

WHITE PAPER

# The Tourism Impacts Primer for Economic Developers

# Measure the ripple effect of tourists.

Tracking the economic impacts of tourism can unlock significant and unexpected insights into your local economy.



Photo by Federico Giampini

# Contents

Intro 4

Set the scope 6

Define terms 9

Craft a rock-solid survey 10

Make the results accessible 13

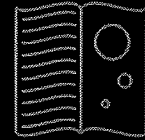
Wrapping it up 14

# Intro

The impacts of tourism are deep and wide.

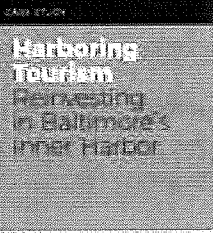
It has a presence in almost every geography and supports myriad industries across the globe. It's unsurprising, then, that the methods for measuring the economic impact of tourism are as complex and diverse as the Earth itself. But there are tried and true techniques and best practices that can provide meaningful focus and points of entry into understanding what role the tourism industry plays in your local economy.

## economic impact analysis



*noun* / ek·ə-'nam·ik /  
'im·pækt / ə'næɪ·ə·sɪs /

**DEFINITION:** A type of study which allows an analyst to examine the effects of a specific event on a given economy.



Harboring Tourism: Reinvesting in Baltimore's Inner Harbor tells the story of how one city used impact data from IMPLAN to evaluate a private/public partnership project in Maryland's capital to strengthen their economy and attract more tourists.

Read the study at [IMPLAN.com/case-studies/harboring-tourism](http://IMPLAN.com/case-studies/harboring-tourism)



# Set the Scope

Understanding the scope and purpose of the project before creating a model or running an impact analysis is paramount. Whether examining the economic contribution of a tourism-related industry or researching the economic impact of tourists' spending (or both), taking a big-picture perspective on the problem will clarify the analysis and help you or your researchers separate the essential points from the vast landscape of potentially irrelevant data.

## What do you want to measure?

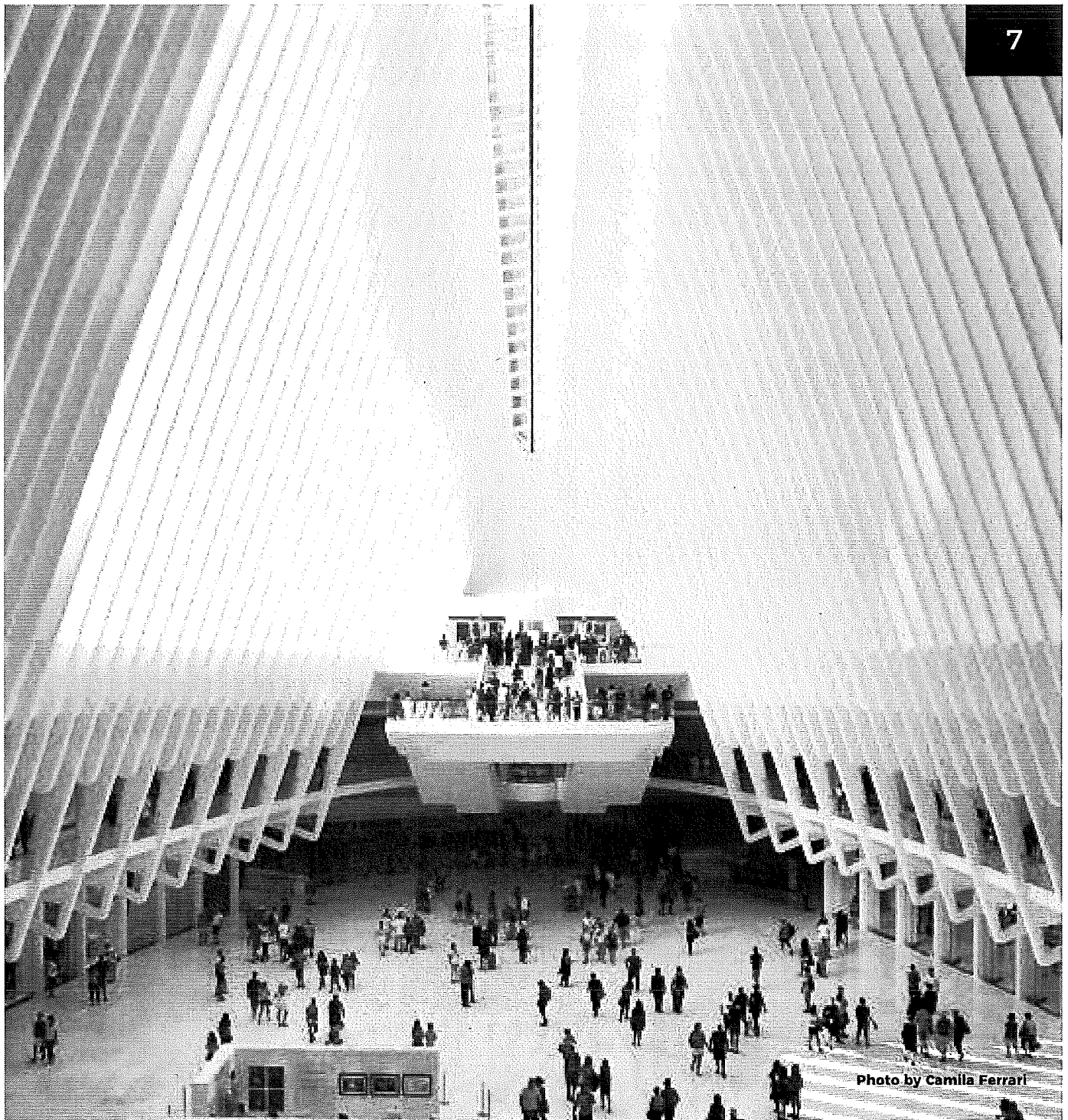
This question may seem almost too obvious to consider, but it does set a clear course. First, start with the problem you're trying to solve. For example, if you're looking to justify government investment in privately-managed projects, then setting up the analysis to provide the desired granularity in tax impacts might best address the problem. Or if you want to see how the operations of a specific industry relate to and supports other businesses in a given region, then the measurable data worth considering would be set up as a contribution analysis, whereas if it's a single business's activity that's under scrutiny, then an economic impact analysis might be a better fit. In this case, we'll be looking at the contribution of a tourist attraction.

## How frequently do you want to repeat the study?

Repeating studies regularly over many years is worthwhile. The practice can highlight shifts in an economy relative to tourism that can guide civic planning practices and drive decision making. It also enables you to compare initial estimates on a projected activity in a given economy with actual statistical change over time—and then meaningfully adjust strategies for shaping economic policy.

But in order to equitably compare economic impact analysis results from year to year, it's important to establish a methodology that can stand the test of time. Key considerations for the longevity of studies include:

- **Describe the study area in great detail.** Counties may change names or redraw boundaries, populations can shift, and the colloquial understanding of a region by name may change. Recording the bounds of your study area down



to the zip codes or plotting the geographic information system (GIS) shape points will ensure that future studies reference a fixed point.

- **Save everything.** Keep clear and accessible records of the economic activities you're measuring, how they're defined in the study, the order in which they were entered into the model, the data year, spend year, any customized data and its relevant methodologies—everything. All too frequently

impact results are published while their methods are lost on the cutting room floor, robbing future researchers of the opportunity to repeat studies to probe their accuracy or lasting impact.

- **Make copies.** Every data storage system has its weaknesses. Save everything in non-proprietary file formats (such as rich text files or PDFs), archive a hard copy, and back up everything online or on an external hard drive.

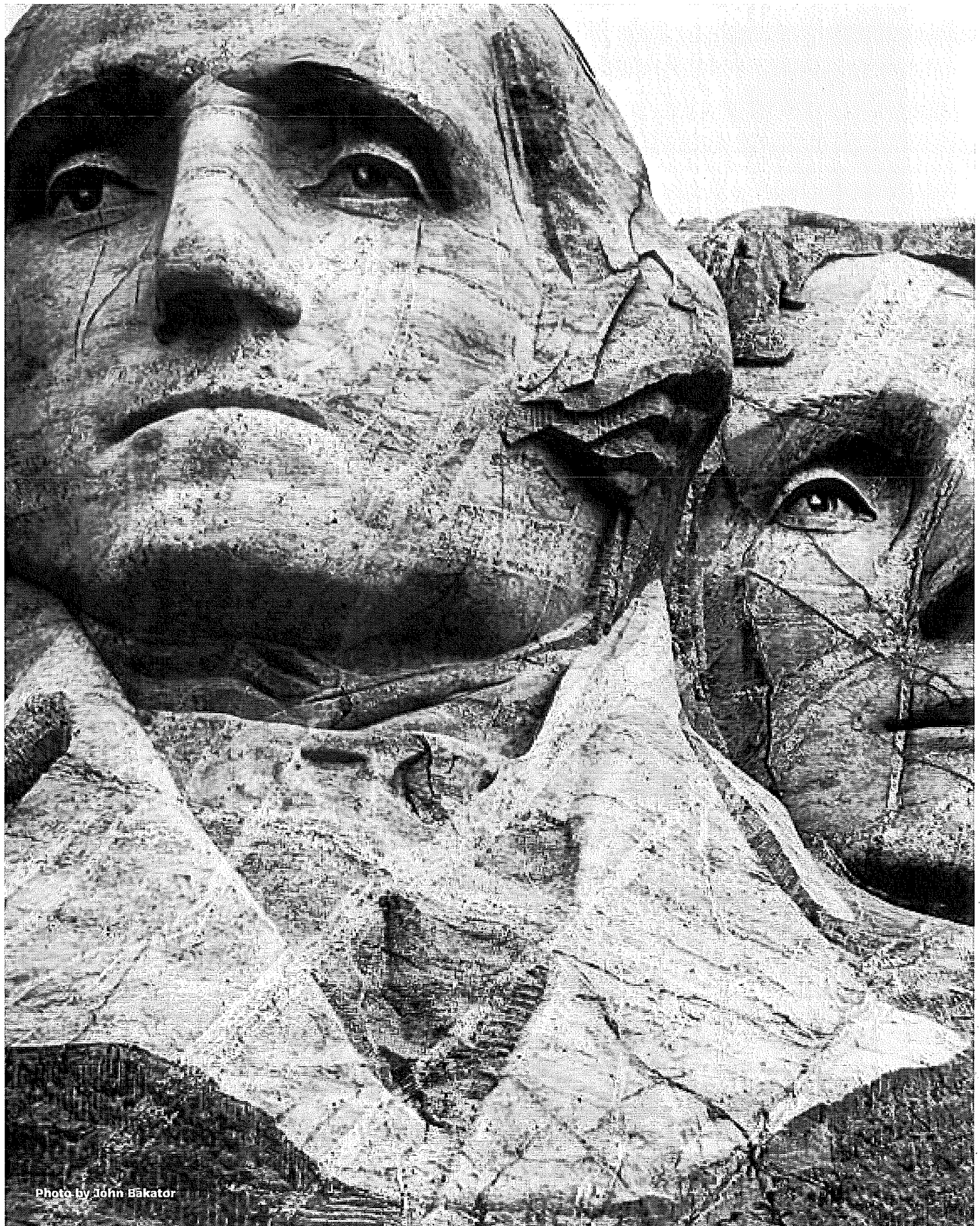


Photo by John Bakator



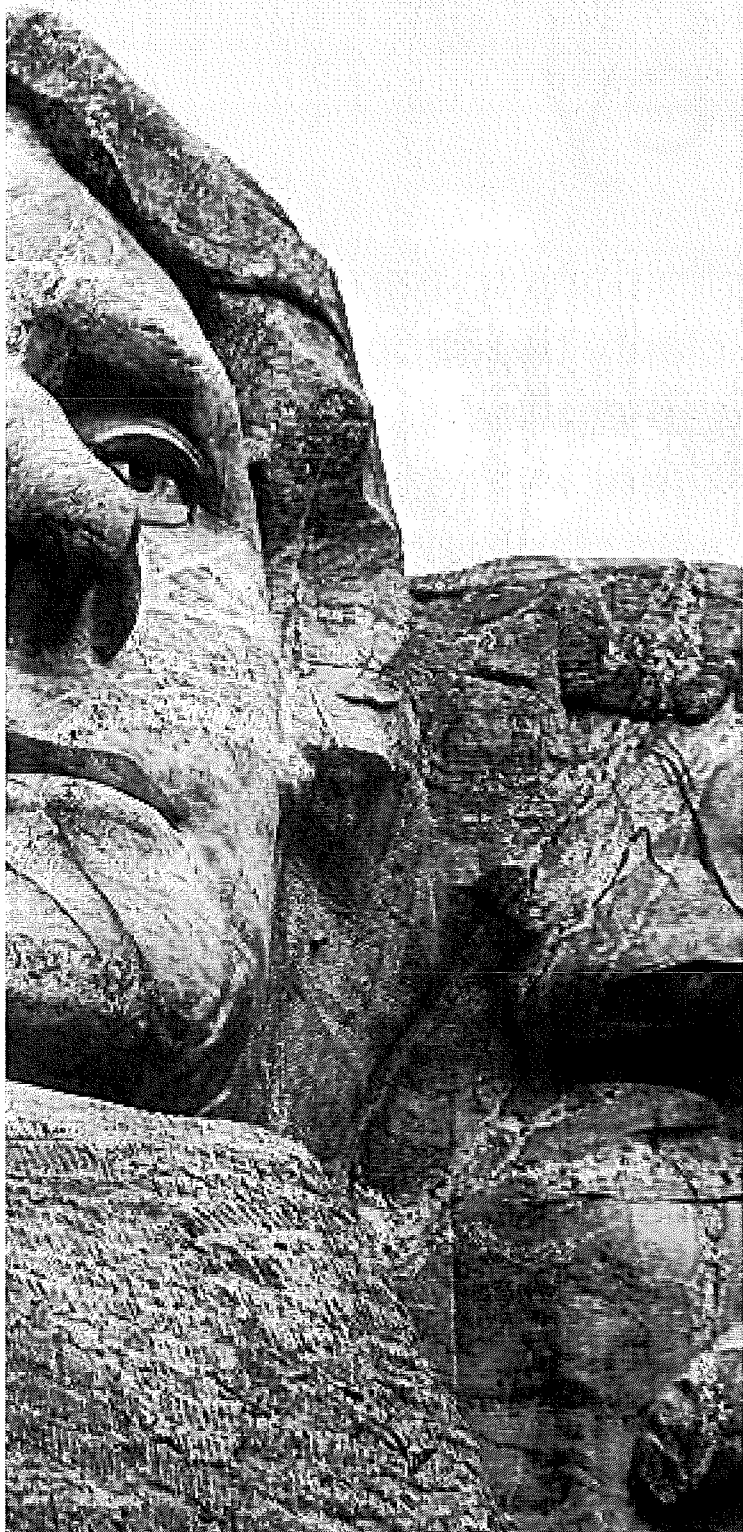
# Define terms

## What is a tourist?

Defining a clear boundary in the methodology for who qualifies as a tourist will fundamentally change the nature of the results. Not all visitors to tourist attractions are out-of-town residents. Locals may regularly visit an attraction. Some out-of-town tourists may be visiting a local family member, or be accompanied by a tour guide. Tour guides might count as local employees, but each may have to purchase their own tickets to attractions.

## What is a tourist season?

Seasonality plays its largest role when it comes to interpreting impact results at the right scale. The data and models used to measure economic impacts are generally designed to deliver results at an annual level. This underlying assumption of the model will affect the reporting of employment-related impacts.



# Craft a rock-solid survey

We've covered setting clear definitions to frame an analysis and how they can clarify the scope of your results. Implementing a well-crafted survey based on the assumptions inherent in those definitions can fill in the gaps and clarify the vagaries for which definitions alone can't account.

Oxford Economics explains its methodology for Travel & Tourism Economic Impact Research (March 2017), "The definition of what kinds of travel are included in Travel & Tourism may and do vary from time to time, place to place, and country to country. To avoid this problem, we believe that the definition of Travel & Tourism must resist strict distance, duration or locality criteria, and rest on the broader view of travel 'beyond the usual environment' using statistical approaches where available to interpret 'usual environment.' Our philosophy is to let those who travel determine with their data when and where to draw the line between 'usual environment' and Travel & Tourism."

In other words, if the available data doesn't distinguish between people who commute to a region for work and those who commute to a region for recreation, then give the commuters a platform to tell you for themselves.

Perhaps most importantly, aim to design survey questions that prompt participants to give you data on the same level of granularity that the model uses to calculate impacts. To see how this approach

can affect the quality of an impact analysis, let's consider two potential survey questions.

## WHEN IN DOUBT, BEG, BORROW, OR STEAL.

Organizations that oversee multiple tourism-focused agencies will sometimes publicly prescribe methodologies designed to fit well across various geographies. For examples, check out:

- [UNStats.un.org/unsd/tourism](https://unstats.un.org/unsd/tourism)
- [NRPA.org/uploadedFiles/nrpa.org/Publications and Research/Research/Papers/Crompton-Research-Paper.pdf](https://nrpa.org/uploadedFiles/nrpa.org/Publications%20and%20Research/Research/Papers/Crompton-Research-Paper.pdf)
- [UVM.edu/~snrvtdc/publications/implan\\_method.pdf](https://uvm.edu/~snrvtdc/publications/implan_method.pdf)

## What did you budget?

If the question is simply “How much did you budget for this trip?” then identifying the sectors of the economy which experience a direct effect will be superlatively difficult. However, on the other end of the spectrum, the perfect survey would prompt participants to enumerate the exchange of every penny over the course of their travel. Fortunately, we can look to the way that economic activity is measured to find a comfortable middle ground.

Businesses report their earnings relative to what products or services they offer through a system that the U.S. Census Bureau defines as The North American Industry Classification System (NAICS). The system “was developed under the direction and guidance of the Office of Management and Budget (OMB) as the standard for use by Federal statistical agencies in classifying business establishments for the collection, tabulation, presentation, and analysis of statistical data describing the U.S. economy. Use of the standard provides uniformity and comparability in the presentation of these statistical data. NAICS is based on a production-oriented concept, meaning that it groups establishments into industries according to similarity in the processes used to produce goods or services” ([Census.gov/eos/www/naics/](http://Census.gov/eos/www/naics/)).

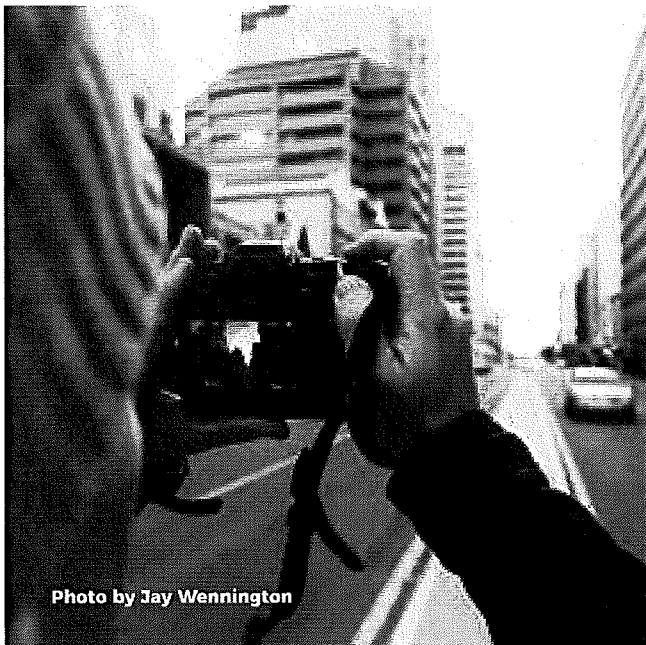


Photo by Jay Wennington

### THIS QUESTION IS TOO BROAD:

*What did you spend on food for this trip?*

### THIS QUESTION IS JUST RIGHT:

*How much did you spend on food at:*

- \$ \_\_\_\_\_ Gas stations
- \$ \_\_\_\_\_ Convenience stores
- \$ \_\_\_\_\_ Attraction-based  
concession stands
- \$ \_\_\_\_\_ Restaurants in town
- \$ \_\_\_\_\_ Other

For IMPLAN, businesses with NAICS designations are grouped into sectors (alternatively referred to as industries) according to identical spending patterns. This sectoring scheme can shed incredible insight into the fiduciary current within a region’s economy and dramatically increase the accuracy of the results of your analysis. However, a sector specifically for tourism does not exist because tourists in different regions and in different times behave differently to each other (even your definition of what a tourist is will affect the way that you measure the impacts of that specific group of people’s activities). However, the system does allow economists to accurately measure the impact of tourism once they have the expenditure amounts and categories because there is enough specificity in the system to distinguish between lodging types, restaurant categories, etc.

For example, a tourist saying that they spent \$40 per day on food can mean many things because dollars spent at a gas station for a hot dog will follow a different path through (or out of) an economy than dollars spent at a restaurant that sources its ingredients locally and where the tourist left a tip. That distinction between dollars spent at a gas station or at a restaurant is measurable because those two businesses are classified into separate NAICS industries.

Ultimately, the strength of a survey is built on knowing what you want to measure and your understanding of the modeling tool you’re using to frame and conduct the analysis.

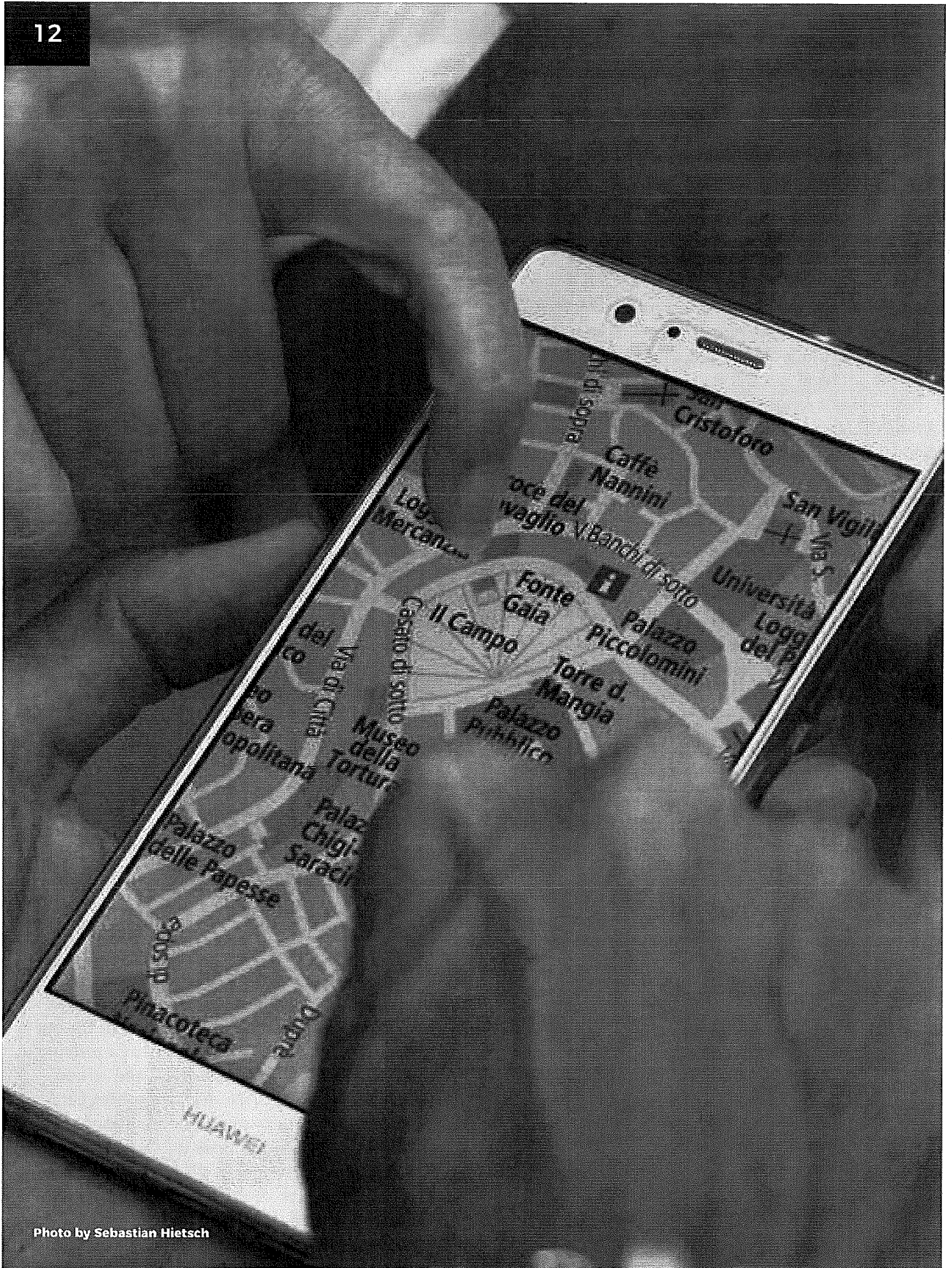


Photo by Sebastian Hietsch

# Make the results accessible

## Easy to find

If circumstances allow, don't be satisfied with delivering the results to concerned parties alone. Making the results available publicly—especially online—can open up your study to insights from community members who may help fact-check inputs or volunteer useful qualifying data.

Besides the intended benefits, making study results widely available helps businesses better understand their connectedness to the community. This often leads to unexpected economic partnerships between private and public organizations that contribute meaningfully to urban planning and economic development initiatives.

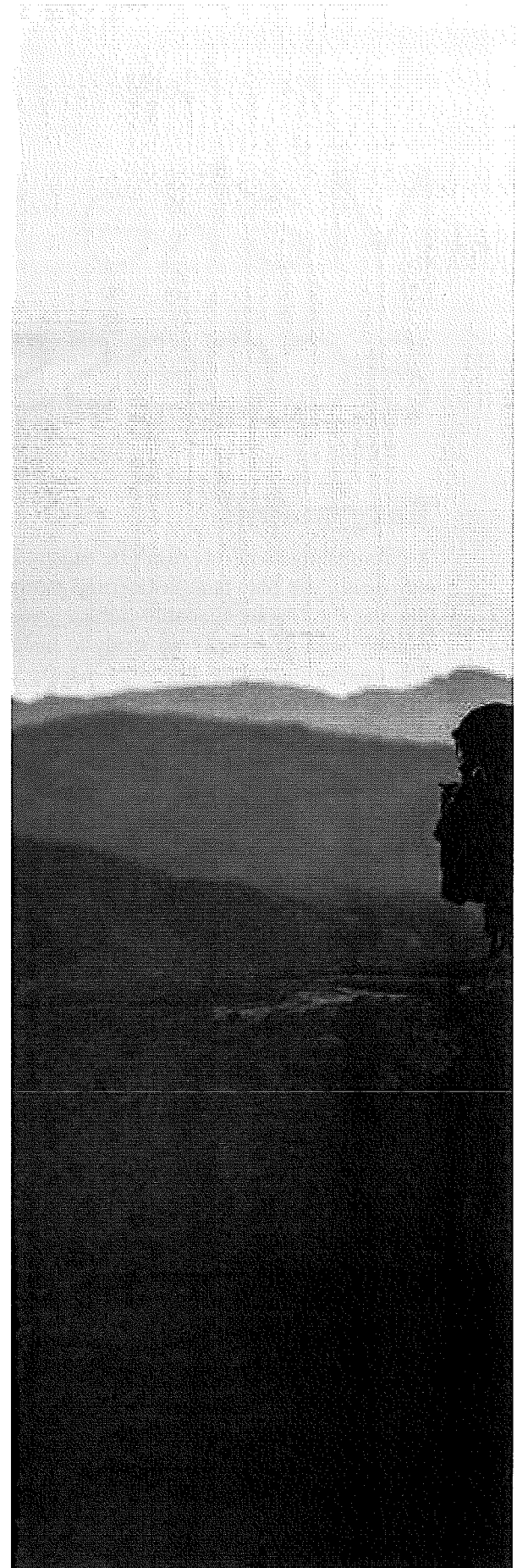
## Easy to understand

The results of your analysis are only as strong as the story you tell. Translating results tables into data visualizations, defining key terms, weaving the methodology through a relatable narrative, and highlighting key findings creates points of entry into the analysis for people who aren't researchers or economists. In almost all cases (especially the most-shared studies), form is as important as content and merits as much attention and planning as the analysis itself.

# Wrapping it up

Understanding tourism's place in the greater economic landscape of your community will help you better craft economic policy, nurture growth, and foster strategic partnerships.

Agencies that have exposed the economic significance of natural resources, supporting tourism industries, and established attractions have used their findings to improve their local economies and have watched long-term results bring stability and wealth to their region.



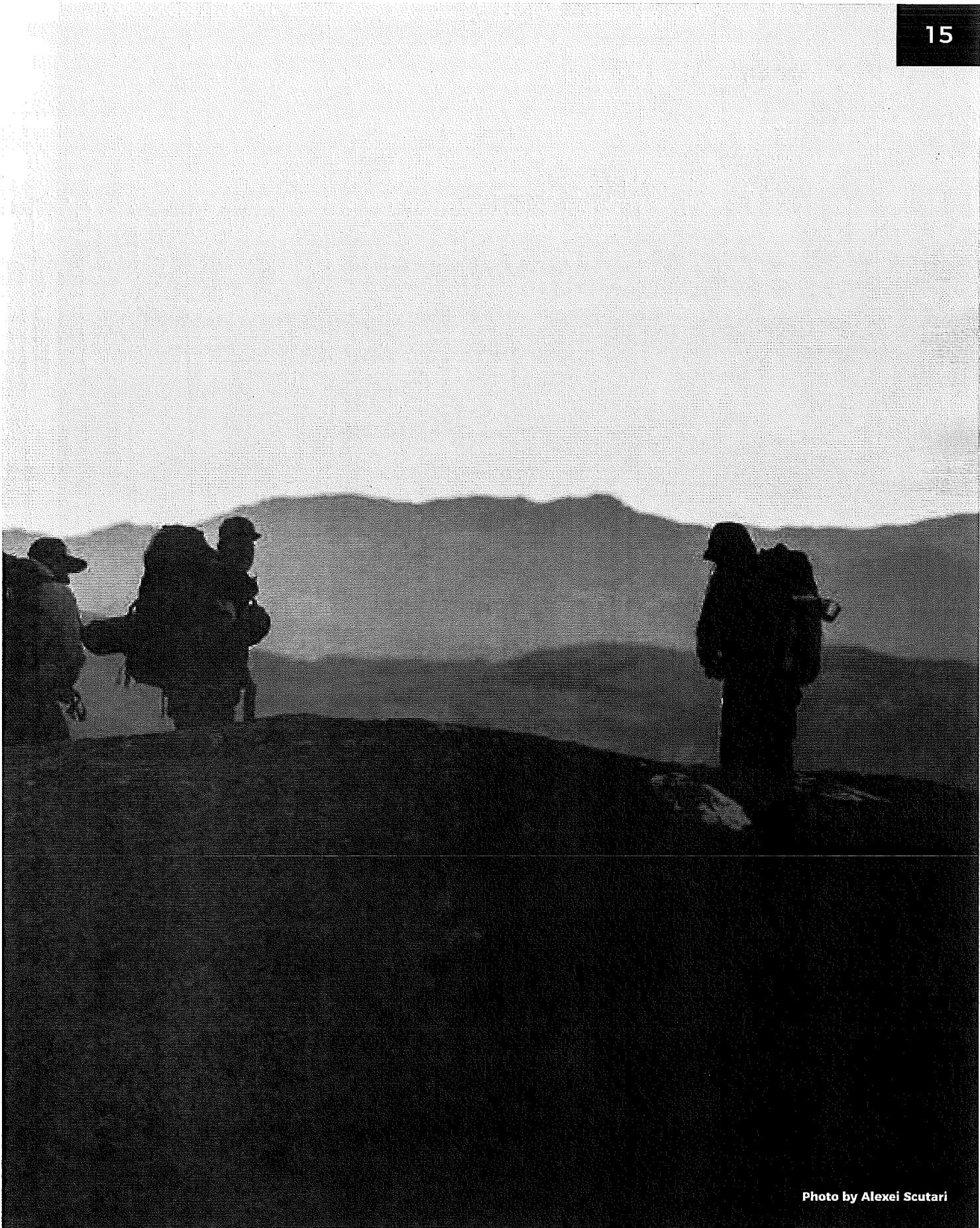


Photo by Alexei Scutari

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