



Calculating Your Visitor Spending

An NTC White Paper

Proving the economic impact of tourism, especially in small communities has been one of the most challenging issues tourism programs have faced. Getting everyone to believe the results has been even more challenging. There are very doable processes that can be used to get at accurate local information, but they have rarely been carried through.

Unlike manufacturing or agriculture which are carefully tracked as industry sectors, the visitor industry is not even considered an industry because 99% of businesses are small, locally owned, family-owned, and distributed within many different industry classification codes. Others are privately held and still another segment are non-profits. This situation does not lend itself to collection of revenue information, so instead of the actual hard numbers, tourism programs have relied on generic economic impact models, some of which are regarded with great skepticism by individuals not trained in economics.

Reliance on these generic numbers is no longer necessary since there is an opportunity to work together with local accommodations, restaurants, shops, and attractions to get more realistic local numbers. First and foremost, of course, is the visitor spending that enables small businesses to stay in business and deliver tax revenues on every transaction.

Today's Visitors Spend Robustly

Today's visitors have continued to spend money, stay in unique accommodations, dine out wherever and whenever they please, visit multiple museums, historic sites, and other attractions, participate in activities, shop at their leisure, and explore historic districts, small town centers, and other interesting local areas.

Unique communities and their small businesses are exactly what today's visitors are looking for. If they want to shop in big box stores and eat in chain restaurants, they can do so at home. Even "day-trippers" who are there for only a short time, have lunch in local restaurants, purchase gas, and fill other needs while they visit. Those who stay overnight generally eat out for at least two meals a day, and in many cases, three. The majority of these guests are absolutely not focused on lowest price and instead, place a premium on authenticity and local flavor.

In a recent survey that supports these findings, 86% of Gen Z and Millennial respondents, and 83% of Boomers indicated they like to shop at small businesses when they travel to a new location. 69% would spend more during a vacation if they knew it supported the local community, and 88% agreed that dining and shopping at local small businesses delivers a more authentic experience. When visitors consistently support small businesses, restaurant revenues can double or even triple, and more local products are sold in shops.

Tourism Can Deliver Four Revenue Streams Besides the Hotel Tax

In fact, visitor spending can serve as the foundation for four revenue streams, even if some other organization already has dibs on the hotel tax.

The first revenue stream is generated by events, which, as was indicated earlier, are the most efficient way to attract visitors to an unfamiliar destination. Events that prompt overnight stays deliver an additional multiplier when visitors eat and shop, as well as attend the event. A \$5 arts event admission fee in a small town in North Carolina which itself generated revenue over expenses, was expanded by another \$16.88 per person that ultimately delivered over \$1 million in visitor spending to the community as a result of the event.

The second source of funding is financial support from businesses, visitor service locations, attractions, and activities. All the locations benefit from tourism marketing and promotion that generates more revenue for each, whether or not the marketing partnership model has been put in place.

The third revenue stream involves funding from municipalities and communities to which the increased economic development is being delivered. This revenue stream can be based on the level of economic development they realize, formalized into a Memorandum of Understanding with each of the municipal entities.

And, fourth, a sponsor and/or donor program can be funded by organizations outside of the visitor-facing arena which can also benefit from visitor spending. A good example are regional convenience stores chains such as Wawa on the East

Coast, and Stewart's Shops in New York State, which started as dairy operations that have extended the required sanitary practices into their spotless locations. These services are located for the convenience and volume of local traffic, but can also be promoted for use by visitors while they are in the area.

Getting Realistic Visitor Spending Numbers

Obtaining as realistic as possible per person and per party visitor spending numbers should include working with a coalition of accommodations, restaurants and attractions that recognize the value of getting accurate visitor information.

Since hotels are the only locations used solely by out-of-town visitors, lodging properties can easily calculate the number of overnight visitors they served, their average daily spending, average length of stay, and other information that will be invaluable in both understanding and verifying spending patterns. A list of the zip codes of these visitors coupled with their spending levels will reveal the spending patterns of visitors from various geographic markets that can be coordinated with geo-spatial analysis.

Restaurants generating information from guest credit card receipts can add in the average check from out-of-town diners, and local shops can provide this same type of information. Same for other locations such as museums and gas stations that serve visitors. Obtaining this information first hand will enable calculation of the daily spending rate of visitors without any extrapolation, numbers that are imperative in establishing the credibility of the tourism program, and the level of new money it is delivering to the community.

All of the above information collected within the above process would be compiled into an uncomplicated, clear presentation, and distributed widely. Notation that it was obtained directly from the receipts of local businesses will go along way to ensuring it is regarded as valid.

Economic Impact and Hospitality Issues

Occupancy Rates

One of the basic factors to be considered in development of a plan to expand tourism taken into consideration before developing a plan to expand tourism, is the level of the capacity that is currently being taken up in local accommodations and what is available to be filled by more visitors. While the capacity assessment pointed to the overall capacity available to serve visitors, analysis of occupancy rates reveals the actual available space. It will be most effective to include all local accommodations, hotels, bed and breakfasts, inns, and vacation rentals in this equation, since today's visitors will not demand to stay only in commercial flagged hotels. Work to gain the cooperation of the properties which can trace their trend lines over several years to view overall occupancy patterns. Special events and other occasions that fill the accommodations are easy to spot, however, other trends may not be as obvious until the facts are known.

ADR

Average daily rates have a significant impact on occupancy rates and visitor numbers, and changes in ADR can make a difference over time. It appears that the most beneficial booking time for dates with high anticipated demand is 45 days out, since hotel costs increase as space decreases. The most beneficial time for visitors

to book in light demand scenarios appears to be close to the arrival date when hotels are trying to fill the available inventory. As hotels play rate games online, visitors have learned when they can get the best rates, and those lessons can have a profound effect on a DMMOs visitor numbers.

Length of Stay - Average # of Nights

DMMOs and accommodations that are able to realize a longer length of stay will find themselves in a better position than locations where hotels stays are normally only one overnight. Tracking the changes in average length of stay over a period of years will reveal trends that can then be tied to various events and marketing efforts. Checking fluctuations over the course of a year will be helpful to first, understand stay patterns, and second, consider strategies to extend them. Any previously unknown patterns will reveal information that should illuminate the success of various marketing thrusts, as they have contributed to longer stays.

Overall Cost of a Trip

The overall visitor market that is available to the tourism effort is determined by the overall cost of a trip and target markets must all fall into the income range that can afford to visit and stay. Some visitor markets may find a trip to the community out of their spending range. When calculating this information it is very important to include the average cost of food, lodging, attractions, gas, shopping, and activities. Not just the lowest available cost, the average cost, to understand what it really takes to have an enjoyable and satisfying trip exploring the community. Analyzing trip cost information in competing locations will also be helpful to understand is it higher? Lower? Feasible for more visitor markets? Are all the attributes necessary

for a good trip included in the calculation? Are the target markets able to afford a trip without feeling financially stretched?

Price/Value Equation

Even though the DMMO has little control over the prices of supplier offerings, the perceived price/value equation has a significant influence on the visitor's willingness to pay the prices they discover.

Purpose of Trip

Getting beyond just knowing whether the trip was over a weekend, weekday or a day trip, and whether for business or leisure, is important to really get at why people are visiting. Determine if there is a specific attraction or event that gained their attention, something in the surrounding area they arrived to tour, a student situation, or a trip for some other purpose.

Overall Number of Visitors

The overall number of individual traveling party is nearly impossible to tie down accurately, because there are day visitors that may be challenging to catch. However, a trend line of visitor numbers over five or 10 years can be aligned with marketing programs, event times, and so on, to determine the most effective combination.

Percentage of Change in Demand

Significant changes in the overall demand either up or down from one year to the next can usually be explained, so it's important to determine the overall level of increase or decrease over a longer period of time.

Complement of Accommodations

Every destination needs a full complement of accommodations to serve the American visitor pool. Boomers love Bed and Breakfasts and Inns, Generation Xers prefer commercial hotels, but will stay in historic accommodations if they are high quality and depending on their financial situation, they can afford. Millennials are all over the place in their hotel choices. Quality has also become a real issue for them with one expert stating "Millennials would not be caught dead in some of the non-chain lower end motels and even some of the lower end chains are shunned, regardless of low prices. One wonders what will happen to all of this type of property when the older generations who were more comfortable with this type of accommodation pass offer travel radar screen.