

**The Economic Impact of
Expenditures By Travelers
On Wisconsin**

HIGHLIGHT SUMMARY

Calendar Year 2008

Prepared for:



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Table of Contents

1.0 Introduction	4
2.0 Executive Summary	6
2.1 Summary for Wisconsin 2008	6
2.2 Wisconsin Industry Highlights	7
2.3 Wisconsin Comparison Summary: 2007 vs. 2008	8
2.4 Wisconsin Total Estimated Traveler Expenditures By Quarter: 2007 vs. 2008	9
3.0 Estimates of Traveler Expenditures in Wisconsin	10
3.1 Overall Expenditures	10
3.2 Estimated Traveler Expenditures By Accommodation Type.....	10
3.3 Estimated Traveler Expenditures By Category of Expenditure.....	12
3.4 Estimated Traveler Expenditures By Season	13
4.0 Overnight Person Visits to Wisconsin in 2008	14

Technical Appendix: The Research Procedures

Figures and Tables

Figures:

Figure 3.2:	Estimated Wisconsin Traveler Expenditures By Accommodation Type	11
Figure 3.3:	Estimated Wisconsin Traveler Expenditures By Category of Expenditure	12
Figure 3.4:	Estimated Traveler Expenditures By Season	13
Figure 4.0:	Wisconsin Overnight Person-Visits	14

Tables:

Table 2.2:	Wisconsin Industry Highlights	7
Table 2.3:	Wisconsin Comparison Summary: 2007 vs. 2008	8
Table 2.4:	Wisconsin Total Estimated Traveler Expenditures By Quarter: 2007 vs. 2008	9

1.0 Introduction

This is the 20th annual report of the Economic Impact of Traveler Expenditures on Wisconsin prepared by *Davidson-Peterson Associates*. This report covers traveler expenditures made in Wisconsin from December 2007 through November 2008.

The purpose of this study is to measure the economic benefits Wisconsin residents and governments derive from the dollars spent by travelers.

These economic benefits include:

- **Total expenditures** made by visitors;
- Number of **full-time equivalent jobs** supported by these expenditures;
- **Wages, salaries and proprietary income** earned by area residents; and
- **State and local government revenues** generated.

The economic impact estimates in this report may be used to document the importance of tourism as a key segment of Wisconsin's economy; to underscore the need to continue to support the expenditure of time, effort and dollars to promote tourism growth; and to track the results of Wisconsin's tourism marketing efforts.

Revised Numbers

Beginning with 2004, at the request of the Wisconsin Department of Tourism, revised numbers are no longer shown in the report. When comparisons are made, they are between reported figures of the previous year (2007) and the current year (2008).

Four Quarters

To understand traveler impacts on Wisconsin as a four-season destination, the Wisconsin Department of Tourism converted from a three-season study to a quarterly study in 2003. The quarters are defined as follows:

- Quarter 1 – Winter: December – February
- Quarter 2 – Spring: March – May
- Quarter 3 – Summer: June – August
- Quarter 4 – Fall: September – November

Inclusion of Second Homeowners

Once again, 2008 expenditures include recreational trip expenditures of second homeowners and their guests. This information was made possible with updated and more accurate information available from the 2000 U.S. Census on the number of seasonal housing units in Wisconsin. The estimates include trip expenditures for non-routine visits only (once a month or less). Costs of ownership and capital improvements are not included in these estimates.

Now let's turn to the 2008 results.

2.0 Executive Summary

2.1 Summary for Wisconsin, 2008

2008 ESTIMATED TRAVELER EXPENDITURES*:	\$13.116 billion
December - February	\$2.342 billion
March - May	\$2.737 billion
June – August	\$5.036 billion
September - November	\$3.001 billion

2008 ECONOMIC IMPACT (Annual)

Total jobs created (full-time job equivalents)	310,330
Total resident income generated..... (wages, salaries and proprietary income)	\$7.287 billion
Total government revenues generated	
State.....	\$1.463 billion
Local.....	\$0.664 billion

*Once again, 2008 expenditures include recreational trip expenditures of second homeowners and their guests. Trip expenditures are included for non-routine visits only (once a month or less often). Costs of ownership and capital improvements are not included in these estimates.

2.2 Wisconsin Industry Highlights

Table 2.2
Wisconsin Industry Highlights
2008

	Hotels/ Motels/ Resorts/ <u>B&Bs</u>	Cabins/ Cottages/ <u>Condos</u>	<u>Campgrounds</u>
Number of properties	1,716	1,067	784
Number of rooms/units/sites	81,669	10,699	68,058
Total available roomnights/site-nights (millions)	27.38	2.80	9.98
Total occupied roomnights/site-nights (millions)	14.61	1.22	3.41
Average occupancy rate	53%	43%	34%
Average daily rate	\$92.54	--	--
Average unit rate	--	\$135.09	--
Average site rate	--	--	\$22.97
<i>Management's Estimate:</i>			
Average party size	2.00	3.85	3.79
Average length of stay	2.03	3.75	2.68
Guest Origin			
<u>Out of State</u>	<u>45%</u>	<u>47%</u>	<u>26%</u>
U.S.	42%	47%	26%
Canada	2%	*	*
Other foreign	2%	*	*
Wisconsin	55%	53%	74%
Trip Purpose ¹			
Pleasure	45%	94%	100%
Business	35%	4%	N/A
Meetings/conventions	20%	2%	N/A

Note: Length of stay as noted throughout this document represents the average number of nights spent in a single property. It does not necessarily reflect the total number of nights spent in Wisconsin.

Note: Columns of figures may not add to totals shown due to rounding.

* Less than 0.5%

¹ These statistics not collected for campers

2.3 Wisconsin Comparison Summary: 2007 vs. 2008

Table 2.3
Wisconsin Comparison Summary
2007 vs. 2008

	<u>2007</u>	<u>2008</u>	<u>Change</u>
Estimated Traveler Expenditures	\$12,775,536,291	\$13,115,616,058	+2.7%
Estimated Economic Impact:			
Total full-time job equivalents supported	302,231	310,330	+2.7%
Total resident income	\$7,086,467,000	7,286,781,000	+2.8%
Total government revenues generated:			
State	\$1,422,148,000	1,462,673,000	+2.8%
Local	\$638,226,000	664,111,000	+4.1%
Accommodations:			
Hotels/Motels/Resorts/B&Bs:			
Number of properties	1,755	1,716	-2.2%
Number of rooms	81,166	81,669	+0.6%
Total available roomnights (millions)	27.08	27.38	+1.1%
Total occupied roomnights (millions)	14.75	14.61	-1.0%
Average daily rate	\$90.62	\$92.54	+2.1%
Average occupancy rate	54%	53%	-2.1%
Cabins/Cottages/Condominiums:			
Number of properties	1,079	1,067	-1.1%
Number of units	11,011	10,699	-2.8%
Total available unit-nights (millions)	2.64	2.80	+6.2%
Total occupied unit-nights (millions)	1.17	1.22	+4.0%
Average unit rate	\$123.79	\$135.09	+9.1%
Average occupancy rate	44%	43%	-1.8%
Campgrounds:			
Number of properties	781	784	+0.4%
Number of sites	67,607	68,058	+0.7%
Total available site-nights (millions)	10.01	9.98	-0.3%
Total occupied site-nights (millions)	3.54	3.41	-3.7%
Average site rate	\$21.93	\$22.97	+4.7%
Average occupancy rate	35%	34%	-3.4%

2.4 Wisconsin Total Estimated Traveler Expenditures By Quarter: 2007 vs. 2008

Table 2.4
Wisconsin Total Estimated Traveler Expenditures
By Quarter
2007 vs. 2008

	<u>2007</u>	<u>2008</u>	<u>% Change</u>
December - February	\$2,185,685,885	\$2,341,502,852	+7.1%
March – May	\$2,637,159,767	\$2,737,386,706	+3.8%
June - August	\$4,884,978,375	\$5,035,782,087	+3.1%
September - November	\$3,067,712,263	\$3,000,944,413	-2.2%
Total	\$12,775,536,291	\$13,115,616,058	+2.7%

3.0 Estimates of Traveler Expenditures in Wisconsin

The purpose of this chapter is to review our findings concerning estimated traveler expenditures in Wisconsin in 2008. In so doing, we'll look at:

- Overall expenditures;
- Estimates by accommodation type and by category of expenditure; and
- Seasonal differences.

We'll begin with the overall conclusions about 2008 traveler expenditures in Wisconsin.

3.1 Overall Expenditures

Wisconsin travelers spent an estimated total of \$13.116 billion in 2008, a 2.7% increase from 2007.

3.2 Estimated Traveler Expenditures By Accommodation Type

More than half of the total estimated traveler expenditures, \$6.898 billion (52%), were spent by travelers staying overnight in Wisconsin at hotels/motels/resorts/B&Bs.

Those camping in Wisconsin spent \$682 million (5%), and those staying in cabins/cottages/condominiums spent \$746 million (6%).

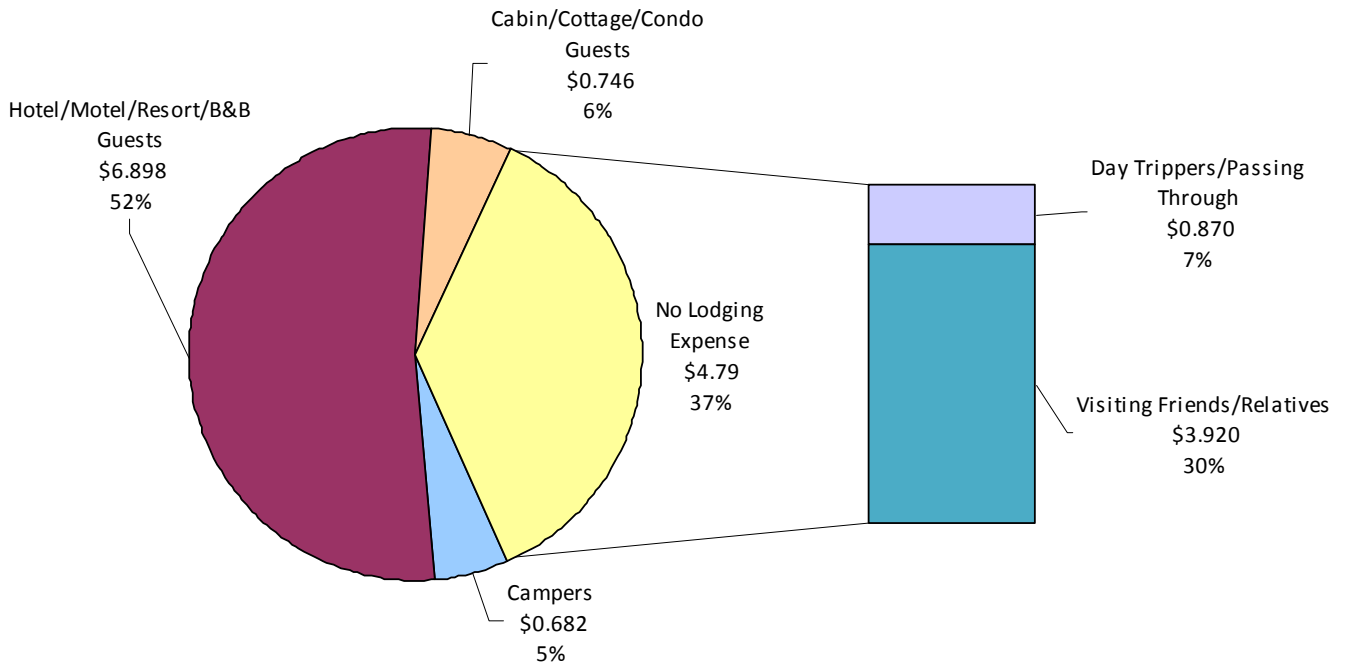
Visitors with no lodging expenses spent \$4.790 billion, or 37% of Wisconsin's 2008 traveler expenditures.

- Travelers who stayed at the homes of family and/or friends spent \$3.920 billion (30%) while visiting Wisconsin. Travelers who visited second homes in Wisconsin spent \$572 million (4%) in expenditures related to their trip. Second homeowners' expenditures are included in the expenditures reported for those visiting friends and relatives.*
- Those visiting just for the day or passing through Wisconsin spent \$870 million (7%).

* Note: 2001 was the first year that the expenditures of second homeowners were included in the VFR category. This data was made possible due to updated and more accurate estimates on second homes in Wisconsin from

the 2000 Census. Only recreational trip expenditures from non-routine visits (once a month or less often) are included in these estimates. Costs of ownership and capital improvements are not included in these estimates.

Figure 3.2
Estimated Wisconsin Traveler Expenditures
By Accommodation Type
Calendar Year 2008
(\$Billions)



Total: \$13.116 Billion

3.3 Estimated Traveler Expenditures By Category of Expenditure

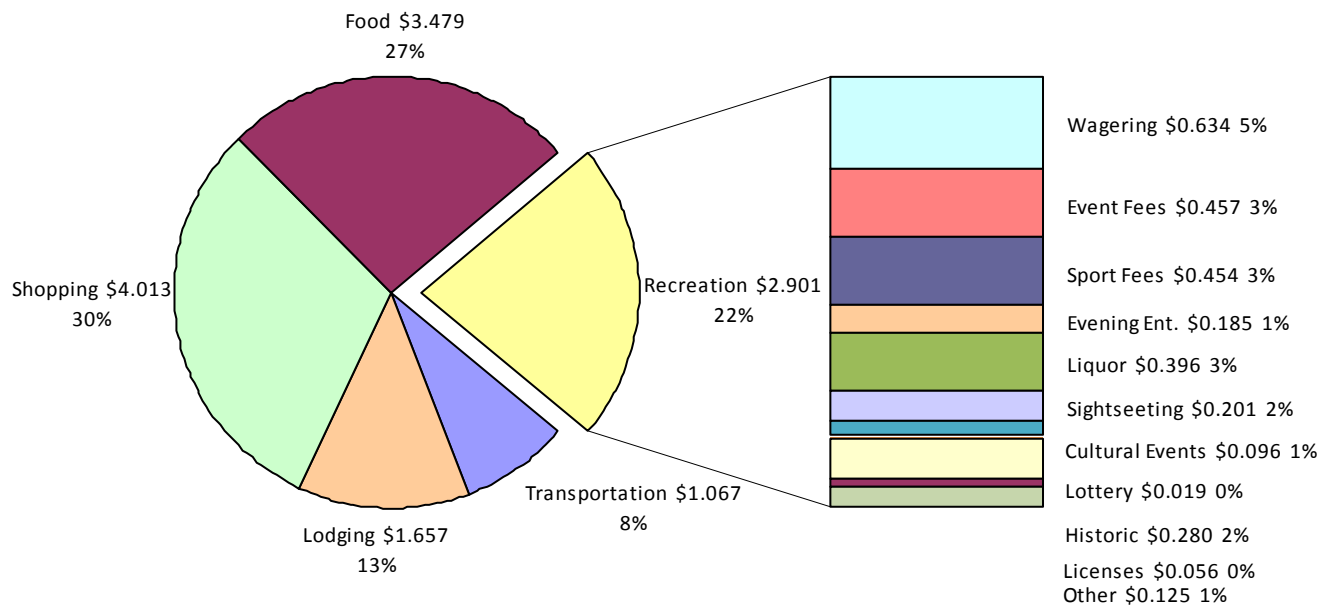
More than half of Wisconsin's total estimated traveler expenditures were shopping and food expenditures (\$4.01 billion and \$3.48 billion, respectively).

Recreation expenditures represent 22% of traveler expenditures (\$2.90 billion), and lodging expenses represent 13% of the traveler expenditures (\$1.66 billion). Eight percent of Wisconsin traveler expenditures (\$1.07 billion) were spent on transportation.

Figure 3.3

Estimated Wisconsin Traveler Expenditures By Category of Expenditure

Calendar Year 2008
(\$ Billions)



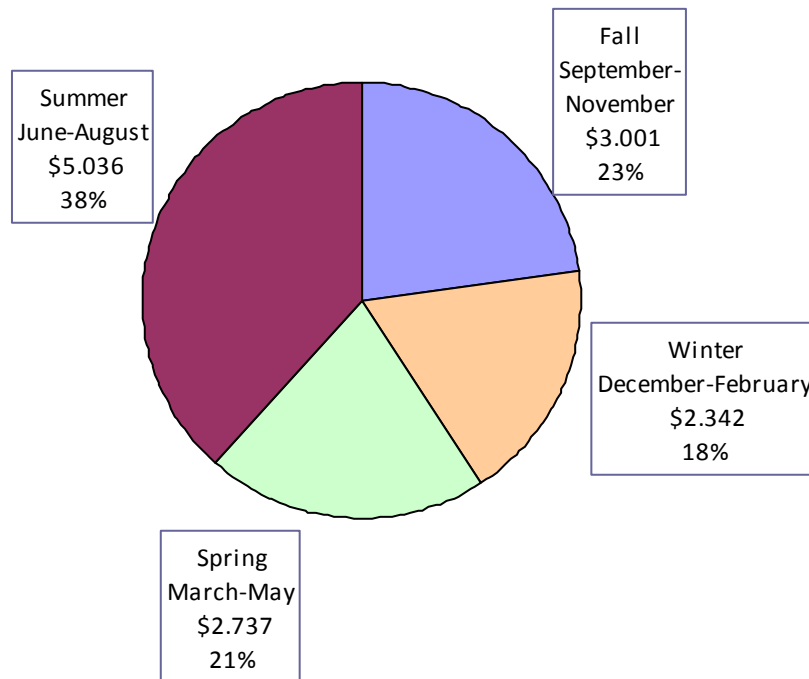
Total: \$13.116 Billion

3.4 Estimated Traveler Expenditures By Season

Travelers spent \$5.04 billion, or 38% of all traveler expenditures, during the summer season (June through August). They spent \$3.00 billion, or 23% of all traveler expenditures, during the fall season (September through November). Finally, travelers spent \$2.74 billion, or 21% of all traveler expenditures, during the spring season (March through May) and \$2.34 billion, or 18% of total traveler expenditures, during the winter season (December through February).

Figure 3.4
Estimated Traveler Expenditures
 By Season

Calendar Year 2008
 (\$ Billions)



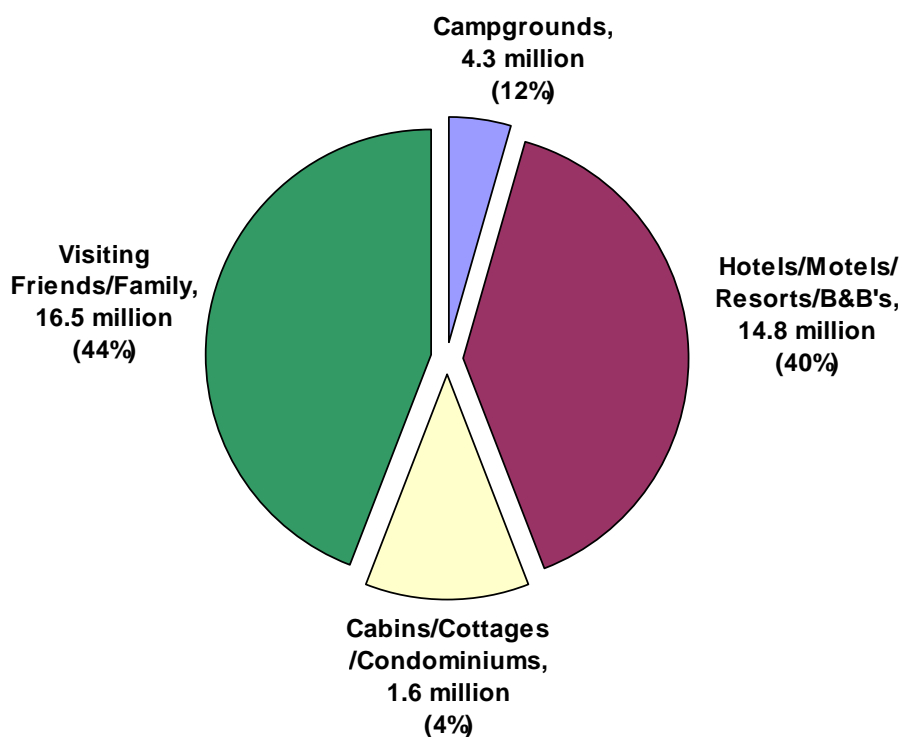
Total: \$13.116 Billion

4.0 Overnight Person-Visits to Wisconsin

During 2008, overnight person-visits in Wisconsin totaled 37.2 million, a decrease of 3% from the 2007 figure of 38.3 million.

Visitors staying with family and/or friends represented 44% of the Wisconsin overnight person-visits, and hotel/motel/resort/B&B guests represented 40% of overnight person-visits. Campers accounted for 12% of overnight person-visits while visitors staying in cabins/cottages/condominiums made up 4% of the overnight person-visits in Wisconsin in 2008.

Figure 4.0
Wisconsin Overnight Person-Visits



TOTAL: 37.2 Million Overnight Person-Visits

Note: A **person-visit** is defined for this report as one person on one overnight visit to one accommodation. A couple on a one-night weekend stay is two person-visits. If a guest to Wisconsin travels to several locations in Wisconsin, staying overnight in different accommodations, each overnight stay is considered a person-visit. Therefore, 38.2 million person-visits should not be interpreted as 37.2 million visitors.

Technical Appendix: The Research Procedures

Introduction

The basic procedure employed in this project is the T-MAP-I economic impact model. *Davidson-Peterson Associates* first employed this procedure in 1985 for the State of Georgia. Since then, it has been used to estimate traveler expenditures in states and local areas throughout the United States.

A. What is Economic Impact?

Economic impact begins when a visitor to an area spends any amount of money on any product or service in that area. The **direct** recipients of visitor expenditures use these dollars to earn income, pay wages, and pay taxes thus creating a **direct impact** on the local economy. But the benefits to the local economy extend beyond the direct impact of these dollars. Visitor expenditures create a chain effect. When businesses and their employees spend *their* income in the state, they create an **indirect impact** by supporting additional jobs, wages, salaries, proprietary income and tax revenues. The sum of the **direct** and **indirect impact** equals the total economic impact of traveler expenditures.

B. What is a Traveler?

For purposes of this study, a traveler is anyone who visits an area while traveling outside of his or her normal routine and spends money. They may be motivated to travel by pleasure, personal, or business reasons or some combination of reasons. If they remain in the area for more than 30 days, they cease being a traveler. If they are staying in accommodations contracted for more than a 30-day period (construction workers or truck drivers, for example), they are not classified as travelers.

This report and the T-MAP-I procedure are based on the premise that economic impact begins with the expenditure of dollars by travelers (bottom-up measurement) rather than

receipts of selected businesses (top-down measurement) – a more traditional tool of economic analysis.

Davidson-Peterson Associates does not use the traditional top-down or industry receipts-based methods. In this study:

- Sales tax data or industry receipts are not employed;
- Measurements begin with **every dollar** travelers spend;
- North American Industry Classification System (NAICS) codes are **not** used;
- **Travelers** define where they spend money.

C. Additional Explanations

- Top-down or industry receipts-based measures assume that an industry is composed of a set of businesses that are clearly designated by customary NAICS codes. For most industries this works well. However, when applied to tourism, this method tends to underestimate the economic impact, in part because businesses are not able to separate traveler expenditures from resident expenditures.
- Tourism is not a typical industry, and cannot be represented in its entirety by a few NAICS-classified businesses. Tourism is the movement of people into an area for a brief period of time. Its economic impact begins with the sum of every dollar visitors spend on lodging, retail purchases, gas, food, entertainment or any other goods or services people buy.
- When travelers spend dollars, they spend them in many of the same “traditional industries” as local residents. While these businesses (such as retail stores, restaurants and gas stations) are identified by NAICS codes, there is simply no way to separate the purchases of travelers from those of local residents. The bottom-up procedure employed by *Davidson-Peterson Associates* is based on all traveler expenditures in all industries.

This procedure for assessing economic impact provides accurate estimates of current numbers as well as measurements of change from year to year. Methods and numbers are constantly being reviewed to generate the most accurate measures of change possible.

D. The Basic Research Steps for the 2007-2008 Wisconsin Effort

What follows is a brief description of the procedures for estimating economic impact as they were completed in 2008.

1. Inventory Update

At the beginning of 2008, the 2007 inventory of lodging properties maintained by *Davidson-Peterson Associates* was compared to the list of all licensed lodging properties from the Wisconsin Division of Public Health (DPH). Any new information, additions, deletions, or size changes gathered from the comparison of the initial lodging inventory and the DPH list was incorporated into the final 2008 inventory. In addition, the seasonal surveys of lodging business activity (see #2) allowed for further clarification.

New properties in the final inventory are sampled so as to include new properties in each quarterly sample.

2. Seasonal Surveys of paid lodging business activity

Every property included in the state survey sample was contacted and asked to complete a survey questionnaire by phone. Those who did not participate by phone were asked to complete the survey via mail or fax. Additional properties in counties participating in special economic impact reports are added to the state sample. A total of 4,619 contacts were made with lodging properties during the course of the year resulting in 3,350 completed surveys as follows:

<u>Quarter</u>	<u># Contacted</u>	<u># Completed</u>
December - February	1165	961
March - May	1166	874
June - August	1142	796
September - November	<u>1146</u>	<u>719</u>
Total	4,619	3,350

A small sample of very large and/or high priced properties were asked to provide rates and occupancy for all four quarters. This procedure is employed to prevent skewing the data or understating the values for such important properties by imputing averages based on less expensive, smaller properties.

3. Resident (VFR) Survey

To determine the incidence of visiting friends and relatives (VFR) in the state, telephone interviews were conducted with a random sample of Wisconsin households. Data from these surveys was projected to the total state household population.

A total of 1,000 VFR surveys were completed in 2008. These surveys were combined with the VFR surveys from 2004 through 2007 to calculate 5-year rolling averages.

4. Visitor Expenditure Survey/Modeling

To represent the proportion of traveler expenditures spent on specific types of goods and services, visitors were surveyed on-site while in Wisconsin. The visitor expenditure ratios obtained from the on-site interviews were applied to derive the total expenditures by category.

A total of 1,978 usable Visitor Expenditure surveys were completed throughout 2008 at roughly 50 sites across Wisconsin.

5. Economic Impact Data Calculations

Room, unit, and campsite rates and occupancy were used to estimate the total expenditures at accommodation facilities. The visitor expenditure ratios were applied to this figure to derive the total traveler expenditures by those staying in each accommodation category.

6. Input/Output (I/O) Modeling

A special inter-industry model constructed for Wisconsin utilizes the total tourism expenditures to determine estimates of employment, income, and government revenue impacts of expenditures on the state.