



## Principles for Measuring Economic Impact

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## Purpose

The purpose of this paper is to set out the principles and best practices for estimating the economic benefit that an event, host facility (such as a convention centre) or destination, brings to a market.

Increasingly, host facilities, destinations and event organizers need to demonstrate the benefit that they generate for the host market or jurisdiction. For convention centres, this is particularly the case when a jurisdiction is contemplating an expansion or substantial enhancement of facilities.

The principals apply at any level of activity, from an individual event, to a facility, to a destination. However, the general approach is best illustrated by measuring the economic impact of a host facility over a specific period (i.e., a fiscal year). Measuring the impact of an individual event or destination will require some relatively simple modification to the methodology.

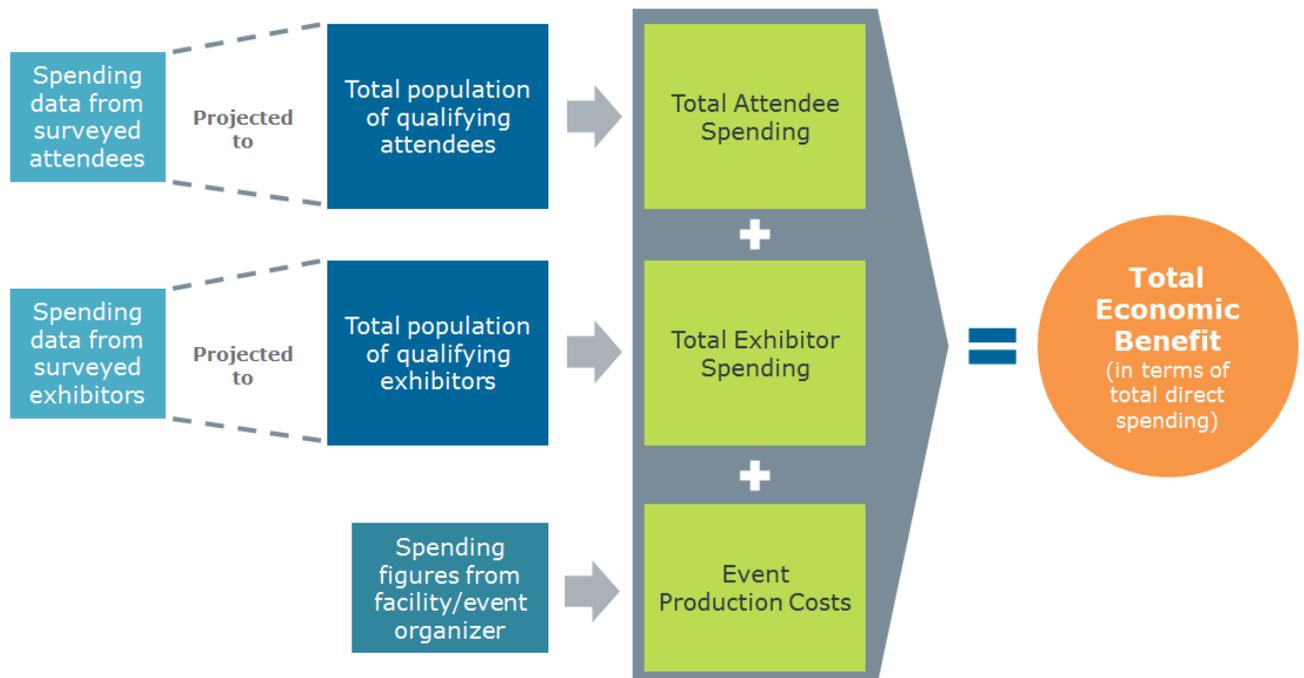
*Note: While the scope of this document is limited to the calculation of economic benefit, it should be noted that governmental bodies are increasingly acknowledging the potential social, educational and health benefits that can accrue from hosting certain events.*

## Overview

Methods for estimating economic benefit range from very rough and often outdated “rule-of-thumb” guestimates of what an average visitor spends per day, to detailed projections grounded in primary data collection and visitor composition. The principles outlined in this document are based on the latter approach, that is, projecting economic benefit based on actual spending and attendance composition.

In broad strokes, our recommended best practice starts with obtaining spending figures from the main segments of spenders. This means directly surveying a cross-section of these individuals after they have carried out all or most of their spending. This data is then projected out to the entire target population (i.e., the total number of qualifying exhibitors and attendees) for the target year (i.e., the year to which the economic benefit is being projected).

In addition to estimating the total spending of exhibitors and attendees, the economic benefit calculation should also include other spending incurred as a result of putting on the event. Mainly these are the production costs incurred by the host facility and event organizers.



## Principles

An accurate estimate of economic impact is built on three principles:

1. Proper definition of the scope of the study
2. Direct and correct capture of spending, by surveying a cross-section of spenders and from other sources
3. Accurate projection of spending, by properly expanding the data to the target population

### Principle #1: Proper Definition of the Scope of the Study

When defining the study scope, there are three specific steps:

- Identify the **main sources** of spending that should be captured by the study
- Define the **spending segments** that qualify for the study
- Include all **associated spending**, namely spending by companions and spending before and after the event

### Identify Sources Of Spending

There are three main types of spending that are used to calculate total economic impact:

#### 1. Attendee and Exhibitor Expenditures (excluding production costs)

This category of spending includes all products and services purchased by the attendees and exhibitors in the target market as a result of the event. Spending includes all purchases, including taxes and tips, made by the total party, that is, the attendee/exhibitor and their companions (e.g., spouse). It also includes any additional spending made in the market before or after the actual event due to extended stays. This category does not include event registration or exhibitor booth fees.

Attendee and exhibitor spending should be captured by surveying them directly. The survey should ask for spending by category, for the following reasons:

- People are more likely to remember purchases if they are asked about each category
- People don't usually have an accurate tally of their total expenses
- Spending by category is needed for input-output models to accurately calculate the impact of the dollars as they make their way through the economy

The following categories should be captured by a survey:

### **Personal Spending**

- Accommodations
- Transportation within the target market (i.e., the region to which the economic benefit is being attributed, so this spending category excludes flights)
- Parking
- Attractions, Shows/Entertainment, Tours and Recreation
- Meals and drinks
- Shopping, including gifts
- Personal services (spa, hair, drycleaning, etc.)
- All other spending (excluding event registration and booth fees)

### **Off-Site Hospitality**

- In addition to personal expenses, spending by attending companies on off-site hospitality, such as dinners and entertainment held away from the convention centre can be substantial. Care needs to be taken to not double count this spending when surveying individual attendees and exhibitors.

## **2. Exhibitor Production Costs**

This category of spending includes the local spending made by exhibitors as a result of their participation at the event. These expenditures include local production, equipment rental/services and shipping/custom services, but exclude any payments made directly to the convention centre or event organizer, as this spending is captured in the following category, Event Production Costs.

The specific types of spending that falls into this category are:

- Local production services not provided by the facility (eg. printing, signage)
- Equipment rentals or services not provided by the facility
- Shipping and customs clearance not provided by the facility

### 3. Event Production Costs

This category encompasses costs incurred by the convention centre for products and services relating to hosting events. It also includes expenses borne by event organizers for the provision of off-site entertainment.

Facilities generally keep records of their production costs, typically accounted for by event. However, this should be confirmed before commencing on a study. The following list of expenditure categories is quite detailed; most centres collapse the items into a shorter list.

- A/V
- Broadcast
- Data
- Display
- Electrical
- Freight
- Food and Beverage
- Hosting
- Housekeeping
- Labour
- Lighting
- Office Support
- Holding Lot
- Policing
- Rigging
- Security
- Signage
- Lines
- Long distance
- Truss
- Plumbing

*Note: Production costs can be provided in terms of actual expense incurred by the facility or by the amount charged to the event. It's important to determine whether the figures are provided as an expense or as revenue if the data is being entered into an Input-Output Model, as models treat the two differently.*

## Define the Spending Segments that Qualify

Some centres will want to estimate the economic benefit only in terms of **new money** brought into their jurisdiction. Certain jurisdictions may not be interested in the spending generated by local residents attending events – nor any purchases made outside their borders (i.e., in an adjoining province/region), even if that spending was made as a result of the event. In these cases, the spending figures captured and the spending projections made should only include the spending of non-local attendees and exhibitors made within the target market. Further, production costs included should only cover events that attract a significant number of non-local attendees. Events that have a low number of non-local attendees (e.g., less than 25% non-local attendance) should be considered local events. Local events are not dependent on attendance from outside the jurisdiction and therefore the production costs for these events should not be included.

## Include All Associated Spending

### Companion Spending

When surveying individual attendees and exhibitors, it's important to ensure that the survey accurately captures spending by the attendee's/exhibitor's party, namely, their companions/spouses accompanying them, provided that they are not also attending or exhibiting at the event.

### Exhibitor Staff Spending

For exhibitors, only one staff member at an exhibit is surveyed. The staff member/companion spending is then expanded to represent all of the spending for the exhibit.

### Spending Before And After The Event Within The Target Jurisdiction

Many attendees/exhibitors extend their stay at the host city and this spending should be captured by the survey. Some also visit adjoining jurisdictions. Reasonable steps should be taken to only count the spending within the target jurisdiction.

## Principle #2: Direct And Correct Capture Of Spending

Spending of attendees and exhibitors should be directly and correctly captured through a survey. Care needs to be taken to ensure the sampling plan, survey protocols and actual interviewing yields a representative sample, in terms of the types of events covered and the attendees and exhibitors that are intercepted and interviewed.

Interviewing should ideally be conducted over the course of an entire year, to counter seasonal bias both in terms of the types of events held and the spending behaviours of the attendees and exhibitors.

Interviewing should be scheduled for the last day or second to last day of a multi-day event. Interviewing too early in an event will yield more of a prediction of spending than actual spending.

Attendees and exhibitors should be randomly approached. The survey should be short and a small incentive should be provided to encourage participation.

An important consideration when surveying is that spending varies widely across attendees and exhibitors, with large differences occurring by type of event and attendee origins. For example, a local trade show attendee tends to spend less than an international convention delegate. Therefore it's important that the survey sample contains a good representation of event types (e.g., trade shows, conferences, conventions, etc.) and reflects the range of attendees – especially if the facility draw attendance from far away. A good sampling strategy will ensure that the survey captures a mix of events and attendees/exhibitors. Failing to do so can result in a sample that will impact the accuracy of the projections, although it will be impossible to know by how much.

Ideally, centres or event organizers will be able to provide attendance estimates for each of the cells shows in the exhibit below.

	Event Type		
Attendee Origins	Local Convention Delegates	Local Conference Delegates	Local Trade Show Attendees
	Out of Province Convention Delegates	Out of Province Conference Delegates	Out of Province Trade Show Attendees
	International Convention Delegates	International Conference Delegates	International Trade Show Attendees

### Principle #3: Accurate Projection Of Spending

Once the spending data is captured, the data are weighted by the variables that most impact spending levels. These weighting factors adjust the survey sample so that it matches the composition of the actual population of attendees and exhibitors over the course of the target year. Typically, the most impactful weighting variables are event type and attendee/exhibitor origins, but the data should be examined for other factors that may also be at play, such as time of year. Once the data has been weighted, it can be expanded to represent the entire target population (e.g., all non-local attendees/exhibitors).

Ideally, the facility will have reliable estimations of the number of exhibitors and attendees for each event broken out by their country or region of origin. These estimations should be refined at the end of the target year.

The table below is an example of what a centre would ideally provide for attendance, aggregated for all the events held over the year. If data is not available to this detail (e.g., the variables are not interlocking or some cells are collapsed), then the projections may need to be done in two separate steps. If data is not available at all for one of the variables, then the centre should provide reasonable estimates.

*Note: Using the composition of the survey sample as a proxy for information on origins is generally not recommended because the events surveyed may not be representative, despite best intentions.*

<b>Example: Estimated Target Population Counts For The Target Year</b>			
	<b>Event Type</b>		
	<b>Convention</b>	<b>Conference</b>	<b>Trade Show</b>
<b>Attendee Origins</b>			
Within province/state	13,100	12,500	25,000
Rest of country	4,300	2,243	145
Rest of continent	832	165	50
Overseas	424	88	5
<b>TOTAL</b>	<b>18,656</b>	<b>14,996</b>	<b>25,200</b>
<b>Exhibitor Origins</b>			
Within province/state	130	122	267
Rest of country	42	24	13
Rest of continent	11	12	5
Overseas	4	10	5
<b>TOTAL</b>	<b>187</b>	<b>168</b>	<b>290</b>

## Using an Input-Output Model

Many centres (and the jurisdictions they report to) will simply want their economic benefit represented by the total direct spending, which is simply a sum of the each category:

- Attendee Spending (plus off-site hospitality)
- Exhibitor Spending (plus off-site hospitality)
- Exhibitor Production Costs
- Event Production Costs

However, some centres may want to state their economic impact in terms of GDP and report additional measures, such as tax revenue and employment. In this case, it is necessary to input the data into an Input-Output model. Each jurisdiction or country tends to have its own model which is typically maintained by a government agency or university. There is typically a fee for this service and a detailed report is usually provided.

*Note: Those who wish to run their data through an Input-Output Model should confirm in advance that the spending categories captured will be compatible with their jurisdiction's model, as well as to establish any assumptions that need to be made when running the analysis.*

**For more information on measuring economic impact, please contact:**

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