansing, meetings planners, and group tour operators. Conversion studies could be conducted of potential visitors requesting information from the GLCVB via mail, phone or the website.

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