

# The Economic Impact of Tourism in Huntington Beach, California

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2015 Analysis

August 2016



Prepared for:



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# Introduction and definitions

- This study measures the economic impact of tourism in Huntington Beach in 2015.
- Visitors are defined those who visited Huntington Beach for the day or stayed overnight, and lived outside of Orange County.
- The impact of tourism includes direct spending, indirect (supply-chain) effects, and induced (income) effects.
- Impacts are measured in terms of employment, income, gross output (business sales), and tax revenues.



# Headline Results

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# Headline results

Tourism is an integral part of the Huntington Beach economy and is making significant contributions to economic output, employment, and tax revenues.

- **Total Economic Impact** - Tourism in Huntington Beach generated \$697 million in 2015 for a total economic impact (business sales), including indirect and induced impacts.
- **Tax Revenues Generated** - The visitor economy in Huntington Beach generated \$46 million in state and local tax revenues in 2015, providing \$497 in tax burden relief for each household in Huntington Beach.



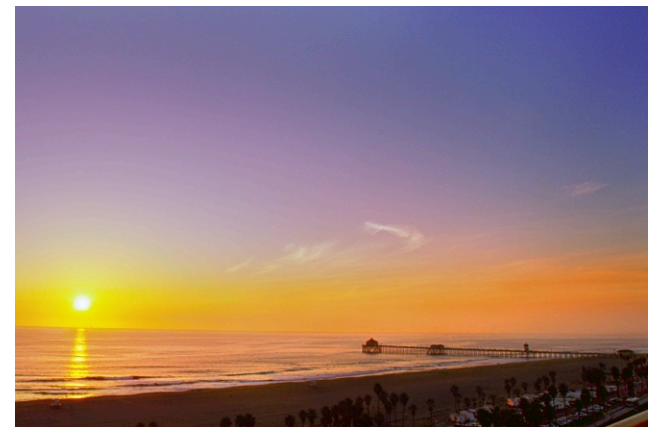
# Headline results



- **Tourism Jobs** - Tourism sustained 5,923 jobs (direct, indirect, and induced) in Huntington Beach in 2015, approximately 5.9% (1-in-17) of all jobs in the City.
- **Labor Income** - Direct tourism jobs paid \$212 million in income. When indirect and induced impacts are included, tourism generated \$276 million in labor income.
- **Tourism Job Sector Impacts** - An estimated 30.9% of tourism-supported jobs were in food and beverage services, 24% in lodging, 15% in retail, and 12% in the recreation sector.

# Headline results

- **Visitor Spending Sector Impacts** - Visitors spent 30.1% on retail, 28.2% on lodging, 23.9% on food and beverage, 13.6% on recreation, and 4.2% on local transportation.
- **DMO Impacts** - A total of nearly \$47.9 million in visitor spending can be directly attributed to the marketing efforts of Visit Huntington Beach, including group sales, leisure marketing and website conversions, and visitor and partner services. That's a 67:1 return on investment in visitor spending per marketing dollar, higher than the average of 42:1 for metro and regional DMO's in the US.



# Key Trends in 2015

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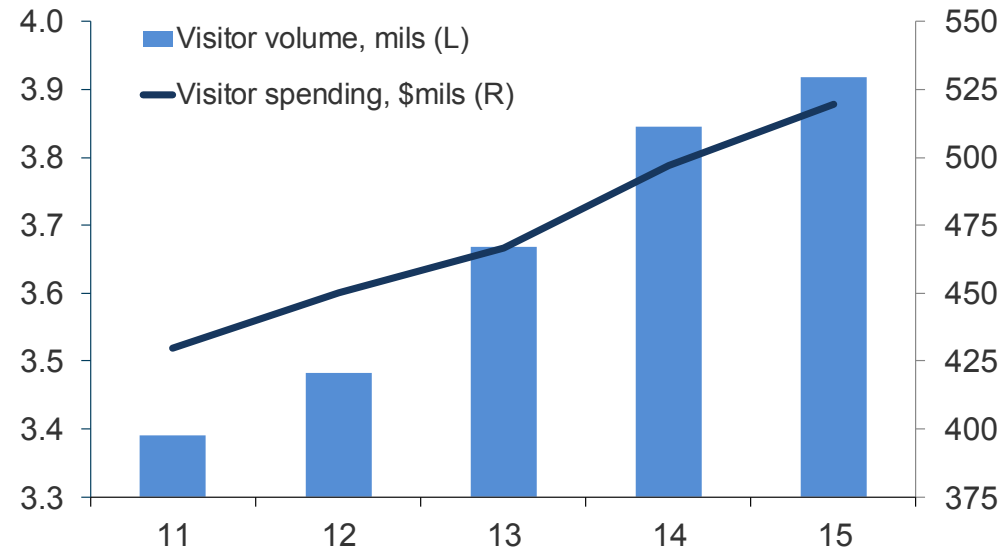
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# Key trends in 2015

- Visitor volume and spending in Huntington Beach expanded in 2015, driven by stronger than average regional jobs and income growth.
- A total 3.9 million visitors spent \$519 million in 2015, increasing 1.9% and 4.5% respectively from 2014.

**Huntington Beach Visitor Volume and Spending**



Source: Tourism Economics

## Huntington Beach Visitor Volume and Spending

	2011	2012	2013	2014	2015
Visitor volume (ths)	3,390.1	3,482.7	3,668.0	3,844.9	3,918.0
<i>% change</i>		2.7	5.3	4.8	1.9
Visitor spending (\$millions)	429.7	450.3	466.8	497.1	519.5
<i>% change</i>		4.8	3.7	6.5	4.5

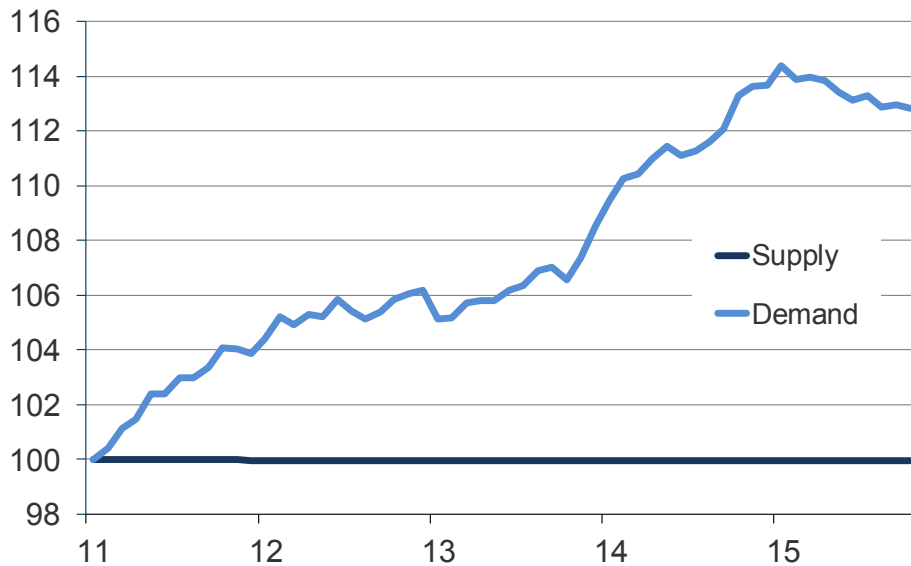


# Key trends in 2015

- Since 2011, room demand has expanded more than 12% overall, while supply has remained unchanged.
- Demand growth slowed in 2015 and room rates accounted for most revenue growth. ADR increased 7.2% to \$208 in 2015, and total room revenues rose 6.4% in 2015.

## Demand is Outpacing Supply

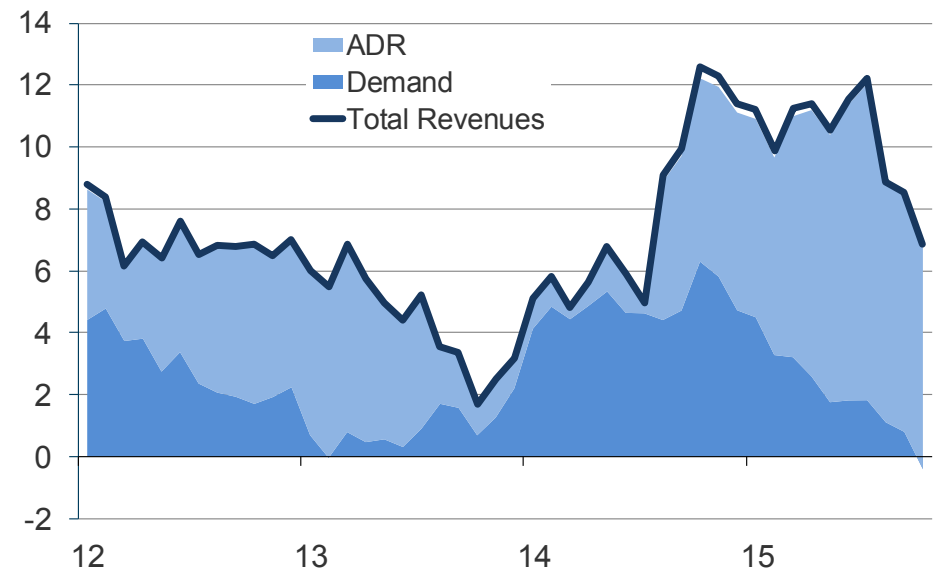
Room demand and supply, indexed Jan 2011 = 100



Sources: STR, Tourism Economics

## ADR Drives Revenues in Huntington Beach

Contribution to revenue growth, % ch



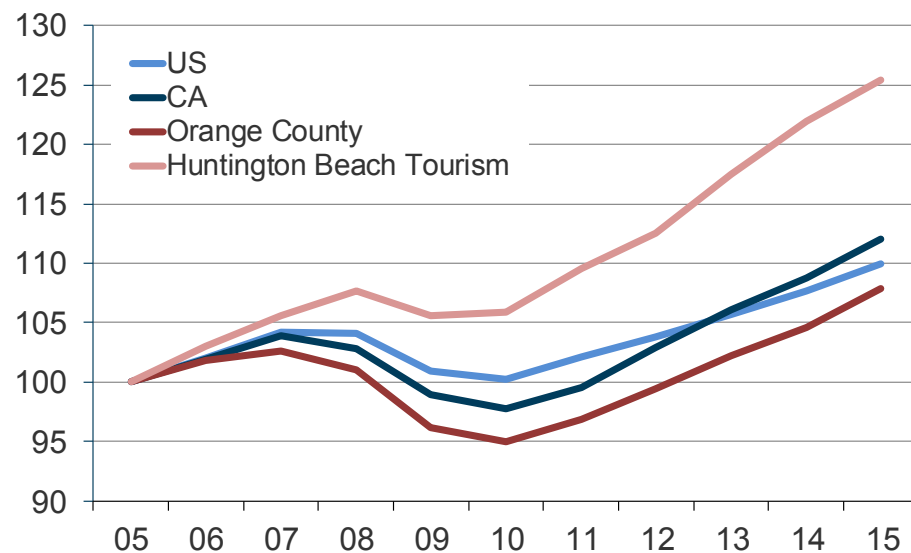
Sources: STR, Tourism Economics

# Key trends in 2015

- Huntington Beach tourism jobs are expanding faster than overall job growth in the region.
- Direct tourism jobs in 2015 were 25% higher than in 2005, compared with 8% more total jobs in Orange County.
- Since 2005 the industry has added 100 jobs per year, at a pace of 2.3% per year on average, versus 0.8% for Orange County overall.

## Huntington Beach Tourism Jobs Outpace

Employment, indexed 2005=100



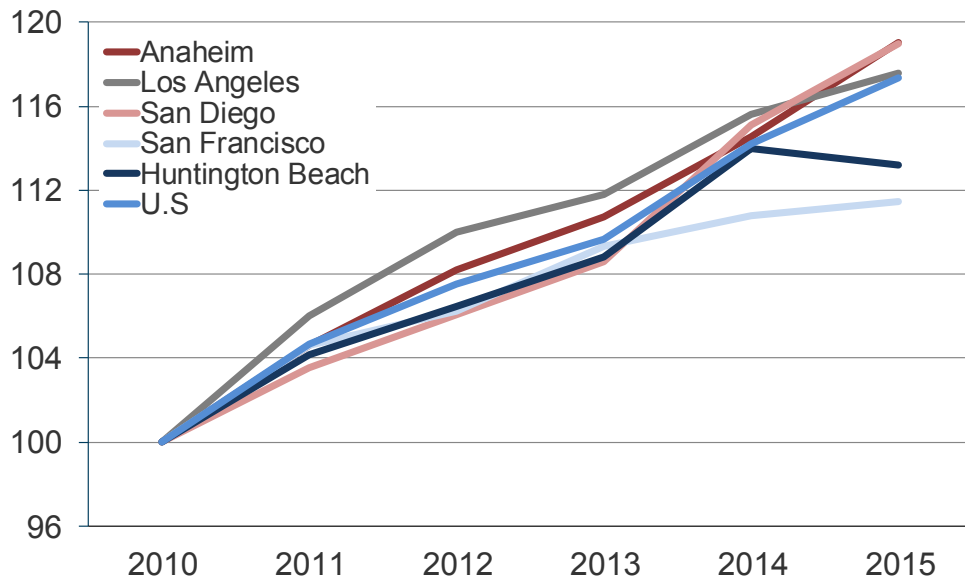
Sources: BEA, BLS, U.S. Census, Tourism Economics

# Huntington Beach hotel sector comparison

- Room demand in Huntington Beach kept up with other destinations in California and the U.S. through 2014, but trailed slightly in 2015.
- The occupancy rate in Huntington Beach compares well at more than 76% for the last two years.

## Room Demand Trailed in 2015

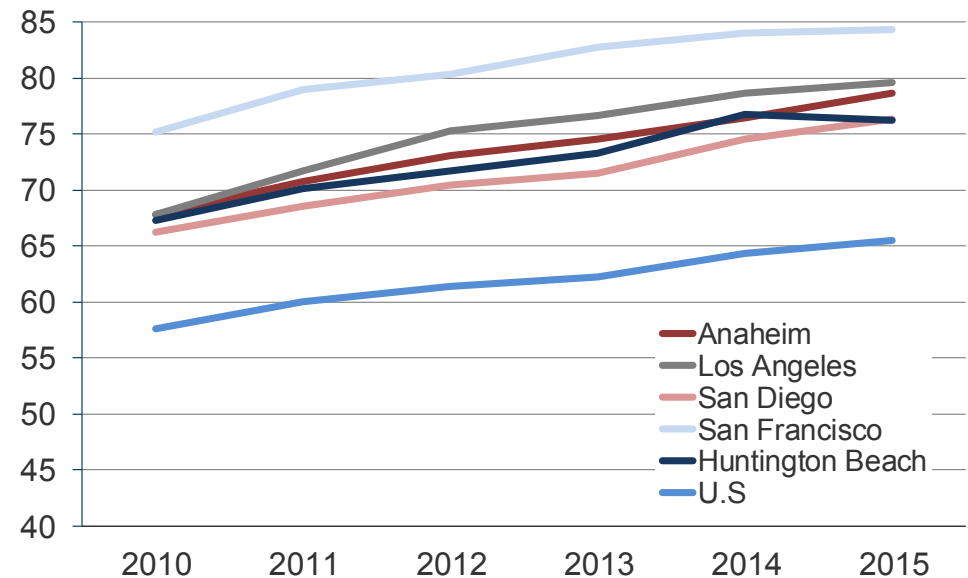
Index 2010 = 100



Sources: STR, Tourism Economics

## Huntington Beach Occupancy is Solid

Demand / Supply, %



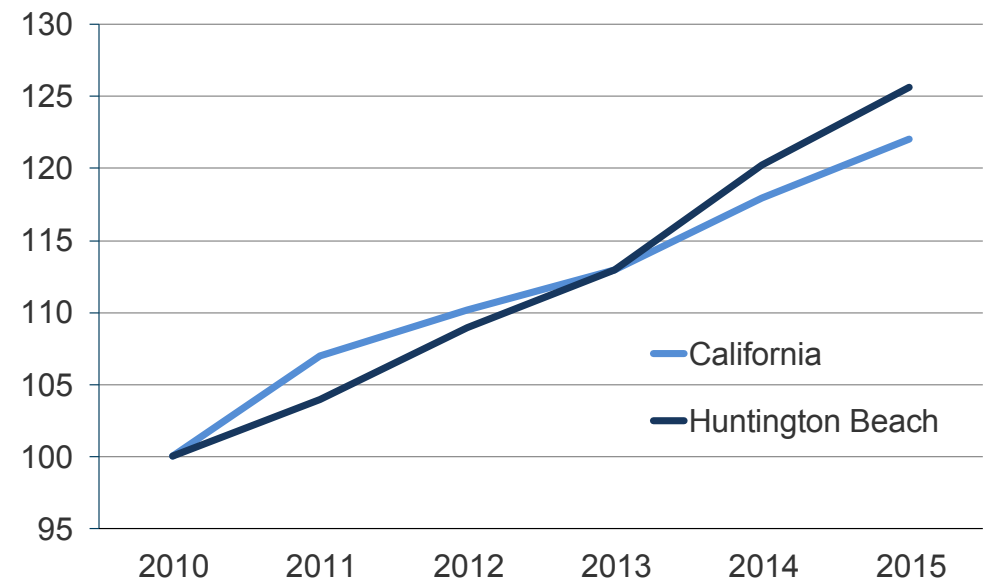
SourceS: STR, Tourism Economics

# Huntington Beach visitor segments

- Huntington Beach visitor spending reached \$520 million in 2015.
- Total visitor spending in Huntington Beach has slightly outpaced that of California since 2010.
- Since 2010, visitor spending in Huntington Beach increased 4.7% per year on average, compared with 4.1% for the state overall.

## Total Visitor Spending Outpaces California

Index 2010 = 100



Sources: Visit California, Tourism Economics

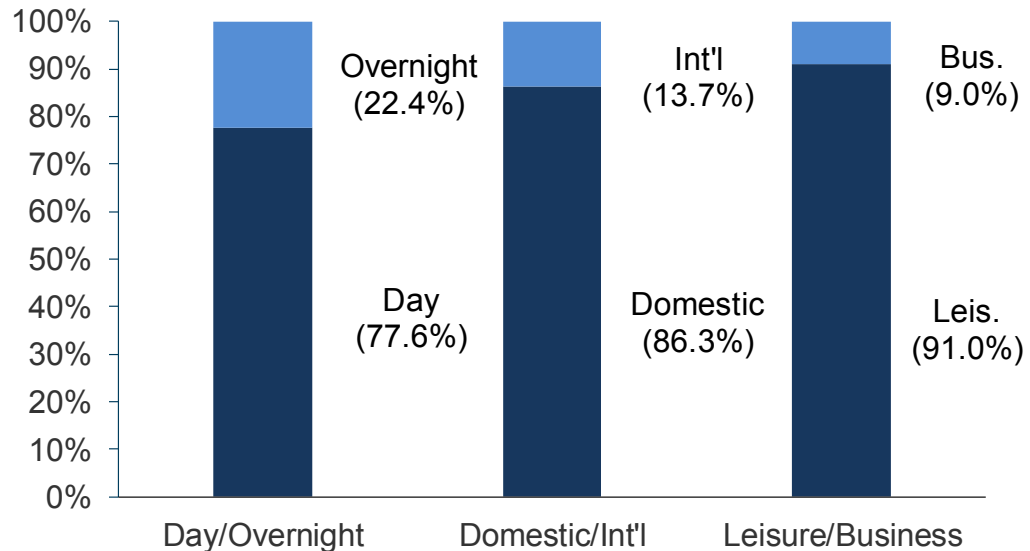
# Visitors and Spending

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# Huntington Beach visitor segments

- Huntington Beach hosts a large number of day visitors from outside Orange County. Most visitors to Huntington Beach come for the day (77.6%), while 22.4% stayed overnight.
- International visitors accounted for 13.7% of visitor volume.
- Leisure visitation accounted for 91.0% of the total visitor volume.

**Huntington Beach Visitor Characteristics**

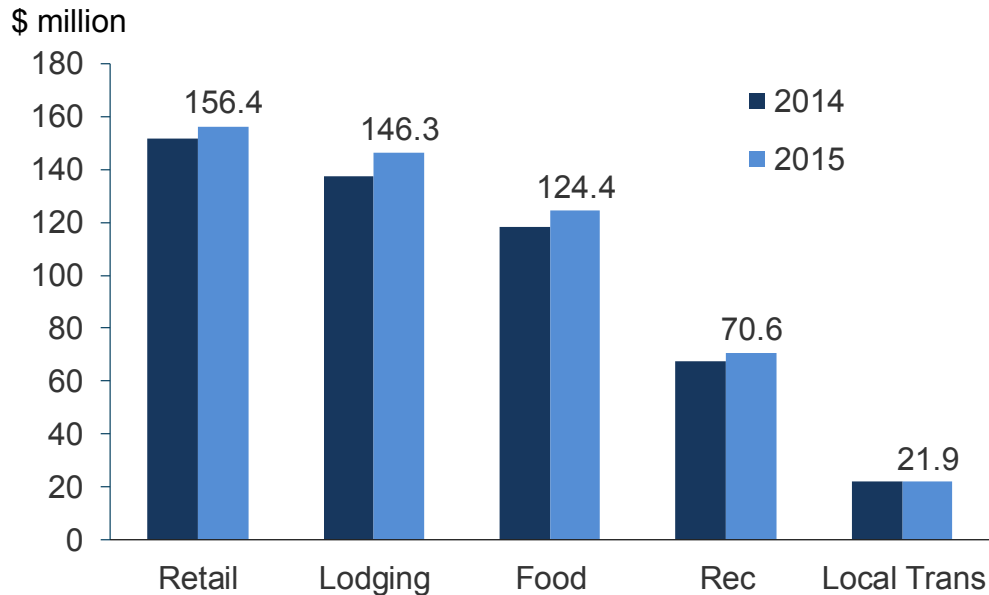


Sources: CIC Research, Tourism Economics

# Visitor spending

- Direct visitor spending in Huntington Beach amounted to \$519 million in 2015.
- Visitors spent \$156 million on retail, \$146 million on lodging, \$124 million on food and beverage, \$70.6 million on recreation, and \$21.9 million on local transportation.

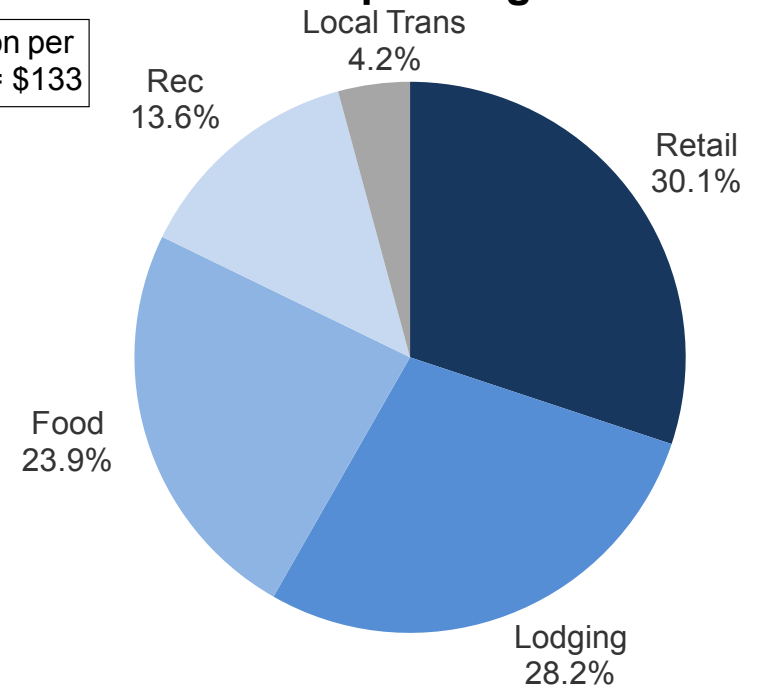
**Huntington Beach Visitor Spending**



Sources: CIC Research, Tourism Economics

**Huntington Beach Visitor Spending Profile**

Avg per person per trip spending = \$133



Sources: CIC Research, Tourism Economics

# Detailed composition of visitor spending

- Retail, lodging, and food and beverage are the largest categories of visitor spending.
- Growth in visitor spending was led by lodging and food and beverage, at 6.4% and 5.0% respectively.

<b>Huntington Beach Visitor Spending By Category</b>						
US\$ Millions						
	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2014-15 % ch</b>
Lodging	111.7	119.6	123.4	137.4	146.3	6.4%
Food and beverage	103.9	109.1	112.1	118.5	124.4	5.0%
Retail	137.8	140.9	146.0	151.6	156.4	3.1%
Recreation	56.5	60.4	64.1	67.7	70.6	4.3%
Local transportation	19.7	20.4	21.2	21.9	21.9	-0.4%
<b>Total</b>	<b>429.7</b>	<b>450.3</b>	<b>466.8</b>	<b>497.1</b>	<b>519.5</b>	<b>4.5%</b>
% change		4.8%	3.7%	6.5%	4.5%	

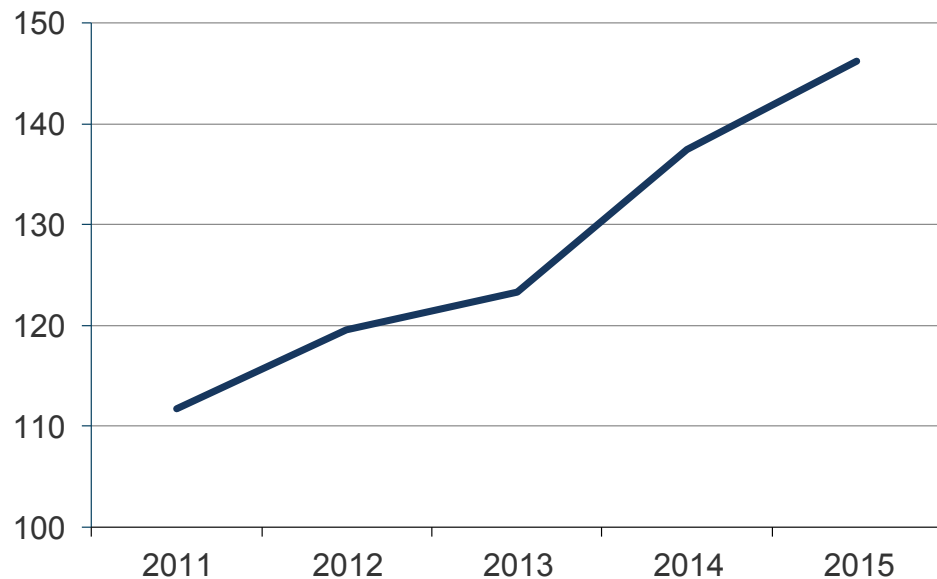


# Visitor spending trends

- Visitor spending on lodging has increased on average 7.0% per year since 2011
- Spending on food and beverage reached \$124 million, increasing 4.6% per year since 2011.

## Visitor Spending on Lodging

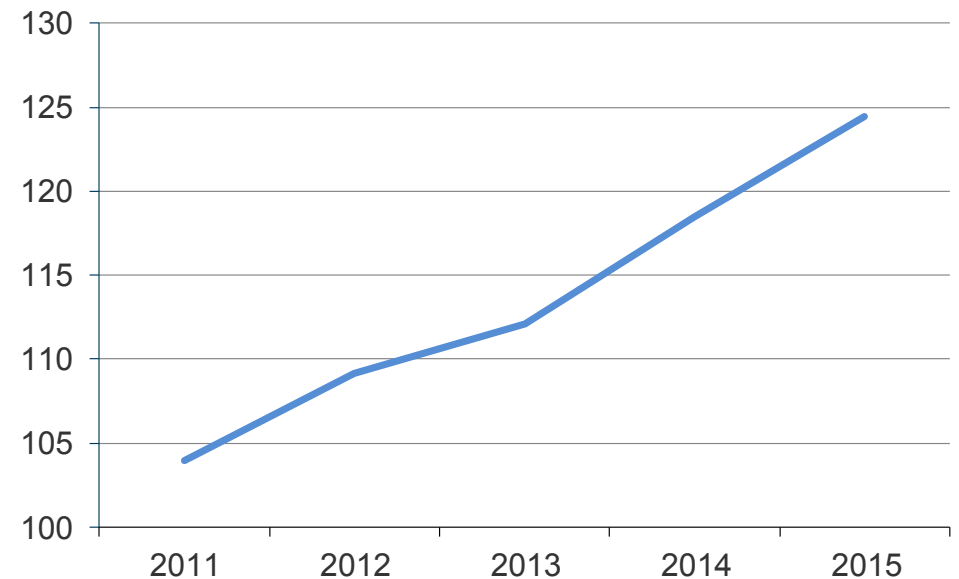
\$ millions



Sources: STR, Tourism Economics

## Visitor Spending on Food and Beverage

\$ millions



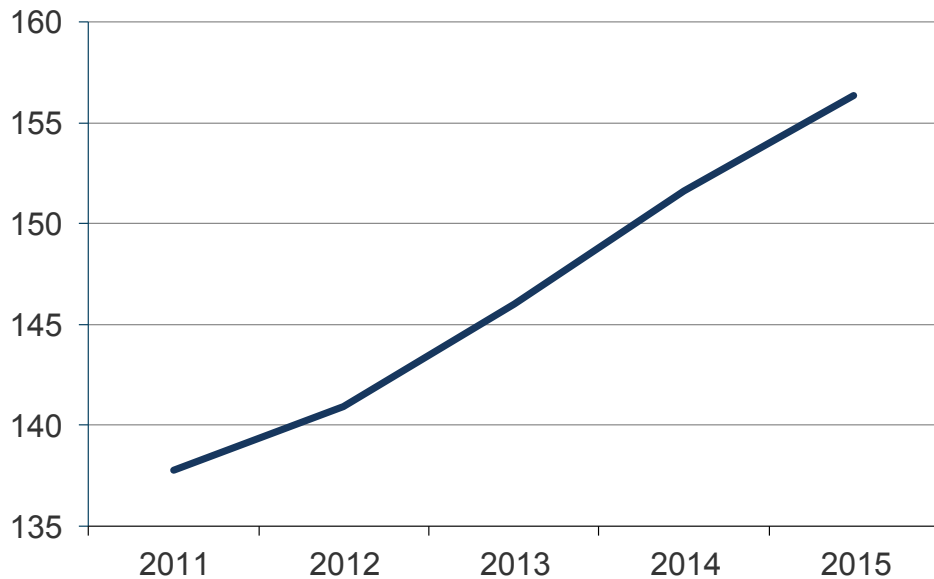
Sources: STR, Tourism Economics

# Visitor spending trends

- Visitor retail spending reached \$156 million in 2015, and has grown 3.2% per year since 2011.
- Recreation spending increased 5.7% on average since 2011.

## Visitor Spending on Retail

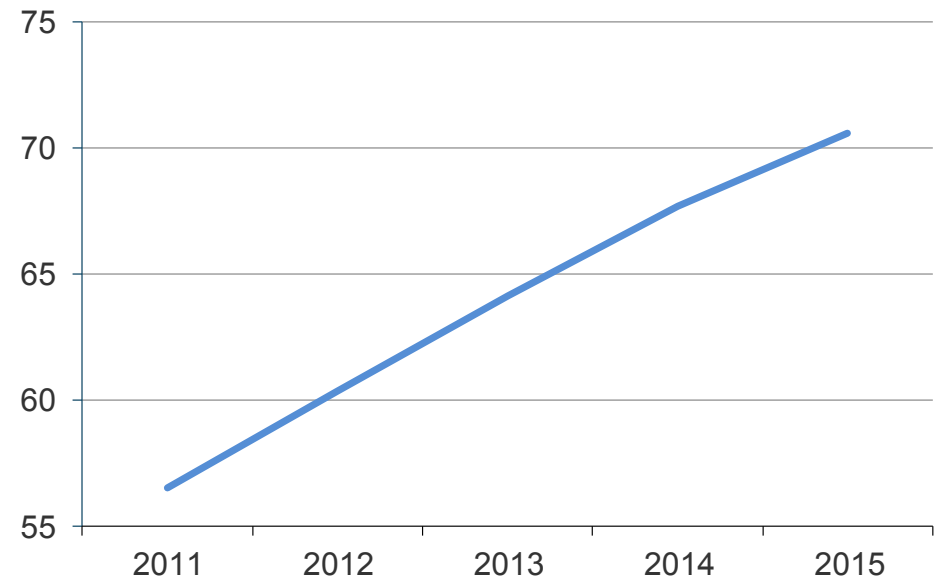
\$ millions



Sources: STR, Tourism Economics

## Visitor Spending on Recreation

\$ millions



Sources: STR, Tourism Economics

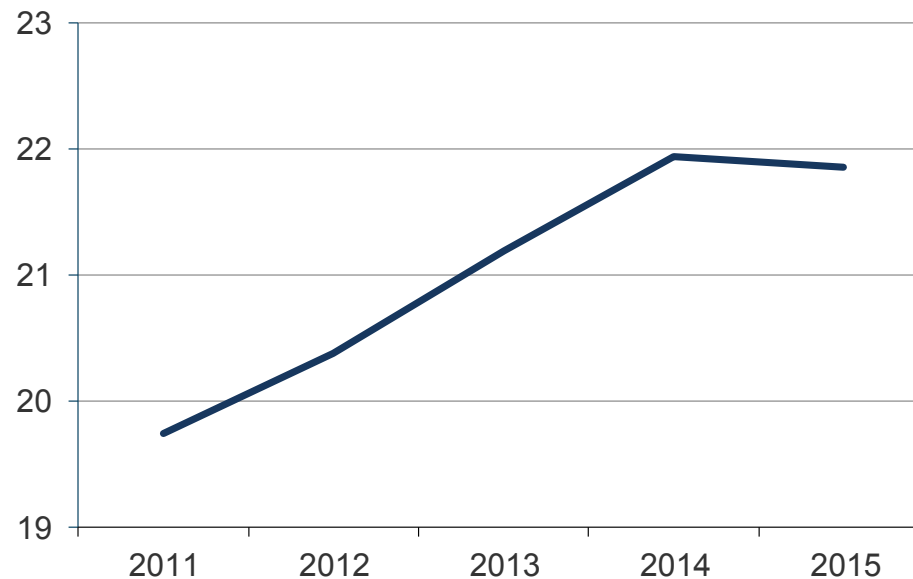
# Visitor spending trends

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- Visitor spending on local transportation declined slightly to \$21.9 million in 2015 as gasoline prices fell.
- Overall, the five-year trend is positive with growth of 2.6% per year since 2011.

## Visitor Spending on Local Transportation

\$ millions

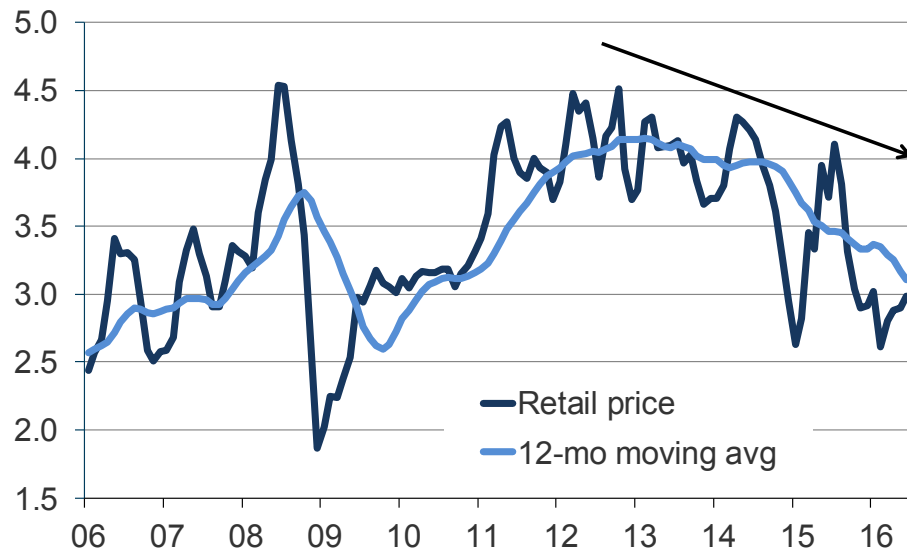


Sources: STR, Tourism Economics

# Fuel prices are at a six-year low

## Gas Prices Are On a Three-Year Decline

Los Angeles area gasoline price, all grades, dollars per gallon



Source: Energy Information Administration

- The slide in fuel prices is ongoing and should help boost non-transportation spending.
- Low gas prices encourage travel and visitor spending that otherwise might not occur.
- Oxford Economics forecasts oil prices to remain under \$55 per barrel through 2018, which implies an average gas price in the Orange County region under \$3.50 per gallon for an extended period.

# Economic Impacts

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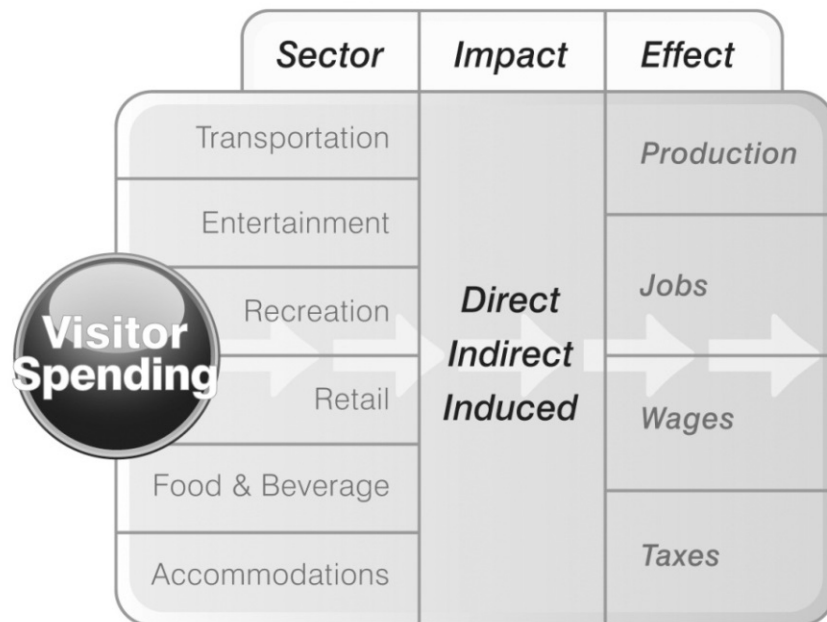


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# How visitor spending generates impact

- **Direct impact:** Travelers create direct economic value within a discrete group of sectors (e.g. recreation, transportation). This supports a relative proportion of jobs, wages, taxes, and GDP within each sector.
- **Indirect impact:** Each directly affected sector also purchases goods and services as inputs (e.g. food wholesalers, utilities) into production. These impacts are called indirect impacts.



- **Induced impact:** Lastly, the induced impact is generated when employees whose incomes are generated either directly or indirectly by tourism, spend those incomes in the Huntington Beach economy.

# Total economic impact – gross output

- Including indirect and induced impacts, tourism generated \$698 million in gross output (business sales) in 2015.

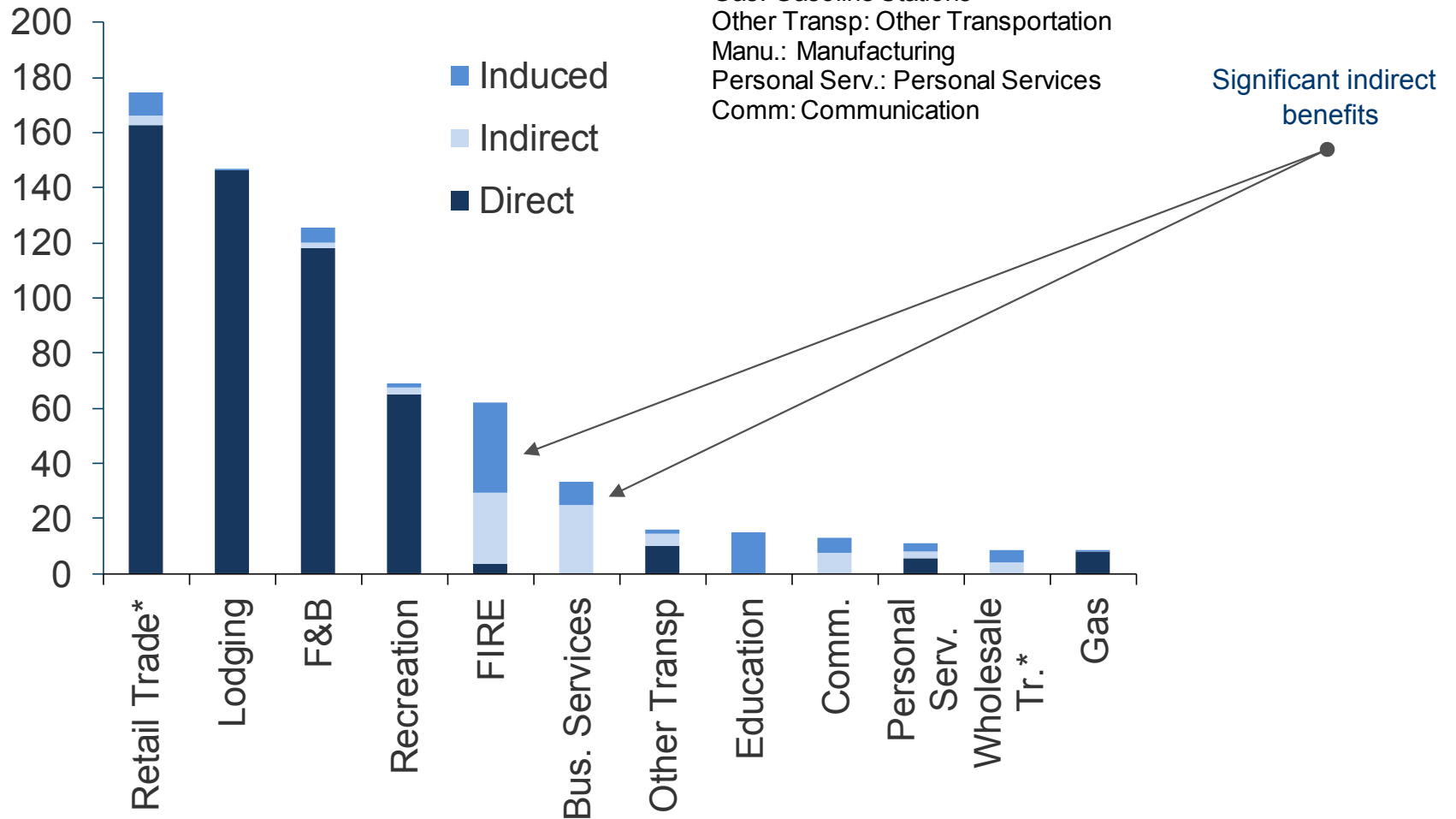
<b>Gross Output (Business Sales)</b>				
<b>(US\$ Million)</b>				
	<b>Direct</b>	<b>Indirect</b>	<b>Induced</b>	<b>Total</b>
<b>Agriculture, Fishing, Mining</b>	-	0.1	0.1	0.2
<b>Construction and Utilities</b>	-	3.1	1.6	4.7
<b>Manufacturing</b>	-	2.1	1.7	3.8
<b>Wholesale Trade</b>	-	3.9	4.8	8.7
<b>Air Transport (local)</b>	-	0.1	0.1	0.2
<b>Other Transport</b>	10.3	4.4	1.5	16.1
<b>Retail Trade</b>	162.6	3.4	8.5	174.5
<b>Gasoline Stations</b>	8.1	0.1	0.3	8.6
<b>Communications</b>	-	7.3	5.6	13.0
<b>Finance, Insurance and Real Estate</b>	3.5	25.7	33.0	62.3
<b>Business Services</b>	-	25.1	8.3	33.4
<b>Education and Health Care</b>	-	0.2	14.9	15.1
<b>Recreation and Entertainment</b>	64.8	2.5	1.8	69.2
<b>Lodging</b>	146.3	0.1	0.1	146.4
<b>Food &amp; Beverage</b>	118.2	1.7	5.6	125.5
<b>Personal Services</b>	5.8	2.2	2.9	10.9
<b>Government</b>	-	2.4	2.9	5.3
<b>TOTAL</b>	<b>519.5</b>	<b>84.5</b>	<b>93.8</b>	<b>697.8</b>

\* Direct sales include cost of goods sold for retail and wholesale trade sectors

# Total economic impact – gross output

## Gross Output by Industry

\$ million



\* Direct sales include cost of goods sold for retail and wholesale trade

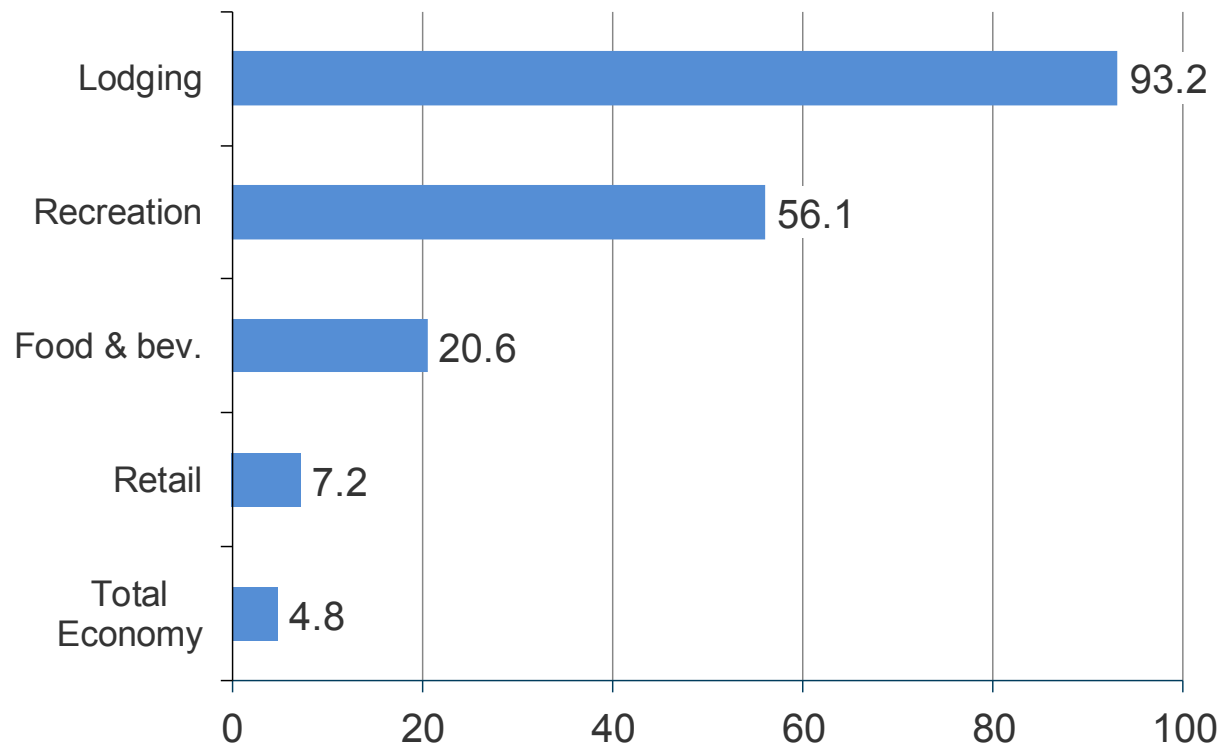


# Tourism share of key industry employment

- Tourism supports significant shares of several industries – nearly all of lodging, 56% of recreation, and 21% of food and beverage employment.

## Tourism Employment Intensity by Industry

Huntington Beach City, direct jobs as a share of total by industry, %



Source: Tourism Economics

# Employment impact details

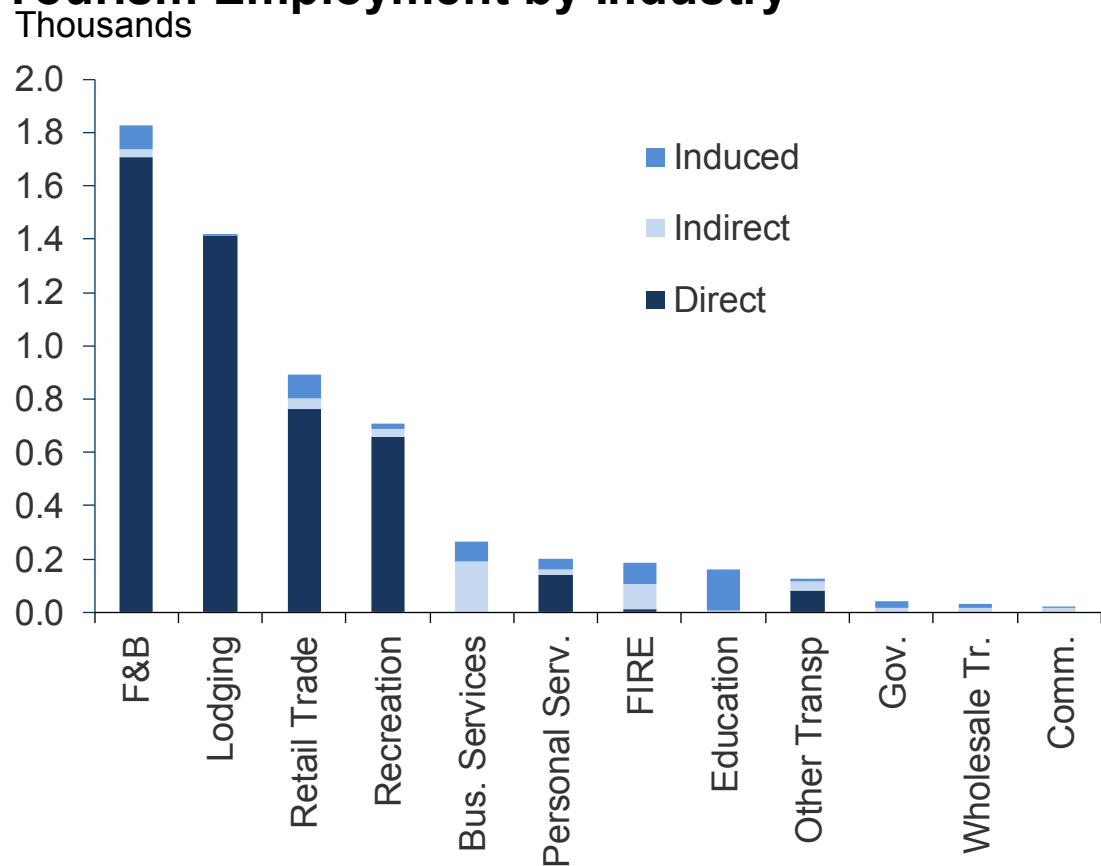
- Tourism supported 5,923 jobs in Huntington Beach, including indirect and induced impacts.

<b>Tourism Employment</b>				
	<b>Direct</b>	<b>Indirect</b>	<b>Induced</b>	<b>Total</b>
<b>Agriculture, Fishing, Mining</b>	-	-	-	-
<b>Construction and Utilities</b>	-	14	7	21
<b>Manufacturing</b>	-	7	3	10
<b>Wholesale Trade</b>	-	14	18	32
<b>Air Transport (local)</b>	-	0	0	1
<b>Other Transport</b>	82	33	11	125
<b>Retail Trade</b>	764	37	92	893
<b>Gasoline Stations</b>	8	1	3	12
<b>Communications</b>	-	14	9	23
<b>Finance, Insurance and Real Estate</b>	12	93	82	188
<b>Business Services</b>	-	192	71	263
<b>Education and Health Care</b>	-	4	157	161
<b>Recreation and Entertainment</b>	658	32	19	708
<b>Lodging</b>	1,416	1	0	1,417
<b>Food &amp; Beverage</b>	1,707	32	89	1,828
<b>Personal Services</b>	139	21	42	202
<b>Government</b>	-	15	25	39
<b>TOTAL</b>	<b>4,786</b>	<b>510</b>	<b>627</b>	<b>5,923</b>

# Tourism employment summary

- As a labor intensive collection of services, tourism-related sectors are significant Huntington Beach employers.
- The nearly 6,000 jobs supported by Huntington Beach tourism span every sector of the economy, either directly or indirectly.
- The most significant indirect impacts are in business services and finance, real estate and insurance.

**Tourism Employment by Industry**



F&B: Food and Beverage  
 FIRE: Finance, Insurance, Real Estate  
 Bus. Services: Business Services  
 Gas: Gasoline Stations  
 Other Transp.: Other Transportation  
 Personal Serv.: Personal Services  
 Wholesale Tr.: Wholesale Trade  
 Gov.: Government

# Income generation details

- The jobs sustained by tourism generated \$276 million in income for employees in Huntington Beach in 2015.

<b>Tourism Labor Income (Compensation)</b>				
<b>(US\$ Million)</b>				
	<b>Direct</b>	<b>Indirect</b>	<b>Induced</b>	<b>Total</b>
<b>Agriculture, Fishing, Mining</b>	-	-	-	-
<b>Construction and Utilities</b>	-	1.0	0.5	1.5
<b>Manufacturing</b>	-	0.5	0.2	0.7
<b>Wholesale Trade</b>	-	1.4	1.7	3.1
<b>Air Transport (local)</b>	-	0.0	0.0	0.0
<b>Other Transport</b>	4.7	2.0	0.6	7.3
<b>Retail Trade</b>	76.1	1.2	3.8	81.1
<b>Gasoline Stations</b>	0.5	0.1	0.2	0.8
<b>Communications</b>	-	1.4	0.9	2.3
<b>Finance, Insurance and Real Estate</b>	1.2	5.9	5.8	12.9
<b>Business Services</b>	-	13.0	4.5	17.5
<b>Education and Health Care</b>	-	0.1	8.7	8.9
<b>Recreation and Entertainment</b>	28.1	1.3	0.7	30.1
<b>Lodging</b>	54.0	0.0	0.0	54.0
<b>Food &amp; Beverage</b>	42.6	0.9	2.3	45.8
<b>Personal Services</b>	4.3	1.2	1.8	7.3
<b>Government</b>	-	1.4	1.2	2.7
<b>TOTAL</b>	<b>211.6</b>	<b>31.4</b>	<b>33.0</b>	<b>276.0</b>

# Tourism-generated tax revenues

<b>Tourism-Generated Revenues</b>	
<b>Tax Revenues</b>	
2015, \$Millions	
	Amount
<b>Federal</b>	
Personal Income	23.3
Corporate	11.8
Indirect business	6.3
Social Security	17.6
<b>Federal total</b>	<b>59.0</b>
<b>State</b>	
Sales	17.1
Personal Income	8.3
Corporate	1.6
Social Security	0.5
Other Taxes and Fees	2.8
<b>State total</b>	<b>30.3</b>
<b>Local</b>	
Sales	4.0
Lodging (TOT)*	9.1
Other Taxes and Fees	2.6
<b>Local total</b>	<b>15.7</b>
<b>TOTAL</b>	<b>104.9</b>

Note: Funds from TBID private sector self assessment are not included in TOT

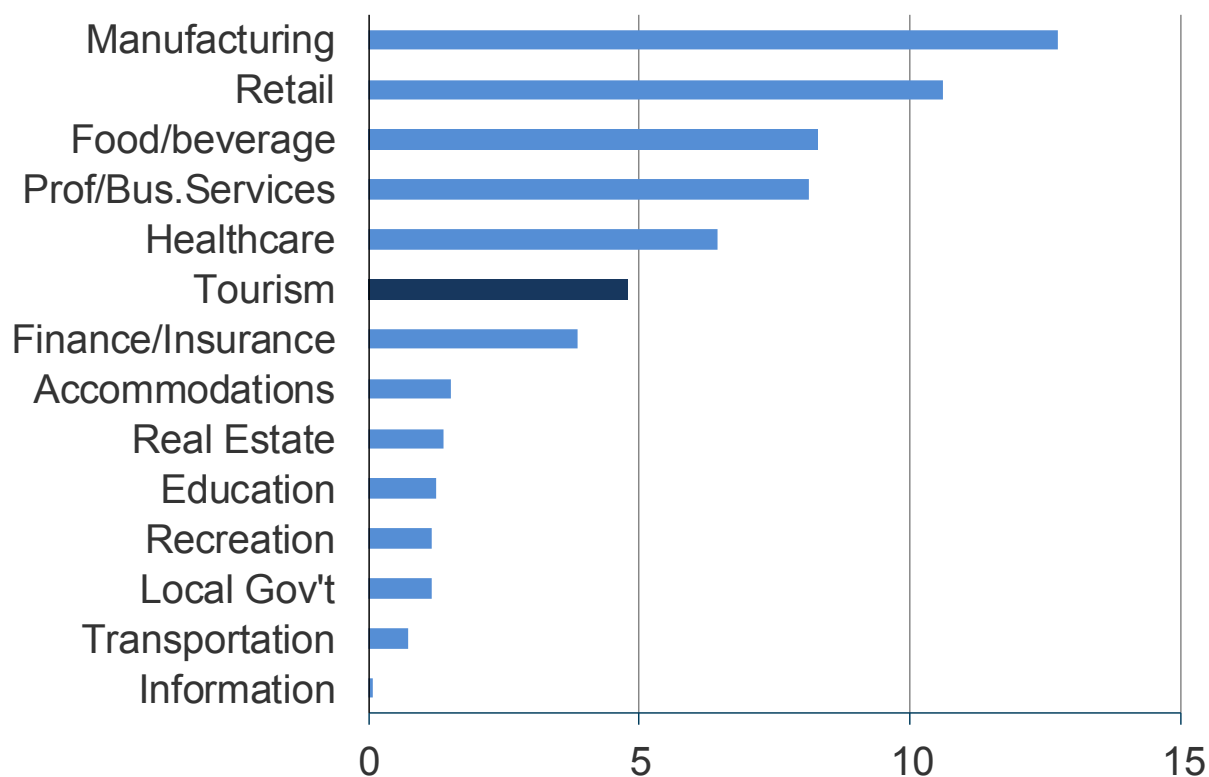
- Total tourism-generated tax revenues amounted to nearly \$105 million in 2015.
- State tax revenues totaled \$30.3 million in 2015, and local revenues amounted to \$15.7 million.
- Combined state and local tax revenues, excluding Transient Occupancy Tax (TOT), helped offset the average tax burden by \$497 per household in the City.
- Local tax revenues consisted primarily of TOT and sales tax.

# Huntington Beach tourism in context

- Considered as an industry, tourism is the sixth largest employer in Huntington Beach, larger than finance, real estate, and education.

## Huntington Beach Jobs by Industry

(Thousands)



Sources: BEA, BLS, U.S. Census, Tourism Economics

# Huntington Beach tourism in context

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- The tourism industry sustains a total of nearly 5% of Huntington Beach jobs across all industries.
- Without Huntington Beach visitors and the associated spending, the City would have an estimated 82 fewer retail establishments, 100 fewer recreation businesses, and 240 fewer restaurants (based on establishment data from the U.S. Census County Business Pattern program).
- Huntington Beach is also host to 1,454 homes (source: U.S. Census) that are used for seasonal or recreation purposes. These seasonal homes also draw in visitors and spending, generating local income and employment.

# Return on Investment

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# Return on investment

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- Methods and estimates of return on marketing investments vary and include:
  - Marketing ROI studies: usually a survey of residents of target markets to identify different travel patterns among those aware of marketing efforts.
  - Website conversion studies: typically involves follow up contact with visitors to the DMO's website to determine the share that ultimately travel to a destination.
  - Group sales metrics: DMOs keep close track of bookings and room-nights sold by their staff.
  - Website hotel booking referrals: DMOs track online referrals and bookings made through the DMO website
  - PR and press reports: clipping services follow online and offline sources to track the volume and coverage of a destination in the press over time.
  - Perception and image studies: these studies are designed to illuminate consumer perceptions of the destination to boost marketing effectiveness.

# Return on investment studies

Marketing ROI Matrix		
Region	Timing	Visitor spending per ad dollar
<b>States</b>		
California	Avg of 2009 to 2013	326
Arizona	Avg of '07, '11, 12, '15	221
Georgia	Avg of 2011 and 2012	211
Colorado	2012	200
Florida	2011	177
Maryland	2012	160
Wyoming	Avg of '12, '13, '14	156
Kentucky	2014	151
Missouri	2013	131
North Dakota	Avg of '10, '12, '14	101
Utah	Avg of '10, '11, '13	83
Virginia	2006	71
Michigan	2009-2010	54
New Mexico	2012	29
<b>Metros and regions</b>		
Los Angeles	2015	17
Branson, MO	2012	79
Kansas City, MO	2013	65
Springfield, MO	2011	61
Finger Lakes Wine Country, NY	2012	44
Washington, DC	2013	27
San Diego, CA	2015	31
Syracuse, NY	2008	12
<b>Average of States</b>		<b>148</b>
<b>Average of metros and regions</b>		<b>42</b>
Sources: Local studies compiled by Tourism Economics		

# Visit Huntington Beach ROI

- Marketing efforts by Visit Huntington Beach were categorized into three groups: group sales, visitor and partner services, and leisure marketing/ website development.
- The return from each of these efforts was estimated based on a combination of DMO data and industry ROIs reported in other metro and regional studies.
- A total of nearly \$47.9 million in visitor spending can be directly attributed to the marketing efforts of Visit Huntington Beach.

<b>Visit Huntington Beach ROI</b>				
<b>Category</b>	<b>Expenditure (\$ths)</b>	<b>Visitor Spending (\$ths)</b>	<b>ROI</b>	<b>ROI Source</b>
Group sales	202.7	18,667.9	92	DMO data
Visitor and partner services	36.7	1,542.5	42	TE/Industry avg
Marketing	470.3	27,647.5	59	
<i>Web site</i>	147.8	14,102.0	95	<i>DMO data</i>
<i>Other marketing</i>	322.5	13,545.5	42	<i>TE/Industry avg</i>
<b>Total</b>	<b>709.8</b>	<b>47,857.8</b>	<b>67</b>	

Sources: Visit Huntington Beach data covering FY14-15 expenditures, Destination Analysts ROI analysis, Tourism Economics

# Rationale for Destination Marketing

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# The vital role of destination promotion

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- Destination marketing plays an indispensable role in the competitiveness of the local visitor economy by addressing its unique challenges.

## **Challenge #1: The visitor economy is fragmented**

The visitor economy is diverse with benefits accruing across various industries (e.g. hotels, restaurants, retail stores, transportation, performance venues and other attractions), and in many cases, these establishments are operated as small businesses that lack the capacity to conduct certain types of marketing. Moreover, certain benefits accrue across the economy rather than to just an individual business.

Because a visitor's spending is spread across businesses, any single business may not capture sufficient share of a visitor's spending to justify marketing to attract visitors to a destination. For example, an individual hotel could market the attractiveness of a destination, but it would only benefit from those additional visitors who not only choose the destination, but also choose that particular hotel; and the hotel would only benefit directly from the visitor's spending at the hotel. In other words, at the level of an individual business, the returns on independent marketing to attract visitors to a destination can be less compelling. However, when viewed at the level of the destination, there is a more direct connection. The destination captures a substantial dollar amount per visitor, and in aggregate there are compelling returns on effective destination marketing.

## ***Solution: destination promotion provides the scope and strategic vision supporting a wide array of individual businesses.***

Destination promotion organizations play a role furthering the strategic potential of the visitor economy. Destination marketing organizations ("DMOs") can take a long term view of the development of the destination, and pursue tactics to help develop a visitor economy that better fits the goals of local residents and businesses. For example, many destinations have a mix of peak, shoulder, and low season periods. DMOs take steps to build shoulder season and low season demand, and help fill slower days of the week, supporting a more stable base of spending and helping ongoing operations achieve a "break even" level of profitability. Similarly, DMOs can play a role helping to find solutions that balance the development of the visitor economy with the constraints and goals of a given destination, such as fostering the development of geographic areas with greater capacity for growth.

# The vital role of destination promotion

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- The fundamental motivation driving a visit is not usually the offerings of a single business—instead it is the destination.

## **Challenge #2: The primary motivator of a trip is usually the experience of a destination, extending beyond the offerings marketed by a single business**

The fundamental motivation driving a visit to a given destination is frequently not the offerings of a single business—instead it is the destination, including a range of attractions and the overall experience of a place. This experience comprises a visitor’s interaction with, and patronage of, numerous businesses and local experiences: hotels and other accommodations; restaurants; shopping and galleries; conferences; performances and other events; family activities; sports and other recreation; and cultural sites and attractions.

Marketing efforts that focus on only one sub-sector of the visitor market, such as communicating the offering of a specific hotel or other business, do not also adequately address the core motivation for potential visitors. Through coordinated destination promotion, local businesses are able to represent the destination collectively, and in doing so drive demand for all segments of the visitor economy. Stand-alone marketing efforts would almost certainly be less effective than a collective destination marketing campaign.

## ***Solution: destination promotion articulates the brand message that is consistent with consumer motivations***

The same holds true in the case of group travel, such as corporate meetings and trade conventions, for which event sponsors seek a destination that meets multiple success criteria. While the offerings of an individual headquarter hotel or convention facility are critically important, in many cases the merits of a destination overall are being considered relative to other potential options. In such situations, a coordinated strategy—from initial marketing and touch points that build familiarity, to the dedicated sales team that lines up the destination’s best offer of facilities, amenities, services, and experience—augments and rises beyond the message of a single operation.

# The vital role of destination promotion

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- The scale of collaborative destination marketing is more effective than what individual businesses could accomplish.

## **Challenge #3: Effective marketing requires scale to reach potential visitors across multiple markets**

Effective destination marketing requires significant and consistent funding and long term planning with the aim of gaining a sufficient “share of voice” to be heard and make an impact. Whether in the form of social media advertising, public relations efforts, or group sales, scale produces efficiencies that maximize the share of funding that goes to actual marketing and advertising, drives down per unit advertising costs, and enables higher impact, more specialized efforts.

As a result, the larger scale of collaborative destination marketing is more effective than what individual businesses would accomplish. Simply put, the whole of destination marketing is greater than the sum of individual parts.

## ***Solution: destination promotion pools resources to provide the economies of scale and marketing infrastructure required to generate impact***

One of the benefits of coordinated marketing facilitated by a DMO is the ability to have a stable organization and funding base to support destination marketing. As a result, DMOs are able to efficiently leverage the brand, infrastructure and relationships that have been built over time.

For example, DMOs:

- Initiate efforts in geographic markets with strong potential for the destination, giving partners the opportunity to engage in markets they could not pursue on their own
- Conduct integrated sales and marketing campaigns that create destination brand awareness and drive visitation during need periods
- Build upon existing infrastructure, such as websites and publications while staying on the forefront of marketing trends and consumer behavior shifts
- Employ a staff and network of innovative agency partners with established relationships in the travel industry
- Support ongoing market research, such as visitor profile and market feasibility studies, that help individual businesses and community organizations to better allocate their marketing resources

Through these channels, destination promotion expands the visitor economy and drives employment, income generation, and local tax revenues, and helps to build the types of opportunities that are a critical part of economic development.

# The vital role of destination promotion

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- Destination promotion supports the visitor economy, but it also acts as a catalyst of broader economic development through four channels.

In recent research, Tourism Economics / Oxford Economics identified four primary channels through which destination promotion drives broader economic development and growth.

## 1) *Raising the destination profile*

Destination promotion builds awareness, familiarity, and relationships in commercial, institutional and individual networks that are critical in attracting investment.

**“We are learning a lot from Visit California by how they brand California and how to take their model and apply it to economic development.”**

Brook Taylor  
Deputy Director  
Governor’s Office of Business and Economic Development (GO-Biz)

## 2) *Building transport networks*

By developing the visitor economy, destination promotion supports transportation infrastructure, providing greater accessibility and supply logistics that are important in attracting investment in other sectors.

**“Air service is profoundly important to corporate investment and location decisions... This is one of tourism’s most significant contributions since the levels of air service at New Orleans far exceed what local demand could support.”**

Stephen Moret  
Secretary  
Louisiana Economic Development

## 3) *Raising the quality of life*

Visitor spending helps support a broader and higher quality set of local amenities than an area could otherwise sustain. The cultural, entertainment, culinary, and retail attractions that visitors support make a place more attractive to investors.

**“Traveler attractions are the same reason that CEOs choose a place.”**

Jeff Malehorn  
President & CEO, World Business Chicago

## 4) *Attracting strategic events and industries*

By securing meetings and conventions, DMOs attract the very prospects that economic development agencies target. Not only do these events create valuable exposure among business decision makers, they create direct opportunities for economic development agencies to deepen connections with attendees. Further, the work of DMOs can also attract strategic industries, such as technology, that drive growth in a broader sense.

**“Economic clusters and conventions have become synergistic”**

Tom Clark  
Metro Denver Economic Development Corporation



# The vital role of destination promotion

- The four channels of catalytic impacts generate benefits that extend beyond direct effects of driving visitation.

Destination marketing supports economic development through four catalytic channels, extending its impact well beyond the effects of visitor spending. Destination marketing raises the profile of a city among potential investors, builds transport accessibility, raises the quality of life for residents, and attracts major events that build awareness. Raising the destination profile can also help to attract businesses in strategic industries that drive growth.

**As a result, cities that succeed as destinations are more likely to succeed in broader economic terms.**



Oxford Economics (2014, November) "Destination Promotion: An Engine of Economic Development: How destination promotion drives economic development." Produced in connection with Destination & Travel Foundation.

[Link](http://www.oxfordeconomics.com/engine) to <http://www.oxfordeconomics.com/engine>

# Additional local benefits

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- In addition to quantifiable impacts of Huntington Beach tourism, the industry results in additional local benefits for residents. These include infrastructure and amenities:
  - 10 miles of ocean-front pathways used for walking, running, and biking
  - Sunset Beach and Huntington Beach historic walking tour maps
  - Access to high quality local shopping and dining options, such as Pacific City marketplace
  - Free shuttle service year-round for residents and visitors
  - Surf City Nights, a weekly event featuring a local farmers market, food trucks, crafts, and entertainment
  - The Bolsa Chica Ecological Reserve and trails
  - The Huntington Beach International Surfing Museum

# Additional local benefits

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- Events that draw visitors to Huntington Beach and also serve local residents include:
  - The U.S. Open of Surfing
  - Surf City USA Marathon
  - AVP Beach Volleyball Tournaments
  - Corgi Beach Day
  - Surf City Surf Dog
  - July 4th parade
  - BB Jazz Festival
- First time events planned include:
  - Breitling Huntington Beach Air Show
  - The Pacific Wine and Food Festival

# Notes

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# Why quantify the tourism economy?

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- By monitoring tourism's economic impact, policy makers can make informed decisions regarding the funding and prioritization of tourism development.
- It can also carefully monitor its successes and future needs.
- In order to do this, tourism must be measured in the same categories as other economic sectors – i.e. tax generation, employment, wages, and gross domestic product.

# Why is this a challenge?

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- Most economic sectors such as financial services, insurance, or construction are easily defined within a region's economic statistics.
- Tourism is not so easily measured because it is not a single industry. It is a demand-side activity which affects multiple sectors to various degrees.
- Tourism spans nearly a dozen sectors including lodging, recreation, retail, real estate, air passenger transport, food & beverage, car rental, taxi services, travel agents, museums, and theme parks.

# Methods and data sources

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- Estimates of visitor expenditures in Huntington Beach were based on several sources including:
  - Visitor profile study by CIC Research, Inc.
  - Data covering hotel room demand, supply, revenues, occupancy, and room rates from STR and PKF Consulting.
  - Industry data on employment, wages and sales from the U.S. Census, the Bureau of Economic Analysis, and the Bureau of Labor Statistics.
- An IMPLAN input-output model was constructed for Orange County. The model traces the flow of visitor-related expenditures through the local economy and their effects on employment, wages, and taxes. IMPLAN also quantifies the indirect (supplier) and induced (income) impacts of tourism. The results were adjusted to be specific to Huntington Beach. Tourism Economics then cross-checked these findings with employment and wage data for each sector to ensure the findings are within reasonable ranges.
- Gasoline price data for the Los Angeles area were obtained from the Energy Information Administration.
- Return on investment estimates were developed based on data provided by Visit Huntington Beach covering expenditures types, the organization's 2014-15 Annual Report, a return on investment analysis conducted by Destination Analysts, and ROIs reported by destinations compiled by Tourism Economics.
- Establishments and seasonal homes data are from U.S. Census.



# TOURISM ECONOMICS

AN OXFORD ECONOMICS COMPANY

For more information:

[info@tourismeconomics.com](mailto:info@tourismeconomics.com)