

## Chapter 2

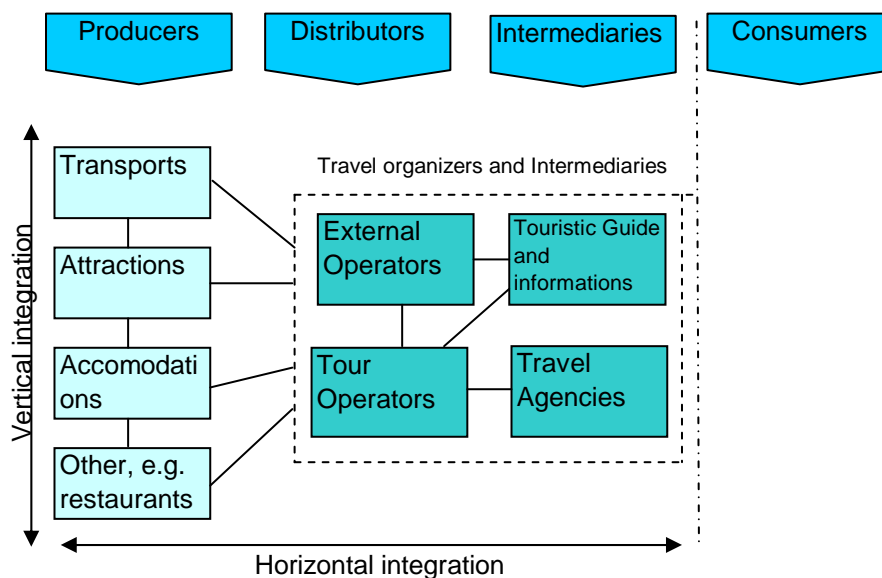
# The Economic Impact of Tourism and Satellite Account

## Tourism Multiplier Effect

Our common experience shows that tourism can be a driving force for the economic growth – this is always the case when revenues overcome negative impacts. Furthermore it is very well-known that its skills are very strong because of the specific features of tourism products generally consisting of a set of goods and services offered by a wide range of different economic actors kept together by the market. Surveys carried out in Norway and France show that tourists make 2-3 times more expensive purchases in the local area per individual money amount spent at their hotels.

The chart shows that the tourism industry can be viewed as if it consisted of a wide range of producers, distributors and middlemen. The vertical and horizontal integration that took place in this industry made market category boundaries get more blurred than before when they used to be very clear.

### A TOURISM MODEL



The way tourism demand flows through different economy segments is quite simple on the whole: when tourists spend their money to purchase goods or services, they trigger a chain reaction creating additional economic advantages in several directions. Industry businessmen committed to meeting this new demand are in their turn forced to get supplied with many goods and services they turn to their suppliers for and they need, such as food to prepare hotel and restaurant meals or doors to build / refurbish hotels, so that they can arrange their offer. The initial visitors' expenditure acts as a dynamizing element, that is to say it produces a cascading multiplier effect <sup>1</sup> to local, regional, then national advantage.

<sup>1</sup> The multiplier commonly used in those studies on the tourism impact is the so-called "revenue multiplier", which is basically a coefficient indicating the income earned in an area for every single additional tourism expenditure.

This stimulating effect get scaled down with regard to potential repercussions on local economy, if many products and services are imported from the outside. And so are products imported from other manufacturers.

To make this concept easier to understand, we can say that tourism expenditure creates two types of advantages: direct and indirect ones. All the elements directly interacting with visitors / customers, such as hotels, restaurants, bars, funfairs, beach services, etc., fall into the first type of advantages. However it must be noticed that many businessmen are not self-sufficient when arranging their offer; for this reason they need to create a supply chain in most cases, so that other industries, such as farming, building, and manufacturing industries, craftsmen and artistic craftworks, specific services, etc., are indirectly involved in this process. If we sum both effects, we achieve the total effect.

With regard to a tourism industry based on services that can be hardly turned into automatic tasks, the Organisation for Economic Co-operation and Development (OECD) estimated that the tourism industry can create 5-6 new jobs mainly in restaurants and hotels every time the turnover increases by 150,000 euros.

With the exceptions of a few points, this is the case of attraction – if arranged – of cultural products, such as museums, monuments, archaeological excavations, events and towns of art. Moreover its contribution to local development, including economic growth and sociocultural progress, is more significant, if we keep in mind that cultural tourists have a very strong propensity to spend money. In this case we can draw a distinction between *direct and indirect impact*.

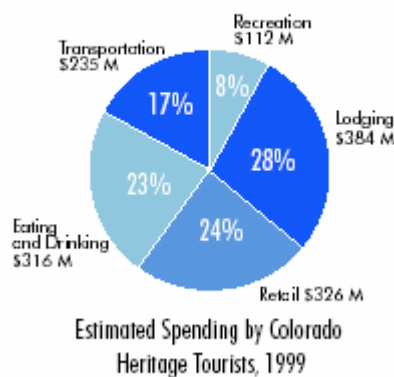
The direct impact is connected to the availability of cultural heritage, which needs an organization and personnel, such as skilled engineers, specialized workers, executives, etc., to be operational, be restored and offered to visitors. The personnel employed will draw a salary in return for their work. Thus employment – standard qualifications

Besides there are other and jobs that externally indirectly - work for heritage, such as: and restoration, non-trading system installers, etc.

Opening additional restaurants, bookshops, further amplifies the so that the local additional benefit from these conditions. If we also added overnights and shopping to this picture, the induced impact would get further amplified, so that not only the local economy could benefit from these conditions, but also the State would take advantage of more tax revenues thanks to an increased business volume.

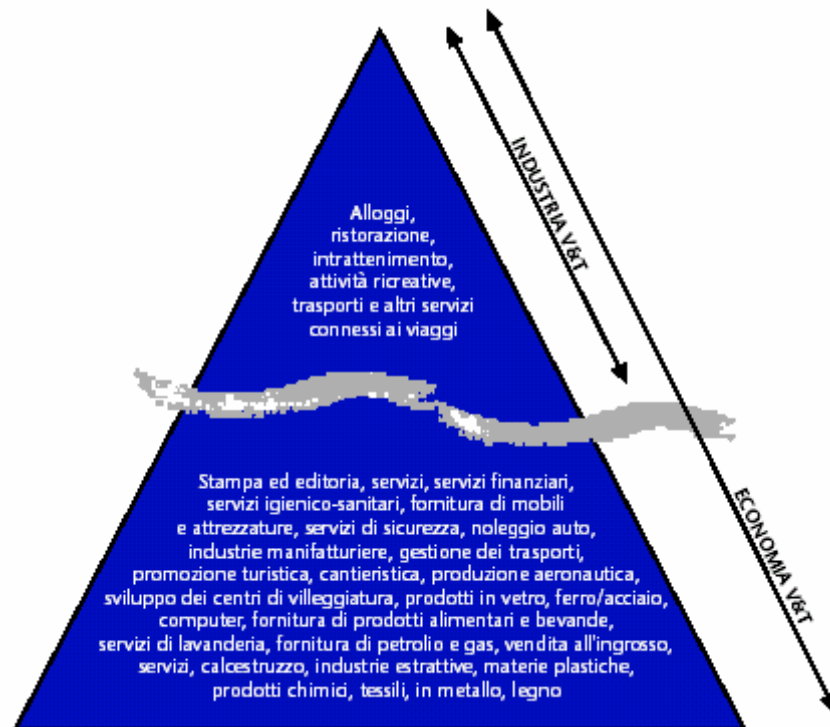
The following diagram sums up the effects of the demand for travel and holidays on the tourism industry, and more in general on economy.

In 1999, heritage tourists spent a total of \$1.4 billion in Colorado in five major categories:



professional categories - that is to say this specific cultural enterprises for repairs cleaning contractors, associations, safety

services, such as bars, and merchandising indirect impact effects economy derives



Source: Wttc 2001

A survey carried out in July 1998 on a sample of visitors to the Guggenheim Museum in Bilbao<sup>2</sup> showed that four visitors out of five reached that town or extended their stays by at least one day just to visit the museum. It also estimated the direct and indirect economic impact achieved at 186 million euros, 137 euros per visitor on average and approximately 0.5% of the local GDP. The business volume consisted of the following values: 35% catering service, 26% shopping, 21% overnight stays, 12% goods and services bought inside the museum and 6% transport.

Approximately four thousand jobs were created and additional revenues filling the regional coffers thanks to VAT, gains taxes applied to companies and businessmen, etc. were estimated at 26 millions euros.

The longer visitor's distance from home, the more money they spend: the museum visitors' daily average

#### **Additional Services for the Guggenheim Museum in Bilbao (Spain)**

Approximately 3,800 items are displayed in the shops inside the museum. In 1988, the first year, the museum welcomed 1.3 visitors so that 600 thousand postcards, 60 thousand posters and 45 thousand T-shirts were sold.

<sup>2</sup> The Guggenheim Museum on Bilbao was opened up in October 1997. During the first twelve months it recorded 1,360,000 visitors so that it went beyond all expectations and became the second most visited museum in Spain after El Prado Museum in Madrid. 17% of all the museum's visitors, whose majority consists of women, are younger than 19 years of age, 39% of them belong to the 20-44 age group and 22% to the following 45-64 age bracket.

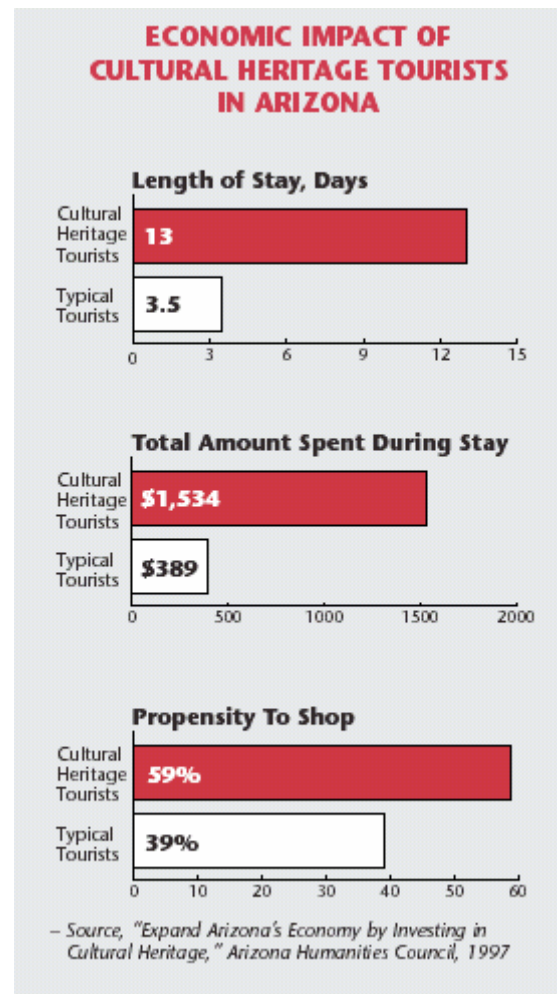
expenditure was really considerable for Americans (300 €), a little lower for Europeans and Spaniards (200-220 €) and low for visitors coming from the surrounding Basque provinces (50 €)<sup>3</sup> Bilbao belongs to.

The economic benefit should also include hidden added values connected to a cultural offer that involves local residents, improves people living standards and gives towns a brand new image built on the cultural heritage and its initiatives.

The results achieved by the Guggenheim Museum in Bilbao are supported by an analysis on the Italian Exchange Office data and the patterns of the per capita expenditure for cultural heritage in Italy in 1998: 10 euros for residents, 31 euros for same-day visitors and 90 euros for tourists, who spent more than four fifths of those money amounts for "hotels and meals" – that expenditure is not mentioned by other visitors<sup>4</sup>.

Visitors in Florence stay 1.8 days on the average and spend 115.27 euros everyday: 1.43 € for museum tickets, 2.17 € event tickets, 42.53 € for accommodation, a little more than 13 € for clothes and almost 11 € for meals.

(Study by Bocconi Univ. 2004)

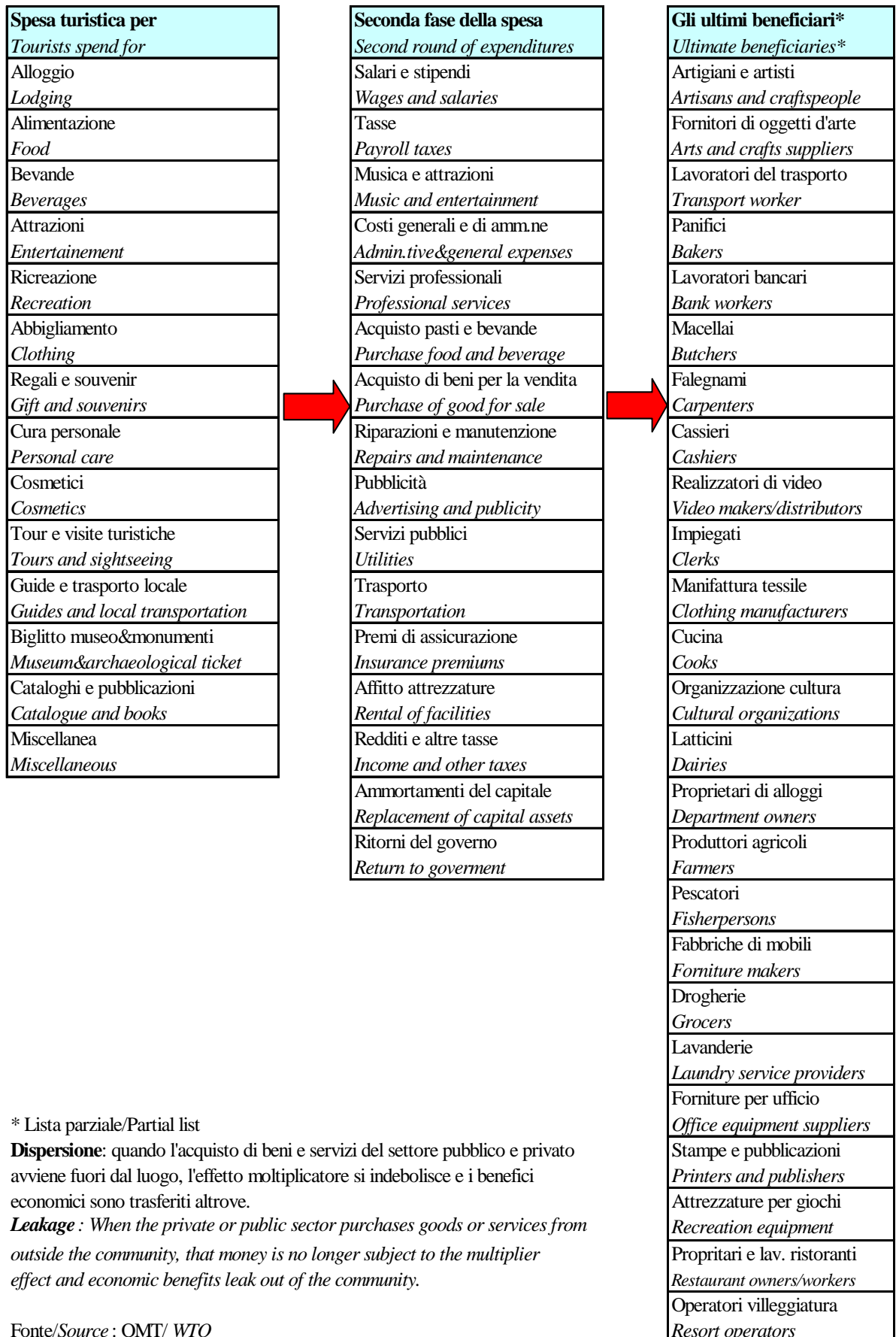


<sup>3</sup> "L'impatto economico dei musei: l'esperienza del Guggenheim Museum di Bilbao" (The Economic Impact of Museums: the case of Guggenheim Museum in Bilbao) by L.Solima, *Economia della Cultura* (review), 2/1999

<sup>4</sup> Nuove politiche possibili (New possible policies) by F.Perego, in *La storia al futuro* (History to the future), op.cit., pp 373-374.

**GLI EFFETTI MULTIPLICATORI DELLA SPESA TURISTICA/THE MULTIPLIER EFFET OF TOURISM**

Come la spesa turistica si trasmette all'economia/How tourism spending flows through the economy



\* Lista parziale/Partial list

**Dispersione:** quando l'acquisto di beni e servizi del settore pubblico e privato avviene fuori dal luogo, l'effetto moltiplicatore si indebolisce e i benefici economici sono trasferiti altrove.

**Leakage:** When the private or public sector purchases goods or services from outside the community, that money is no longer subject to the multiplier effect and economic benefits leak out of the community.

Fonte/Source : OMI/ WTO

## Travellers-Consumers' Behaviours

As tourism businessmen know very well, visitor expenditure in a resort varies on the ways guests stay in a place. And so does the induced effect on the local economy accordingly.

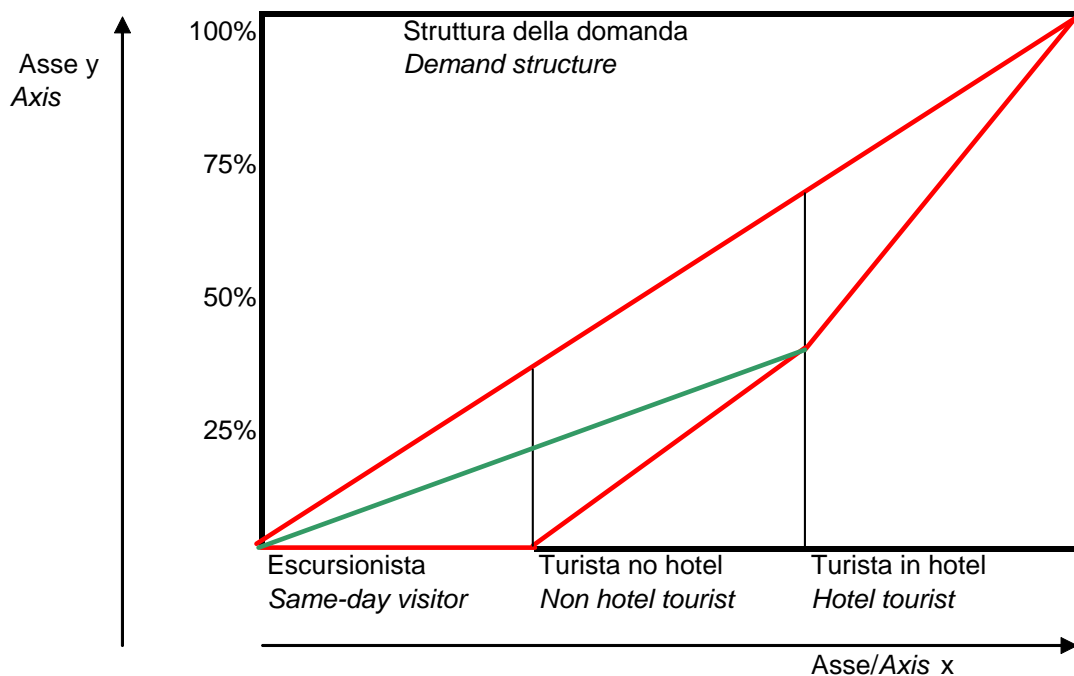
Travellers arriving and leaving on the same day do not even stay for one overnight stop – this happens in many towns of art as well as in several seaside resorts – have a different expenditure behaviour from tourists that stop travelling and exploit more locally available services.

A graph can show the effects of different tourist consumption behaviours. Suppose that a tourist going to a hotel is the ideal consumer, which corresponds to the maximum consumption propensity level, and all the other consumers stand for non-optimal conditions on the basis of consumption behaviour, the graph shows gained profits and missing ones potentially connected to different segments of visitors, using the curve concentration model by Lorenz.

The diagonal line represents the case of a uniform distribution of the expenditure corresponding to conditions under which everyone behaves in the same way. The underlying curve shows the real behaviour of many groups of visitors, divided into the same-day visitors, who do not spend any money in accommodation, and the tourists, who use extra hotel facilities in an intermediate position and the tourists going to hotels.

### Il comportamento del consumatore viaggiatore

#### Visitors' consumption behaviour



x = Quota di mercato/ Market share

y = Spesa media per ricettività/Average accomodation expenditure

Briefly, the larger the area between equidistribution line of expenditure per accommodation and the curve of real expenditure, the lower the economic contribution and the sustainability of the tourist flow. The significance of same-day visitors is clear: if we set it at zero (green line), the area immediately becomes smaller<sup>5</sup>.

Obviously there can be conditions under which same-day visitors can also give an important contribution to destination places. This is the case of passengers on a cruise and visitors for shopping.

### **Tourism Satellite Account**

Tourism Satellite Account stands for a system, which was jointly worked out by the Statistical Department of the United Nations, Statistical Office of the European Commission, the Organisation for Economic Co-operation and Development (OECD), World Tourism Organization (WTO), in order to get a detailed analysis of every single part of the demand for goods and services connected in any way to tourism with regard to general economic conditions<sup>6</sup>.

The reason for the introduction of this method is inspired by the observation that the statistical data currently made available are so scanty (arrivals, stays, balance of payments) that they can not provide a comprehensive assessment of the real economic impact caused by tourism. Therefore governments, local authorities, tourism industry businesses and citizens can have a limited access to all the information needed to take the most appropriate decisions. The increasingly central role played by tourism in economy urges to bridge this gap.

This system is based on the analysis of the demand created by different types of tourism – in the same economy, by other economies and towards other economies - classified on the basis of visitors' features, trips, and goods and services purchased.

It is well known that the most common goods and services used by visitors are mainly means of transport, accommodation facilities, food, amusement<sup>7</sup> and much more according to the type of trip. However type, quality and quantity values may vary on destinations and visitors.

Even if tourism is above all a demand phenomenon, from an economic view point it is essential not to loose interaction between demand and supply as well as the impact on the reference economy of every component.

In terms of statistical tourism, visitor consumption is defined as "the total expenditure paid for consumption – read final consumption with no further processing – by visitors, or on behalf of visitors, before or during the trip, during the stay in the destination place and when coming back (if the consumption is connected to the trip. For example: developing photos)". Visitors play a vital role in tourism industry. And so does visitors' consumption, which is fundamental to assess the economic impact of tourism.

Having said that, the fundamental structure of Tourism Satellite Account (TSA) is based on a general balance which is kept between the demand for goods and services generated by tourism and their supply in an economic system. The fundamental

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<sup>5</sup> EC, Early warning system for identifying declining tourist destinations, and preventive best practices, 2002.

<sup>6</sup> For a comprehensive evaluation of this method and further details please read: CE/OECD/UN/ WTO, Tourism Satellite Account: Recommended Methodological Framework, 2001.

<sup>7</sup> In 2000 Europeans spent 9.80 € on average to visit amusement park according to the following expenditure pattern: 5 euros for a ticket, 3.10 euros for food and drinks, 1.70 euros for other books (European Amusement Survey 2001).

principle of the TSA method aims at a close study on every part of the demand for goods and services that can be associated to tourism and how this demand can interact with the supply and the resting economic world.

To put it briefly, TSA can:

- assess how economically significant tourism is in terms of added value as well as GDP contribution;
- provide detailed information on visitors' consumption and how they can meet their needs thanks to the local supply or importing from outside;
- issue a detailed report on production of tourism industry businesses, including employment rates;
- process basic information to work out a model for the economic impact of tourism;
- seize the opportunity to collect not only economic data but also non-money related information, such number of trips, holiday duration, purposes of trips, means of transport used, etc.

However visitor consumption can be not only money-related, namely using a market transaction. Goods and services accessible in nature or without any money consideration, such health, safety, environment services, are not easy to quantify; nevertheless they should be included in this system because they stand for a reaction to a demand stimulus. And so should public and private investments as well, because they aim at making specific cultural heritage, such as monuments, archaeological excavations, etc., spendable on the tourism market so that a valid offer can be made - a marketable product.

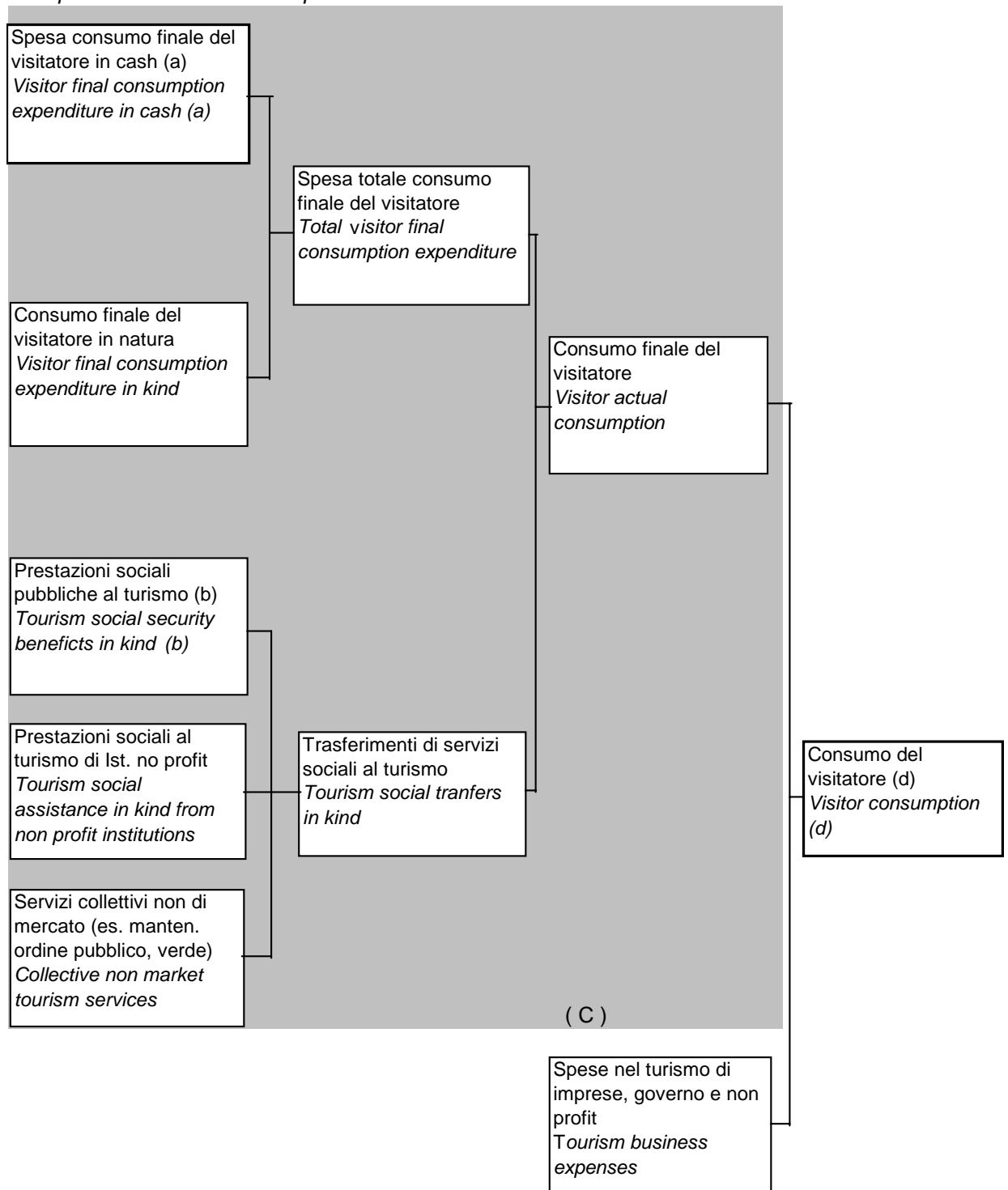
The first figure below shows components and a comprehensive diagram of relations and visitor's consumption.

With regard to quantifying cash expenditure, the figure shows just the most important one made by a visitor in a certain location, a TSA application could be carried out observing and using the following matrix. A survey on a representative sample of several visitor segments (local visitors, same-day visitors, national tourists, foreigners, etc) can help find every expenditure component; then on the basis of those tourist flows we can assess the total amount of tourism expenditure (demand) activating an equivalent supply of goods and services, products in the same or in a different place. In the first case the multiplier effect will be maximum, in the second minimum.

To collect the information required to create the matrix, we need a tool, such as a questionnaire, whose template is herewith enclosed and which can be fitted to specific needs to achieve additional information, too.

## I CONSUMI DEL VISITATORE

*Components of visitor consumption*



a) Rappresenta la componente più importante del consumo dei visitatori.

*This always represents the most important component of total consumption of visitors.*

b) Consumo di servizi pubblici individuali da parte del visitatore (salute, ecc.).

*Individual non market services provided by government units absorbed by visitors (e.g. health)*

c) L'area grigia rappresenta la parte del consumo totale dei visitatori nei conti nazionali.

*The area in grey represents the part of total consumption of visitors in national account.*

d) Consumo totale del visitatore, o per suo conto, che definisce la "domanda del visitatore"

*Total consumption of visitors that could be termed as "visitor demand".*

**CONSUMI DEL TURISMO PER PRODOTTI E CATEGORIE DI VISITATORI***Tourism consumption, by products and categories of visitors, within the territory of reference*Territorio o luogo di riferimento/*Territory or place of reference* .....

| Prodotti<br><i>Products</i>  | Spesa in contante del visitatore per consumi finali *  |                            |  | Altri consumi<br>**      | Consumi totali           |
|--|--|----------------------------|--|--------------------------|--------------------------|
|  | <i>Visitor final consumption expenditure in cash *</i> |                            |  |                          |                          |
|  | Escursionisti<br><i>Same-day visitors</i>              | Turisti<br><i>Tourists</i> | Totale visitatori<br><i>Total visitors</i> | <i>Other consumption</i> | <i>Total consumption</i> |
|  | 1  | 2                          | 1+2=3                                      | 4                        | 5=3+4                    |
| <b>1 - Servizi di ricettività/</b> <i>Accommodation services</i>   |  |                            |  |                          |                          |
| 1.1 Hotel e altri servizi di alloggio/ <i>Hotel and other lodging services</i>   | x  |                            |  |                          |                          |
| <b>2 - Pasti e ristoro/</b> <i>Food and beverage serving services</i>  |  |                            |  |                          |                          |
| <b>3 - Servizi di trasporto/</b> <i>Passenger transport services</i>   |  |                            |  |                          |                          |
| 3.1 Trasporto ferroviario/ <i>Railway transport</i>  |  |                            |  |                          |                          |
| 3.2 Trasporto urbano/ <i>Urban transport</i>   |  |                            |  |                          |                          |
| 3.3 Trasporto stradale/ <i>Road transport</i>  |  |                            |  |                          |                          |
| 3.4 Trasporto aereo/ <i>Air transport</i>  |  |                            |  |                          |                          |
| 3.5 Trasporto marittimo/ <i>Water transport</i>  |  |                            |  |                          |                          |
| 3.6 Servizi di supporto/ <i>Supporting services</i>  |  |                            |  |                          |                          |
| 3.7 Affitto mezzi di trasporto/ <i>Transport equipment rental</i>  |  |                            |  |                          |                          |
| <b>4 - Agenzie viaggio, T.O. e servizio guide turistiche</b><br><i>Travel agency, tour operator and tourist guide services</i> |  |                            |  |                          |                          |
| 4.1 Agenzia viaggi/ <i>Travel agency (1)</i>   |  |                            |  |                          |                          |
| 4.2 Tour Operator/ <i>Tour Operator (2)</i>  |  |                            |  |                          |                          |
| 4.3 Informazioni turistiche e guide turistiche<br><i>Tourist information and tourist guide</i>                                 |  |                            |  |                          |                          |
| <b>5. Servizi di ricreazione e intrattenimento</b><br><i>Recreation and other entertainment services</i>                       |  |                            |  |                          |                          |
| 5.1 Sport e servizi sportivi/ <i>Sports and recreational sport services</i>  |  |                            |  |                          |                          |
| 5.2 Altri servizi di svago/ <i>Other amusement services</i>  |  |                            |  |                          |                          |
| <b>6 - Servizi culturali/</b> <i>Cultural services</i>   |  |                            |  |                          |                          |
| 6.1 Mostre d'arte/ <i>Performing arts</i>  |  |                            |  |                          |                          |
| 6.2 Musei e altri servizi culturali/ <i>Museum and other cultural services</i>   |  |                            |  |                          |                          |
| 6.2.1 Biglietto/ <i>Ticket</i>   |  |                            |  |                          |                          |

| Prodotti<br><i>Products</i>  | Spesa in contante del visitatore per consumi finali *<br><i>Visitor final consumption expenditure in cash *</i> |                                 |   | Altri consumi<br>**<br><i>Other consumption</i> | Consumi totali<br><i>Total consumption</i> |
|--|---|---------------------------------|---|---|--|
|  | Escursionisti<br><i>Same-day visitors</i><br>1  | Turisti<br><i>Tourists</i><br>2 | Totale visitatori<br><i>Total visitors</i><br>1+2=3 |   |  |
| 6.2.2 Guide del museo/ <i>Museum guide</i>                                     |   |                                 |   |   |  |
| 6.2.3 Pubblicazioni e cataloghi/ <i>Books and catalogues</i>                   |   |                                 |   |   |  |
| 6.2.4 Poster e oggetti (3)/ <i>Poster and objects (3)</i>                      |   |                                 |   |   |  |
| <b>7 - Servizi turistici diversi/Miscellaneous tourism services</b>            |   |                                 |   |   |  |
| 7.1 Servizi finanziari e assicurativi/ <i>Financial and insurance services</i> |   |                                 |   |   |  |
| 7.2 Altri beni e servizi turistici/ <i>Other tourism goods and services</i>    |   |                                 |   |   |  |
| <b>8 - Prodotti collegati/Connected products</b>                               |   |                                 |   |   |  |
| 8.1 Beni/ <i>Goods</i>   |   |                                 |   |   |  |
| 8.2 Servizi/ <i>Services</i>   |   |                                 |   |   |  |

Fonte: Adattamento Tav.2 e 4 di TSA, Recommended Methodological Framework, op.cit.

x = non applicabile/*does not apply*

(\*) Al prezzo d'acquisto e al netto delle commissioni di Agenzia e TO/*At purchaser price and net valuation of tour operator services and travel agency services*

(\*\*) Si riferisce alle spese in natura, trasferimenti sociali al turismo e alle spese private e pubbliche nel turismo non facilmente attribuibili/*Referred to expenditure in kind, tourism social transfer in kind and tourism business expenses not easily attributable by type of tourism*

(1) Solo il margine dell'Agenzia/*Corresponds to the margin of the travel agency*

(2) Corrisponde al margine del TO/*Corresponds to the margin of the Tour Operator*

(3) Attività di merchandising/*Merchandising activity*





**Community**

**Initiative**

**INTERREG**

**III**

**B**

**ROMIT – Roman Itineraries**

*Survey on the economic impact of cultural tourism*

- Visited place
- Museum .....
  - Monument .....
  - Archaeological site .....
  - Route .....
  - Performing arts .....

**1. Visitor profile**

- Local resident visitor
- Same-day visitor (no overnight)
- Tourist staying one or more nights

Place of origin: City..... Nation.....

Motivation for visiting the city or place::

- Exclusively for cultural/ historical reasons
- Holiday
- Participation in fairs
- Participation in congresses or meetings
- Other .....

Gender  M  F

Age: .....

- Educational qualification
- Primary School
  - Intermediate school
  - High school
  - University degree
  - Post University degree

*Professional conditions*

- |                                       |                                       |  |
|---------------------------------------|---------------------------------------|--|
| <input type="checkbox"/> worker       | <input type="checkbox"/> artisan      | <input type="checkbox"/> clerk         |
| <input type="checkbox"/> executive    | <input type="checkbox"/> entrepreneur | <input type="checkbox"/> self employed |
| <input type="checkbox"/> professional | <input type="checkbox"/> technician   |  |
| <input type="checkbox"/> teacher      | <input type="checkbox"/> dealer       | <input type="checkbox"/> housewife     |
| <input type="checkbox"/> pensioner    | <input type="checkbox"/> student      | <input type="checkbox"/> other .....   |

**2. Individual expenses for visiting museum, monuments, archaeological and cultural sites only** (If not applicable please leave in blank)

|   |                                     | Euro  |
|---|-------------------------------------|-------|
| <i>Board&amp;lodging</i>  | <i>Hotel or other accommodation</i> | ..... |
|   | <i>Restaurant</i>                   | ..... |
|   | <i>Beverage</i>                     | ..... |
| <i>transport</i><br>(for arriving and leaving)                        | <i>road</i>                         | ..... |
|   | <i>railway</i>                      | ..... |
|   | <i>air</i>                          | ..... |
|   | <i>urban transport</i>              | ..... |
|   | <i>water transport</i>              | ..... |
|   | <i>rent a car</i>                   | ..... |
| <i>Goods and characteristic services for visiting monuments, etc.</i> | <i>ticket purchase</i>              | ..... |
|   | <i>tourist guide</i>                | ..... |
|   | <i>headphones for guided tours</i>  | ..... |
|   | <i>books and catalogues</i>         | ..... |
|   | <i>posters and gadgets</i>          | ..... |
| <i>Connected to visit</i>   | <i>photos and films</i>             | ..... |
|   | <i>shopping</i>                     | ..... |
|   | <i>recreational services</i>        | ..... |

Have you been to the tourist information Office ?       yes       no

Thank you for your co-operation

Date .....