

FESTIVAL IMPACT

Estimated
Visitor
Spending and
Economic
Impact of
Select Durham
Festivals

DURHAM

Where great things happen.

February 25, 2016

INTRODUCTION

Festivals clearly play a role in the economy of cities and counties, and their value and importance go well beyond visitor impact.

Festivals add to the cultural vitality of host communities and bring rich and diverse experiences to residents. Done well, they can also contribute to “place-making” and bring positive awareness to a community.

DCVB has prepared this report for the City and County as a tool to provide context as they make decisions on providing support for various festivals.

Data sources and methodology are in the appendix.

EXECUTIVE SUMMARY

American Dance Festival

\$6.09 M in Visitor Spending
\$8.54 M total Economic Impact
\$230,912 in Local Tax Revenues

Art of Cool Festival

\$1.15 M in Visitor Spending
\$ 1.62 M total Economic Impact
\$41,941 in Local Tax Revenues

FullFrame Documentary Film Festival

\$2.69 M in Visitor Spending
\$3.77 M total Economic Impact
\$81,903 in Local Tax Revenues

Moogfest

\$4.94 M in Visitor Spending
\$6.94 M total Economic Impact
\$188,850 in Local Tax Revenues

2016 PROJECTIONS

In order to achieve an “apples to apples” comparison, 2016 impact was estimated for each festival.

Calculations are part art and part science. These figures are believed to be conservative.

Note that spending amounts are not based on actual spending by attendees to these festivals or events. No primary research or surveying was done. Spending is based on a model that uses average spending by all Durham visitors, with adjustments for actual ticket prices and hotel data when those fall outside the average spending ranges.

AMERICAN DANCE FESTIVAL

Total Attendance (performers/participants and attendees paid and unpaid)	26,773
Total Person Days	42,966
Visitor Person Days	31,204
Total Visitor Attendance (performers/participants and attendees paid and unpaid)	16,288
Day Trip Spending	\$593,682.75
Overnight Spending	\$5,493,105.42
Total Visitor Spending	\$6,086,788.17
Local taxes generated:	\$230,912.44
Visitor Spending (Direct)	\$6,086,788.17
+ Visitor Spending (Indirect & Induced)	\$2,456,341.63
Total Economic Impact (Direct, Indirect, and Induced Spending by Visitors)	\$8,543,129.80
Total Value Added to Durham's Economy	\$6,255,158.75
(Direct, Indirect, and Induced spending MINUS Leakage)	

- 2015 attendance numbers were used.
- Students are calculated at a slightly lower spending rate due to staying in dormitories.
- Visiting artists, faculty and media are calculated using business traveler spending numbers.
- ADF provided hotel room block information, which was used to adjust spending within the lodging category.
- Daily entertainment spending rates reflect average ADF ticket prices.

ART OF COOL FESTIVAL

Total Attendance (performers/participants and attendees paid and unpaid)	4,350
Total Person Days	5,430
Visitor Person Days	4,058
Total Visitor Attendance (performers/participants and attendees paid and unpaid)	2,978
Day Trip Spending	\$221,194.40
Overnight Spending	\$932,846.43
Total Visitor Spending	\$1,154,040.83
Local taxes generated:	\$41,940.83
Visitor Spending (Direct)	\$1,154,040.83
+ Visitor Spending (Indirect & Induced)	\$465,716.64
Total Economic Impact (Direct, Indirect, and Induced Spending by Visitors)	\$1,619,757.46
Total Value Added to Durham's Economy	\$1,185,963.49
(Direct, Indirect, and Induced spending MINUS Leakage)	

- Attendance projections are estimated because the format of the festival changed in 2016.
- Artists/Talent and Media are calculated using business traveler spending numbers.
- Art of Cool staff provided hotel room block information, which was used to adjust spending within the lodging category.
- Daily entertainment spending rates reflect ticket prices in various categories (regular 1-day pass, 1-day club pass, 2-day all-access passes, tickets for special shows at the Carolina Theatre.)

FULLFRAME

Total Attendance (performers/participants and attendees paid and unpaid)	36,555
Total Person Days	19,576
Visitor Person Days	11,230
Total Visitor Attendance (performers/participants and attendees paid and unpaid)	5,379
Day Trip Spending	\$709,809.61
Overnight Spending	\$1,976,283.16
Total Visitor Spending	\$2,686,092.76
Local taxes generated:	\$81,903.26
Visitor Spending (Direct)	\$2,686,092.76
+ Visitor Spending (Indirect & Induced)	\$1,083,980.79
Total Economic Impact (Direct, Indirect, and Induced Spending by Visitors)	\$3,770,073.55
Total Value Added to Durham's Economy	\$2,760,394.51
(Direct, Indirect, and Induced spending MINUS Leakage)	

- 2015 attendance numbers were used.
- They report total seats used, which gets converted to estimated people using a formula devised from a survey they administer.
- Media, Fellows and Filmmakers are calculated using business traveler spending numbers.
- FullFrame staff provided hotel room block information, which was used to adjust spending within the lodging category.
- Daily entertainment spending rates reflect ticket prices in various categories.

MOOGFEST

Total Attendance (performers/participants and attendees paid and unpaid) (includes free events and attendees at art/technology installations)	10,250
Total Person Days	31,200
Visitor Person Days	21,250
Total Visitor Attendance (performers/participants and attendees paid and unpaid)	6,551
Day Trip Spending	\$1,170,313.83
Overnight Spending	\$3,771,192.56
Total Visitor Spending	\$4,941,506.39
Local taxes generated:	\$188,850.41
Visitor Spending (Direct)	\$4,941,506.39
+ Visitor Spending (Indirect & Induced)	\$1,994,159.73
Total Economic Impact (Direct, Indirect, and Induced Spending by Visitors)	\$6,935,666.12
Total Value Added to Durham's Economy (Direct, Indirect, and Induced spending MINUS Leakage)	\$5,078,196.59

- This event has not occurred in Durham before, therefore attendance is estimated based on the prior festival in Asheville, modified for the number of days in this festival.
- DCVB sent leads out to hotels and gathered room blocks and rates for the festival, which was used to adjust spending within the lodging category.
- Daily entertainment spending rates reflect ticket prices in various categories.
- Media, Artists/Talent, Stage Crew/Tech Staff are calculated using business traveler spending numbers.

APPENDIX

UNDERSTANDING the METHODOLOGY

- DCVB contracts with D.K. Shifflet & Associates, a Washington D.C.-based research company which surveys approximately 50,000 households in the U.S. each month to determine travel patterns, spending, activities by visitors, etc., across the entire nation.
- From this data, D.K. Shifflet prepares annual “Volume Estimates” for DCVB, estimating the total number of visitors to Durham each year broken out by day visitors and overnight visitors as well as those visiting for leisure and business purposes.
- The most recent estimates available for Durham are for 2014.

Person-Stays (in millions)	2014
Total	9.31
Business	2.92
Leisure	6.40
Day	8.00
Night	1.31
Day Business	2.59
Day Leisure	5.41
Night Business	0.32
Night Leisure	0.99



UNDERSTANDING the METHODOLOGY

- This provides a daily spending rate for each type of visitor in DCVB's visitor spending model.
- To calculate impact in 2015 and 2016, estimated growth percentages from the Consumer Price Index (CPI) were used, adjusting the model for 2015, when prices were relatively flat, and for 2016, which is projected to rise almost 2%.

U.S. Travel Forecast (Growth)						
	2011	2012	2013	2014 ^a	2015	2016
Real GDP (chained 2005 dollars)	1.6%	2.2%	1.5%	2.4%	2.5%	2.8%
Consumer Price Index (CPI)*	3.1%	2.1%	1.5%	1.6%	0.1%	1.9%

UNDERSTANDING the METHODOLOGY

- With those changes, the model starts with these spending amounts:

	2014	2015	2016
Day Business	\$56.50	\$56.56	\$57.63
Day Leisure	\$79.13	\$79.21	\$80.72
Night Business	\$205.22	\$205.43	\$209.33
Night Leisure	\$153.76	\$153.91	\$156.84

- Keep in mind these daily spending rates are **averages** of all 9.31 million visitors to Durham. Some visitors spend at higher levels, some spend at lower levels, and some spend nothing at all.

UNDERSTANDING the METHODOLOGY

- From other D.K.S.A. research reports we know that cultural travelers spend more money than “average” travelers. Those amounts were documented for Durham in 2011.
- Using the Consumer Price Index, these have also been adjusted to 2015 and 2016 levels. This is typically what is used in estimating the impact of festivals, which are attended by cultural travelers.
- Cultural travelers versus all travelers:

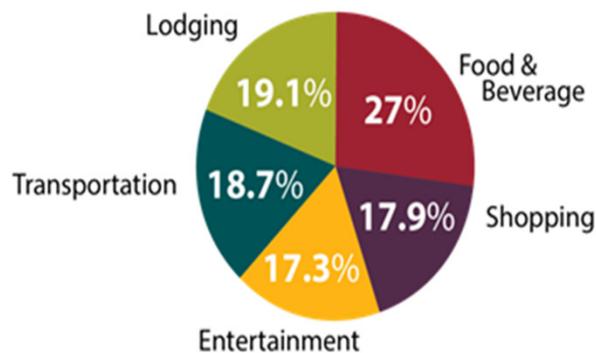
Average Spending Per Person Per Day			
(All Travelers to Durham)			
	2014	2015	2016
Day Business	\$56.50	\$56.56	\$57.63
Day Leisure	\$79.13	\$79.21	\$80.72
Night Business	\$205.22	\$205.43	\$209.33
Night Leisure	\$153.76	\$153.91	\$156.84

Average Spending Per Person Per Day			
(Cultural Travelers to Durham)			
	2014	2015	2016
Day Leisure	\$124.52	\$124.64	\$127.01
Night Leisure	\$216.93	\$217.15	\$221.27

UNDERSTANDING the METHODOLOGY

- Research from IHS Global Insight is also used in DCVB's visitor spending model.
- They produce a report of the economic impact of travel & tourism in Durham every other year.
- In this report, Global Insight provides multipliers, specific to Durham, to calculate the indirect and induced spending* associated with visitors.
- They also provide a breakdown of spending into categories including food & beverage, entertainment, shopping, etc. (Transportation includes only dollars spent locally and does NOT include airfare, which is typically purchased from home.)

**Durham Visitor Spending
by Industry**



*See page 20 for a description of direct, indirect and induced spending.

UNDERSTANDING the METHODOLOGY

- Using those percentages, the amounts spent by overnight leisure visitors each day would be:

	Overnight Leisure Visitor	Overnight Cultural Visitor
	\$156.84	\$221.05
Lodging	\$29.96	\$42.22
Food & Beverage	\$42.35	\$59.68
Transportation	\$29.33	\$41.34
Shopping	\$28.07	\$39.57
Entertainment	\$27.13	\$38.24

UNDERSTANDING the METHODOLOGY

- One category that could be inaccurate is spending on lodging. Even with double occupancy, cultural visitors staying in Durham hotels would typically pay more than \$84.44 per room per night.
- This number is low because many overnight visitors do not use commercial lodging...they stay with friends and family and pay \$0.
- To account for this difference we asked festival organizers to provide documentation on room blocks including the number of rooms contracted and rates. Visitor spending was calibrated accordingly.
- Some festivals only gather room blocks for certain segments, e.g., artists/talent or faculty. If room block information is not available from festival organizers, then the standard lodging rate is used. (This is not the case with these four festivals.)
- Another category that could be inaccurate is entertainment. With an average daily entertainment spending rate of \$38.24 per day by cultural travelers to Durham, that is understated for most of these festivals. This is also adjusted in the model to reflect the average ticketed amount.

UNDERSTANDING the METHODOLOGY

- Here is an example of an adjustment for a \$150 room rate and \$85 ticket price. This assumes double occupancy in the hotel room, so \$75 is the daily spending rate per person.

	Overnight Cultural Visitor	Adjusted to factor in a \$150 room rate (double occupancy) and \$85 ticket price
	\$221.27	\$300.73
Lodging	\$42.26	\$75.00
Food & Beverage	\$59.74	\$59.74
Transportation	\$41.38	\$41.38
Shopping	\$39.61	\$39.61
Entertainment	\$38.28	\$85.00

- This can be adjusted based on actual behavior of festival-goers. A festival that draws a lot of students staying four per room would be an example of this.
- If a cultural traveler purchases a \$150 pass for a 3-day festival, then the daily entertainment rate would be adjusted to \$50.

UNDERSTANDING the METHODOLOGY

- Calculating local tax revenue: Sales tax revenue is calculated by multiplying total visitor expenditures by 2% (the portion of sales tax revenue returned to the City and County), plus adding in the small amount received, through an allocation model, on the ½% tax that is returned to cities and counties.
- Occupancy tax revenues are calculated by multiplying the estimated spending on lodging by 6%.
- Total tax revenue equals occupancy tax plus sales tax revenue.

IN SUMMARY

- There are some important advantages to using DCVB to calculate the economic impact and visitor spending of various Durham-based festivals and events.
- There are also some limitations and drawbacks.
- On the favorable side, DCVB does this at no cost for festivals and events, saving them considerable funds.
- Using DCVB, the City and County can see an apples to apples comparison of the impact of festivals.
- But there are disadvantages, too.
- Even with these adjustments, this model is considered to be **VERY CONSERVATIVE**.
- The true economic impact of an event is likely higher.

COMPONENTS of ECONOMIC IMPACT

Direct, Indirect, and Induced Impact of Visitors to Durham



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