

measuring travel. • and tourism's return on investment

Valuable indirect and induced benefits lie "below the water line"

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Return on investment—or ROI—is considered one of the standard methods of measuring the worth of a project. Whether you use ROI, equity, assets or any other formula, its validity still relies on the accuracy of information you include in the equation and the values you put on the different types of return.

State legislators generally look at the advertising purchased by tax dollars and what additional taxes are returned to the state's treasury. Communities tend to look at local tax revenues and hotel room bookings as their standard method of determining the success of a travel and tourism program.

Both of these are good beginnings, but they are far from the whole story or even the biggest ROI. For example, the State of Texas generally shows \$10 to \$16 in ROI for each dollar spent on tourism advertising. It may not seem like a big deal until you look at comparing a 10 to 1 return (1,000 percent) to what you would get on our own. Investments in the money market, S&P 500 or NASDAQ all pale by comparison. Whether it is a state tourism office or a local destination marketing organization, the results are almost always well in excess of a 1 to 1 return.

But that is still only a part of the story. Consider the following:

Businesses

Ninety-seven percent of the businesses in travel and tourism are small, predominantly entrepreneurial businesses—the proverbial backbone of Main Street USA. Of course some of the largest corporations in the nation are hugely dependant on travel and tourism as well.

Careers

Jobs and careers in travel and tourism can include accountancy, architecture, engineering, law, financial auditing, marketing,

sales, public relations, web designers, IT management, loss prevention, foodservice, construction, entertainment, transportation and service positions of all types. In many cases a teenager develops his or her work ethic in an establishment aligned to the travel industry. Whether lifelong careers or summer jobs, this employment yields big benefits for any community.

The Trickle-Down Effect

In addition, the jobs indirectly generated or induced by travel and tourism are some of the best and have the most impact of any industry. For example, check the accounts payable register for hotels and attractions. You will find many local vendors included. Consider service providers such as florists, bakers, landscapers, construction workers, special event planners and advertising executives. Each provides services that touch travelers. These individuals more than double the direct employment of the travel and tourism industry. Also consider the fact that almost half of many white tablecloth restaurants' revenue comes as a result of travel and that about 15 percent of quickservice restaurants' sales come from the same.

Renovation and Preservation

Many cities have renovated blighted portions of their community with projects that draw significant numbers of travelers. Their viability is based on a mix of tourists, convention attendees and locals who visit with out-of-town guests. The same applies to historical and cultural assets that are renovated and preserved for both tourists and locals to enjoy. How many festivals and events that celebrate our heritage and culture are supported as much by travelers as residents? How many businesses consider the entertainment, culture, restaurants, hotels and services that are important to the "quality of life" of their employees when they consider moving

Direct Travel Employment

Direct Travel Expenditures

Travel-Generated Taxes

Travel-Generated Payroll

Indirect and Induced Benefits

- › Creates jobs and services
- › Generates new payroll
- › Reduces taxes paid by existing residents
- › Enhances local infrastructure
- › Provides for city services, personnel
- › Enhances real estate values
- › Diversifies economy
- › Attracts businesses
- › Encourages entrepreneurial opportunities

Psychological and Developmental Benefits

- › Provides urban, neighborhood revitalization
- › Generates pride, enthusiasm for local residents
- › Encourages historic preservation
- › Improves destination image
- › Creates social activities for public
- › Aids protection of natural resources
- › Develops interpersonal skills

BELOW THE WATER LINE:

The total value of the U.S. travel industry is calculated at more than a trillion dollars when considering direct, indirect and induced travel expenditures. That's about half of the entire federal budget. The collective or "public" benefits of investing in tourism, or its ROI, bears greatly on the economy, culture and personality of destinations of all scopes and sizes. Some benefits that lie "below the water line" are evident by new jobs and income, while others are softer and contribute to an enhanced quality of life for those who live in and visit a region.

Illustration by Erwin Sherman

their headquarters or building a new plant? What is here for the visitor is also here for the resident. It is a wonderfully symbiotic relationship that works well for everyone...especially the destination.

Imagine for a moment that tourism did not exist in your town. Imagine that hotels were gone, restaurants were closed or had limited hours of operation, theme parks were gone, museums shuttered, ballgames reduced, festivals cut back, and the spirit that they brought to the people...evaporated.

When you consider all the factors, two major revelations appear.

One, the main benefit of travel and tourism is for a destination's residents, and, two, that it's the front door for economic development. Neither of these factors is readily visible on a pro forma, but they are very real.

From time to time, communities and destinations are sometimes called to engage an outside firm, university or individual to analyze the return they are realizing from their travel investment. It is sensible to do this periodically, especially if there is any doubt about the effectiveness of the campaign or there are debates on expansion of the budget. But engage a firm or consultant who truly understands the industry and its impact; someone who is experienced in doing

these types of studies and one who is not shy about pointing out the intangibles that cannot be graphed, plotted or charted.

Although formulas and methods exist to track taxes, spending, capital investments and other economic indicators, benefits that lie below the water line are equally or even *more* important. Approach a destination analysis with consideration for a place's overall branding and image, attractiveness to other development, preservation of local heritage and culture, and youth employment. Even if the facts and figures stand out on its own, it always pays to give extra effort to paint the whole picture.

Clearly, the return on investment is much more than money in the bank. It is first-time jobs and careers at all levels, it's entrepreneurial spirit at its best, it's capital investment and taxes, it's quality of life, preservation, revitalization and sharing the celebration of our sense of place with others. In addition, it is a compliment and a complement to a community and an industry that just about any part of the country can participate in. It's about opening up our doors and letting others learn what makes us...us.

Like the iceberg, the ROI of the travel industry is much more than what is visible, and some of the best lies below the water line.