

Washtenaw County

Summary of Tourism Impacts

1999-2001

Final Report

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Summary of Key Findings

Visitors

- ✘ 4.0 million visitors (person trips to the area)
 - ◆ 2.0 million day trips, 2.0 million overnight trips
- ✘ 7 million visitor days/nights
 - ◆ 2.0 million day trips and 5.0 million person nights on overnight trips
- ✘ 2.8 million travel party days/nights (average party size 2.5)
 - ◆ 40% overnight stays with friends and relatives (VFR), 28% day trips, 28% motel, 2% campground, 2% seasonal homes
 - ◆ 791,000 room nights in hotels

Spending

- ✘ \$350 million total visitor spending in Washtenaw County excluding airfares
 - ◆ \$87 per travel party per day for day visitors, \$214 per party per night for visitors in motels
 - ◆ Spending by category: restaurants (22%), lodging (19%), gas and local transportation (16%), groceries (12%), recreation/entertainment (7%), other retail (23%).
 - ◆ Tourist spending accounts for 95% of all hotel sales in the area, 17% of restaurant sales, 24% of amusements, and 5% of retail trade
- ✘ Overnight visitors staying in motels account for 49% of visitor spending

Economic Impacts

- ✘ Direct Effects in tourism-related businesses
 - ◆ 5,600 jobs
 - ◆ \$107 million for wages, salaries and payroll benefits
 - ◆ 1.3 million in local room tax, \$20 million in state sales taxes
 - ◆ Tourism jobs by primary tourism sectors
 - restaurants - 1,700 hotels - 1,300
 - amusements - 1,000 retail trade - 1,300
- ✘ Total impacts including secondary effects
 - ◆ 6,700 jobs
 - ◆ \$145 million wages and salaries
 - ◆ Tourism accounts for about 1.4% of all sales in the county and about 3% of all jobs

Tourism Activity and Spending 1999-2001

Baseline tourism activity and spending estimates are for the year 2000. Figures for 1999 are used to establish consistency with official economic accounts for Washtenaw County. Projections to 2001 are based primarily on changes in room tax collections. (See Table 1.)

Table 1. Tourism Activity and Spending, Washtenaw County, 1999-2001

Measure	1999	2000	2001
Room tax collections (2%)	\$1,226,927	\$1,311,839	\$1,244,845
Room Revenue	\$61,346,350	\$65,591,950	\$62,242,250
Party days/nights (in millions)	2,771	2,829	2,816
Spend per day	\$114	\$122	\$123
Total spending (in millions)	\$316	\$345	\$346

Spending and Visits by Lodging Segment, 2000

Tourists are divided into five segments based on the type of lodging used (Table 2). Principal visitor segments for Washtenaw county are visitors on day trips (28%), overnight stays in hotels (28%) and stays with friends and relatives (40%).

Table 2. Breakdown of Visitors by Segment , Washtenaw County, 2000

	Day Trip	Hotel, motel, cabin or B&B	Campground	Seasonal Home	Visiting friends or relatives	Total
Party nights (000's)	787	791	47	67	1,137	2,829
Party size	2.5	2.5	2.5	2.5	2.5	2.5
Length of stay in days	1.0	2.0	2.0	4.0	3.0	
Party Trips (000's)	787	396	24	17	379	1,602
Person Trips (000's)	1,968	989	59	42	948	4,005
Person days/nights (000's)	1,968	1,978	118	167	2,843	7,073
Party nights	28%	28%	2%	2%	40%	100%

The five visitor segments, based on lodging type, help explain variations in spending by different types of visitors. Table 3 provides a detailed analysis of spending for various goods and services by lodging type. Spending averages are reported on a party day basis for day trips and party night basis for overnight visitors.

Total visitor spending in Washtenaw County in 2000 was \$345 million. Visitors staying in hotels accounted for about half of this spending. A typical travel party \$87 per day on day trips and \$214 per night if staying in a hotel

Table 3. Visitor Spending by Lodging Segment, Washtenaw County, 2000

Spending Category	Day visitor	Hotel, motel, cabin or B&B	Camp- ground	Seasonal Home	Visiting friends or relatives	Total spending	
						\$MM	%
<i>Spending per party per night</i>							
Motel, hotel cabin or B&B	\$ 0.00	\$ 83.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 66	19
Camping fees	0.00	0.00	19.20	0.00	0.00	1	0
Restaurants & bars	22.62	48.96	16.75	21.28	14.17	75	22
Groceries, take-out food/drinks	6.38	12.86	12.86	16.06	22.81	43	12
Gas & oil	14.92	18.46	17.49	13.60	14.22	44	13
Other vehicle expenses	0.50	1.77	2.15	5.24	0.25	3	1
Local transportation	1.58	7.52	3.32	4.68	0.75	9	2
Admissions & fees	11.74	12.14	6.27	4.49	4.70	25	7
Clothing	6.56	10.01	4.69	6.57	3.57	18	5
Sporting goods	0.49	1.23	1.33	1.82	1.81	4	1
Souvenirs and other expenses	<u>22.38</u>	<u>18.40</u>	<u>11.65</u>	<u>11.91</u>	<u>22.80</u>	<u>59</u>	<u>17</u>
Total Spending	\$ 87.16	\$ 214.34	\$ 95.70	\$ 85.64	\$ 85.09	\$ 345	100
Party-nights (000's)	787	791	47	67	1,137	2,829	
Total spending (000's)	\$ 68,595	\$169,551	\$4,534	\$ 5,724	\$ 96,755	\$ 345,159	
Percent of spending	20%	49%	1%	2%	28%	100%	

Direct Economic Impacts of Visitor Spending

Direct economic effects are the changes in economic activity within those economic sectors selling directly to tourists (e.g., hotels, restaurants, retail stores). Sales, jobs, wages and salaries, and value added are four measures of economic impact (Table 4). Wages and salaries include all payments to workers including contributions to retirement and health care programs. Jobs are not full time equivalents, but count part time and full time jobs the same. Value added is a commonly used measure of the contribution of an activity or sector to the region's economy. Value added includes wages and salaries paid to workers, profits and rents of firms, and sales and other indirect business taxes attributable to visitor spending.

Total direct sales are presented in Table 4 by spending category. It is important to understand that direct sales are less than visitor spending, as only the retail and a part of wholesale margins on goods bought by visitors is captured by the local economy.

The \$345 million spent by visitors in 2000 resulted in \$107 million in direct personal income (wages and salaries) in tourism-related sectors and a total direct value added to the region's economy of \$169 million. Tourism supported 5,556 jobs in tourism-related sectors.

Table 4. Economic Impacts of Visitor Spending, Washtenaw County, 2000

Sector/Spending Category	Total Sales (Millions)	Jobs	Wages and Salaries (Millions)	Value Added^a (Millions)
Direct Effects				
Motel, hotel cabin or B&B	\$ 65.7	\$ 1,310	\$ 26.8	\$ 43.9
Camping fees	0.9	18	0.4	0.6
Restaurants & bars	74.9	1,718	30.9	44.8
Admissions & fees	24.8	994	10.6	17.4
Gambling	-	-	-	-
Other vehicle expenses	2.5	25	0.9	1.5
Local transportation	8.5	148	4.6	5.6
Retail Trade	59.1	1,271	29.0	48.8
Wholesale Trade	9.4	71	3.9	6.7
Local Production of Goods	4.6	2	0.0	0.0
Total Direct Effects	\$ 250.3	\$ 5,556	\$ 107.0	\$ 169.2
Secondary Effects	94.2	1,135	37.8	62.8
Total Effects	\$ 344.6	\$ 6,691	\$ 144.8	\$ 232.0
Multiplier	1.38	1.20	1.35	1.37

^a Value added includes wages and salaries, profits and rents, and sales tax.

Secondary and Total Economic Impacts of Visitor Spending

Multipliers capture the magnitude of the secondary effects as visitor spending circulates through the local economy. The two types of secondary impacts are indirect and induced effects. *Indirect effects* are the changes in sales, income or employment within the region in backward-linked industries supplying goods and services to tourism businesses. For example, the increased sales in linen supply firms as a result of motel hotel sales is an indirect effect of visitor spending. *Induced effects* are the increased sales within the region that result from the spending of the income earned in tourism and supporting industries. Employees in tourism and supporting industries spend their income on housing, utilities, groceries and other goods and services thereby generating sales, income and employment throughout the region.

The size of a multiplier depends largely on a region's geographic size and overall economic diversity. Regions with extensive economic development will have larger tourism multipliers than regions with limited economic development. The overall tourism sales multiplier for Washtenaw county is 1.38, which means that an additional \$.38 in secondary sales is generated for every \$1.00 of direct tourism sales.

While the direct effects can be traced to individual tourism sectors, secondary effects generally accrue to a variety of firms within the county that benefit either by selling goods and services to tourism firms or to their employees.

Tourism Satellite Accounts

Tourism Satellite Accounts (TSA) are an alternative method for estimating the significance of tourism to an area's economy. The satellite accounts help to ground the tourism economic estimates in the official economic accounts for Washtenaw county. The most recent year for which complete accounts are available is 1999.

The TSA method estimates only the direct effects within key tourism-related industries. Results should be roughly comparable to the direct effects in Table 4. While there are some variations within individual sectors, the overall figures in Table 5 are consistent with Table 4.

The TSA approach attributes a percentage of economic activity in each sector to tourist spending. The Tourism industry (TI) ratios in the first column are the percentage of sales in each sector attributed to tourist spending. TI ratios are adjusted from those used in the national tourism satellite accounts, based on the ratio of tourists to local residents of the area.

Table 5. Tourism Satellite Accounts (TSA), Washtenaw County, 1999

TI ratio	Sector	Output (millions)	Jobs	Wages & Salaries (millions)	Value Added (millions)
95%	Hotels and Lodging Places	\$ 55	1,128	\$ 21	\$ 37
17%	Eating and Drinking	83	1,970	34	50
24%	Amusement and Recreation	6	242	2	4
34%	Membership Sports	8	272	3	4
22%	Entertainment	9	127	1	2
11%	Professional Sports	0	2	0	0
5%	Retail Trade	58	1,204	28	48
1%	Wholesale Trade	12	92	5	8
12%	Auto Rental and Leasing	1	8	0	1
3%	Auto Repair and Services	3	30	1	2
24%	Local Transportation	9	160	5	6
6%	Transportation Services	0	7	0	0
	Total (Tourism sectors)	\$ 244	5,241	\$ 100	\$ 162

Methods

We employ two distinct methods to estimate tourism impacts. The first uses the MITEIM model which multiplies visits in party nights times an average spending per party night to obtain total tourist spending in the region. Distinct spending profiles are used for each segment. The MITEIM “high” spending profiles were used for Washtenaw county with an average room rate of \$83 in 2000. Visits were estimated based on room taxes (for motel), an inventory of lodging establishments, and assumed occupancy rates for seasonal homes and campgrounds. Mary Kerr of the Ann Arbor Area CVB provided room tax data for this analysis. Day trips and trips to visit friends or family are estimated by allocating a share of statewide totals to each county based on population and tourist attractions.

Direct and secondary economic impacts are estimated by applying total spending to an input-output model of the Washtenaw county economy. The model is estimated using 1999 data and the IMPLAN system. The model converts spending to the associated income and jobs and estimates multiplier effects.

The Tourism satellite approach uses IMPLAN base year data for the county for 1999. Sales, income and jobs in 16 tourism-related sectors are extracted from the IMPLAN accounts. Tourism industry ratios for each sector are adjusted from national ratios based on the resident population, numbers of tourists and spending patterns of each group.

MITEIM estimates for 1999 are compared with the TSA estimates to establish consistency and then projected to 2000 and 2001 using local room tax data and price indices.

References

Further information about measuring the economic impacts of tourism can be accessed at :
<http://www.msu.edu/course/prr/840/econimpact/index.htm>

Glossary of Economic Impact Terms

Impact analysis estimates the impact of dollars from outside the region (“new dollars”) on the region’s economy. Impact analysis typically includes only the spending of visitors from outside the region.

IMPLAN is a micro-computer-based input output modeling system. With IMPLAN, one can estimate Input-Output models of up to 528 sectors for any region consisting of one or more counties.

Multipliers capture the size of the secondary effects in a given region, generally as a ratio of the total change in economic activity in the region relative to the direct change. Multipliers express the degree of interdependency between sectors in a region’s economy and therefore vary across regions and sectors.

Region - defines the geographic area for which impacts are estimated. Impact regions are generally an aggregation of one or more counties.

Sector - a grouping of industries that produce similar products or services. Tourism is more an activity or type of customer than an industrial sector. While hotels are a relatively pure tourism sector, restaurants, retail establishments and amusements sell to both tourists and local customers. Tourist spending surveys are useful in determining visitor spending in various sectors.

Economic Impact Effects

Direct effects are the changes in economic activity during the first round of spending. For tourism this involves the impacts on the tourism industries (businesses selling directly to tourists) themselves.

Secondary effects are the changes in economic activity from subsequent rounds of re-spending of tourism dollars. There are two types of secondary effects:

Indirect effects are the changes in sales, income or employment within the region in backward-linked industries supplying goods and services to tourism businesses. For example, the increased sales in linen supply firms resulting from more motel sales are an indirect effect of visitor spending.

Induced effects are the increased sales within the region from household spending of the income earned in tourism and supporting industries. Employees in tourism and supporting industries spend the income they earn from tourism on housing, utilities, groceries and other consumer goods and services. This generates sales, income, and employment throughout the region’s economy.

Total effects are the sum of direct, indirect and induced effects.

Measures of Economic Activity

Sales - the dollar volume of a good or service produced or sold.

Income is the money earned within the region from production and sales. Total income includes wage and salary income and income from sole proprietor’s profits and rents.

Jobs or employment - a measure of the number of jobs required to produce a given volume of sales/production. Jobs are usually not expressed as full-time equivalents, but include part-time and seasonal positions.

Value added is the sum of total income and indirect business taxes. Value added is the most commonly used measure of the contribution of a region to the national economy, as it avoids double counting of intermediate sales and captures only the “value added” by the region to final products.