

# Destination Louisville:

## Economic and Community Impacts of Tourism

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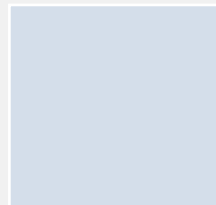
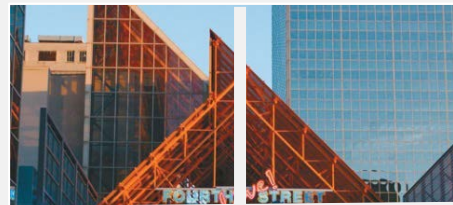
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## EXECUTIVE SUMMARY

### ■ Introduction

Tourism is an export industry and a major economic development tool. Just as international tourism brings foreign dollars to the destination country's economy, tourism from outside the Louisville region brings new dollars into the Louisville regional economy. These dollars have a larger economic impact than dollars spent by residents on dining, attractions and events. One challenge of a tourism impact analysis is determining how much spending is local and how much is "exported."

The Urban Studies Institute (USI) at the University of Louisville was engaged by the Louisville Convention and Visitors Bureau (LCVB) to quantify the economic impact of tourism on the regional economy, and evaluate LCVB's economic and noneconomic contributions to the region. Based on LCVB's internal records and independent external analyses of leisure travelers, LCVB's outreach and marketing efforts increase room occupancy of leisure travelers by approximately 25% each year.

### ■ Economic Impact of Tourism in the Louisville MSA

Combining results of previous surveys of visitor spending and national tourism satellite accounts, USI researchers estimated direct spending Louisville Metropolitan Statistical Area (MSA) for the following industries. **Direct spending** by visitors to the Louisville MSA supports the wages, salaries and benefits of workers in those businesses, as well as those employed by suppliers.

#### Economic Census & Tourism Satellite Accounts Based Spending Estimates

	All Tourists
Lodging	\$354,935,000
Transportation	\$327,554,000
Food & Beverage	\$378,503,000
Retail Purchases	\$152,780,000
Recreation/Entertainment	\$215,468,000
<b>Total Expenditures</b>	<b>\$1,429,240,000</b>

Notes: 2007 Economic Census results have been adjusted to reflect 2011 dollars via U.S. Bureau of Labor Statistics Consumer Price Index figures for the appropriate commodities.

The MSA is considered an economic region based on home-to-work commuting patterns and is the typical unit of analysis for input-output modeling of economic impact.

Industries affected by direct spending purchase intermediate goods and services to meet tourism demand. The multiplier effect causes *indirect* effects from rounds of re-spending across other industries. The dollars circulate further as employees and owners spend their income of goods and services in the regional economy. These are *induced* effects. At each round of spending a portion of the dollars leak out due to savings, purchases of imported goods and tax payments so that the re-spending ultimately goes to zero.

*The results of the model indicate that direct tourist spending supports about 22,100 jobs in the 13 county Louisville MSA with a combined payroll of \$382 million.*

<b>Annual Economic Impact of Tourism in the Louisville MSA</b>			
<b>Impact Type</b>	<b>Employment</b>	<b>Output</b>	<b>Payroll</b>
<b>Overnight Tourists</b>			
Direct Effect	16,595	\$875,714,878	\$289,509,792
Indirect Effect	2,988	\$352,496,668	\$97,692,510
Induced Effect	4,314	\$496,225,841	\$130,178,811
<b>Total Effect</b>	<b>23,896</b>	<b>\$1,724,437,386</b>	<b>\$516,053,044</b>
<b>Daytrip Tourists</b>			
Direct Effect	5,550	\$198,357,674	\$92,409,157
Indirect Effect	641	\$74,577,104	\$19,997,147
Induced Effect	1,240	\$142,598,659	\$37,261,121
<b>Total Effect</b>	<b>7,431</b>	<b>\$415,533,438</b>	<b>\$149,315,493</b>
<b>Total Tourism Impact</b>			
Direct Effect	22,145	\$1,074,072,553	\$381,918,949
Indirect Effect	3,629	\$427,073,772	\$117,689,658
Induced Effect	5,553	\$638,824,500	\$167,439,932
<b>Total Effect</b>	<b>31,328</b>	<b>\$2,139,970,824</b>	<b>\$665,368,537</b>

Source: Customized IMPLAN (Impacts for PLANing), version 3, model of the Louisville MSA, using 2010 economic data.

Note: The difference between the estimated \$1.4 billion in direct tourist expenditures and the \$1.07 billion in direct output in the local economy due to that tourism spending is due to the fact that a portion of visitor spending occurs at gas stations and other retail stores. The cost of a good at a retail store is made up of producer, wholesale, and transportation costs as well as the retail markup. Only the portion the retailer keeps is considered additional output to the local economy. The fact that the retailer will be ordering new inventory due to the increased demand resulting from tourism is taken into account in the indirect effects part of the model.

***Once we account for the multiplier effects, tourism leads to \$2.1 billion of economic output in the MSA and supports 31,300 jobs with an annual payroll of \$665 million. About four-fifths of those impacts are due to overnight tourists.***

## ■ Tax Impacts

Tourists pay taxes directly to state and local governments in the form of transient room taxes, sales taxes on retail purchases and automobile rental, and gasoline taxes. Additionally, the people employed in tourism-related industries pay local income and occupational taxes and state income and sales taxes.

### Estimated Annual Local and State Tax Revenues from Tourism Related Activity in the Louisville MSA, 2011

	Taxes Paid by Tourists			Totals
	Transient Room Taxes	Retail Sales Taxes	Gasoline Taxes	
Jefferson County	\$19,121,932			\$19,121,932
Other Kentucky Counties in MSA	\$1,472,970			\$1,472,970
Southern Indiana Counties in MSA	\$1,616,316			\$1,616,316
State of Kentucky	\$24,056,940	\$31,645,810	\$13,596,956	\$69,299,706
State of Indiana	\$2,828,553	\$6,835,503	\$2,255,905	\$11,919,961
<b>Totals</b>	<b>\$49,096,713</b>	<b>\$38,481,313</b>	<b>\$15,852,862</b>	<b>\$103,430,887</b>
	Taxes Paid by MSA Residents			Totals
	Local Income/ Occupational Taxes	State Income Taxes	State Sales Taxes	
Jefferson County	\$9,634,986			\$9,634,986
Other Kentucky Counties in MSA	\$408,350			\$408,350
Southern Indiana Counties in MSA	\$1,754,876			\$1,754,876
State of Kentucky		\$23,091,069	\$23,936,711	\$47,027,780
State of Indiana		\$5,142,189	\$5,829,679	\$10,971,868
<b>Totals</b>	<b>\$11,798,212</b>	<b>\$28,233,258</b>	<b>\$29,766,390</b>	<b>\$69,797,860</b>

Note: The tax figures paid by MSA residents include the indirect and induced economic impacts of the tourism industry in the metro area. There are other tourism related tax revenues, such as those from airport fees and taxes on taxicab fares, or from activity derived from induced household income such as insurance premiums and property taxes, but we have no reliable way of estimating those revenues.

State and local governments benefit from more than \$173 million in tax revenues generated by tourism in the Louisville MSA. Tourists pay \$103 million directly, almost half of that in transient room taxes when they stay in area hotels. Jefferson County benefits from \$19 million in

transient room tax collections, roughly \$16.6 million of which goes to the LCVB to be used in its efforts to attract additional tourism and convention business. The remaining \$2.5 million, by statute, goes to defray operating costs of the Kentucky Center for the Arts. The state of Kentucky gains the lion's share of the taxes paid by tourists, with \$69 million in sales and gasoline tax revenues from tourist spending.

Employees of tourism affected industries, through their income and household spending, contribute nearly \$70 million to state and local government. Two-thirds of that benefit goes to the state of Kentucky in the form of income and sales taxes. The state of Indiana collects \$11 million in taxes from its residents' tourism related income.

Local governments in Jefferson County benefit from \$9.6 million in occupational taxes on income directly or indirectly associated with tourism. Of that, Jefferson County Public Schools receive about \$2.7 million.

Altogether, local governments in Jefferson County receive \$28.7 million in revenue from tourism related activity and its spin-off effects. The state of Kentucky derives over \$116 million in tourism related revenues each year from tourism to the Louisville MSA.

## ■ Social and Community Impacts of Tourism

Some LCVB initiatives and activities create opportunities for residents to benefit from the tourism industry and enhance "hometown tourism."

- The Louisville Volunteer Program provides opportunities for locals to gain on-the-job knowledge and expand their skills by participating in special events, providing tours, and working in the Visitors Center.
- The Tourism Honors Academy provides 20 high school students with the opportunity to explore careers in the tourism industry.
- At Taxi Cab University drivers are encouraged to become city ambassadors and are trained in local geography, safety, and customer service skills.
- The annual Recognition of Service Excellence (R.O.S.E) Awards program recognizes leaders in the hospitality industry, including front line workers.
- Fourth Street Live! is a destination for visitors and residents alike, and is important to LCVB's promotional efforts for the Kentucky International Convention Center
- Restaurants recognized for excellence on television programs and food magazines establish Louisville as a top "foodie" destination.

## ■ Regional Branding

Bourbon tourism is the primary driver in many convention and tourism market segments, reaching customers nationwide through ad campaigns and social media. The Bourbon Country® brand, developed by LCVB in cooperation with the Kentucky Distillers Association (KDA) and the Kentucky Department of Travel and Tourism in 2006, includes eight destination management organizations covering nine counties. A recent study found that approximately 15,000 annual visitors to the distilleries along the Kentucky Bourbon Trail® produced regional economic impacts of \$12 million per year. As the number of visitors grows, so do the economic benefits.

The Urban Bourbon Trail® was launched in 2008 as a bar and restaurant promotion to help establish Louisville as the “Gateway to Bourbon Country” even though no public distillery tours existed in the city at that time. The momentum of bourbon tourism spurred development of tourist attractions with a bourbon theme and led to several agencies collaborating on an effort to brand a bourbon district in downtown Louisville.

LCVB, the Louisville Downtown Development Corporation, Louisville Metro Government and Greater Louisville Inc. (the Louisville chamber of commerce and business development organization) are currently reviewing streetscape designs that tie the area together spatially. This effort will be important to attracting additional development beyond the announcement of the Evan William Bourbon Experience slated to open in the fall of 2013 on Main Street and the Michter’s Distillery which plans to spend \$8 million in renovations to the Fort Nelson building (across from the Louisville Slugger Museum) for tours, tastings and distilling.

## ■ Concluding Thoughts

Tourism is a renewable resource so long as the community supports efforts to protect existing tourism venues and develop new ones. LCVB partners with dozens of businesses, nonprofit organizations and governments to make tourism sustainable in the Louisville region, ensuring a strong and growing stream of economic benefits.

- LCVB partnered with Greater Louisville Inc. and Metro Government to brand Louisville as “*Possibility City.*”
- LCVB collaborates with Louisville’s Main Street Association in operating the Main Street Visitors Center.

- LCVB provided seed money to the University of Louisville to attract the Big East Championships and NCAA Championship to Louisville.
- LCVB supports the Transit Authority of River City (TARC) to ensure the trolley buses operating in downtown run free of charge for tourists and local workers.
- LCVB is currently working with a coalition of downtown partners to renovate and expand the Kentucky International Convention Center.

Tourism professionals sometimes call the vacation experience an abstract export commodity. The visit created value for the visitor, and a positive assessment of the experience by the visitor can result in either a repeat trip or encouragement of friends and relatives of the visitor to experience the destination themselves. Initiatives like Bourbon Country and the Urban Bourbon Trail demonstrate LCVB's commitment to move from a destination-marketing organization to a leadership position in destination management by adding value and depth to the destination brand through a fully integrated marketing investment strategy.

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## INTRODUCTION

Tourism is an important part of the Louisville regional economy because visitor spending creates jobs for residents, supports local business expansion and retention and adds to the tax base that provides local services and supports local schools. Tourism also provides local residents with a sense of pride of place and additional amenities that may have been justified on the basis of the tourism dollars they would generate but are there for the enjoyment of residents as well.

This report estimates the value added to the Louisville economy by the tourism industry. Louisville Convention and Visitors Bureau (LCVB) commissioned this report to produce a conservative but reliable estimate of economic impacts that are generated, in part, by the efforts of the LCVB and their partners to promote Louisville as a tourist destination. An economic impact analysis tries to answer the question “What is the contribution of tourism activity to the economy of the region?” It traces the flow of spending associated with tourism to isolate changes in income, jobs and tax revenues.

Tourism is considered an “export” in economic terms. That is, persons who live outside the region bring their dollars to Louisville to enjoy the amenities provided there. These are injections of “new money” into the economy which have direct and indirect effects that surpass money spent by local residents on the same amenities.

Some of the data that underlie this report are in the public domain. Other data are proprietary and have been furnished to us by the LCVB. We believe the data are accurate but caution that conclusions drawn from any data analysis are affected by simplifying assumptions that make economic modeling possible. Those assumptions are laid out in detail for the reader to consider before the model is presented.

Further, we cannot separate economic impacts of tourism that were the product of promotional efforts by the LCVB from impacts that would have occurred in the absence of those efforts. It seems fair, however, to suggest that in a highly competitive market for tourism dollars the Louisville region would not have been as successful in attracting visitors were it not for the considerable efforts of LCVB and their partner organizations.

Finally, some activities of LCVB have added value to Louisville that are not captured by the model. These activities and their benefits are described in the report following the presentation of the economic model.

## LOUISVILLE CONVENTION AND VISITORS BUREAU



The Louisville Convention and Visitors Bureau (LCVB) is a tourism economic development organization that works to market Louisville as a primary business and leisure destination. LCVB is governed by a commission of nine members which consists of leaders in the hospitality and tourism industry as well as local business leaders and government representatives.

Fifty-eight full-time employees are divided among LCVB's sales, services, marketing and administrative staff departments. LCVB has satellite offices in Washington D.C and Chicago, IL to help Louisville attract convention and event placement on a national level. LCVB invests a portion of its budget on advertising, including travel-related Internet sites. It promotes local businesses to millions of convention delegates each year.

LCVB's operations are supported by the transient room or lodging tax. One percent of the rate charged for most transient accommodations (hotel/motel rooms, cabins) is deposited into the Tourism, Meeting and Convention Marketing Fund administered by the Commerce Cabinet to be used exclusively for marketing and promoting tourism. The transient room tax contributed about 88 percent of LCVB's 2011 total revenue. The rest is generated through state matching funds, income from interest, sales of merchandise, membership and advertisement.

LCVB's focus for the next five years is a vision shift from a destination marketing organization to a pioneer in destination management. The path to that vision depends on forming new corporate and community alliances while retaining existing partners. Key strategies include developing a diversified portfolio of meeting and convention clientele with special emphasis on customer service, introducing new destination products to grow the number of leisure visitors, and acknowledging the value of destination branding through a fully integrated marketing investment strategy focusing on key target markets.

## PREVIOUS TOURISM IMPACT STUDIES

Historically, Louisville area economic impact studies have been focused on specific events like the Breeder’s Cup, Kentucky State Fair Board events and the Kentucky Derby Festival, among others.

The 1998 Breeder’s Cup attracted over 80,000 attendees to the event, more than half of which were from outside the Louisville MSA. The study found that the Breeder’s Cup event brought \$21 million in new revenue for area businesses, \$13 million in additional payroll and \$1.8 million in tax revenue. Adjusting for inflation into current buying power and holding all other assumptions constant, the Breeder’s Cup event would produce \$28.8 million in new revenue, \$17.8 million in additional payroll and \$2.5 million in tax revenue in 2012 dollars.<sup>1</sup>

A similar approach to estimating economic benefits was taken by the same researchers for Kentucky State Fair Board events. This includes events that occurred at the Kentucky Exposition Center and the Kentucky International Convention Center in 2005. This study found an increase in attendance by nonresidents compared to previous studies. They also found that events contributed around \$435 million to the area economy, supported 7,150 jobs and gained \$33 million in new state and local tax revenues in 2005. Adjusting for inflation, and assuming the proportion of residents to visitors remained unchanged, the value of these events to the local economy today would be \$495 million in economic benefits with \$37.5 million in tax revenue.<sup>2</sup>

University of Louisville MBA students studied the economic impacts of the Kentucky Derby Festival in 2011. The study examined the two weeks of events that took place before the Kentucky Derby. The study found that around 13 percent of attendees were from outside the Louisville area and their direct economic impact was approximately \$3.3 million. The study concluded that direct spending associated with the Kentucky Derby Festival was about \$128 million, with Thunder over Louisville being the event with the most impact (\$56 million). However, it is important to note that if their estimate of 87 percent local participation is correct, economic impact modeling would treat that spending as redistributions within the local economy, and only the \$3.3 million as an injection or “new money” into the local economy.<sup>3</sup>

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<sup>1</sup> Coomes, Paul and Barry Kornstein (1999). *The Economic Impact of the Breeders’ Cup Race*. Urban Studies Institute, University of Louisville.

<sup>2</sup> Coomes, Paul and Barry Kornstein (2006) *The Economic Impact of Events in 2005 at the Kentucky Fair and Exposition Center and the Kentucky International Convention Center*. College of Business Administration, University of Louisville.

<sup>3</sup> Donaldson, Will, et al. (2011) *Kentucky Derby Festival Economic Impact Study*, College of Business, University of Louisville.

Studies like these help to quantify the contributions of tourism to the economic vitality of the Metro area and offer an indication of the returns to local investment in support of the events. However, they are not precise because it is not possible for any study to proceed without some simplifying assumptions. A good sampling process and careful specification of variables, as was present in the two University of Louisville studies, increases confidence in the accuracy of the results. Moreover, a single event focus narrows the scope of data required for analysis and reduces interaction effects that sometimes accompany a broader scope.

There have been some more broadly focused tourism impact studies. The Kentucky Tourism, Arts and Heritage Cabinet recently commissioned a study on the regional impacts of tourism for the Commonwealth of Kentucky. The report divides the Commonwealth into regions. Louisville is part of the “Bourbon, Horses & History” region, which includes Breckinridge, Bullitt, Grayson, Hardin, Henry, Jefferson, Larue, Marion, Meade, Nelson, Oldham, Shelby, Spencer, Trimble and Washington Counties. Certec estimated \$2.2 billion in direct travel expenditures and \$3.5 billion in total expenditures in these counties.<sup>4</sup>

This report is even more broadly focused because the unit of analysis is the economic region. Dollars do not respect political jurisdictions. Economic flows are captured in economic regions and not confined to cities, counties or even states. When measuring the economic impact of an industry or activity on a region, economists focus on contiguous geographic areas that exhibit a great deal of social and economic integration. The Louisville Metropolitan Statistical Area (MSA) consists of thirteen counties, four in southern Indiana and nine in Kentucky. They are listed in the adjacent table along with their 2011 population estimates. While we will break out some of our results into the sub-regions of Jefferson

<b>Louisville Metropolitan Statistical Area</b>	
	2011 Population Estimate
Bullitt County, KY	75,109
Henry County, KY	15,443
Jefferson County, KY	746,906
Meade County, KY	29,562
Nelson County, KY	43,974
Oldham County, KY	60,642
Shelby County, KY	43,068
Spencer County, KY	17,378
Trimble County, KY	8,725
Clark County, IN	111,570
Floyd County, IN	74,989
Harrison County, IN	39,336
Washington County, IN	28,147
<b>Louisville MSA</b>	<b>1,294,849</b>

Source: U.S. Census Bureau, Population Division. Annual Estimates of the Resident Population for Counties of Kentucky and Indiana: April 1, 2010 to July 1, 2011 (CO-EST2011-01-21). Release Date: April 2012.

<sup>4</sup> Certec, Inc. (2012) *Economic Impact of Kentucky’s Travel and Tourism Industry*. Kentucky Tourism, Arts & Heritage Cabinet, Commonwealth of Kentucky.

County, southern Indiana, and the surrounding Kentucky counties, our unit of analysis is the entire metropolitan area.

Using Census Bureau data on home-to-work commuting patterns, the Office of Management and Budget has established several hundred MSAs that, according to the commuting patterns, function as coherent economic units. While not perfect, since an MSA is based on county boundaries which differ markedly in size throughout the country, it is a good approximation, especially for Kentucky where county sizes are fairly small.

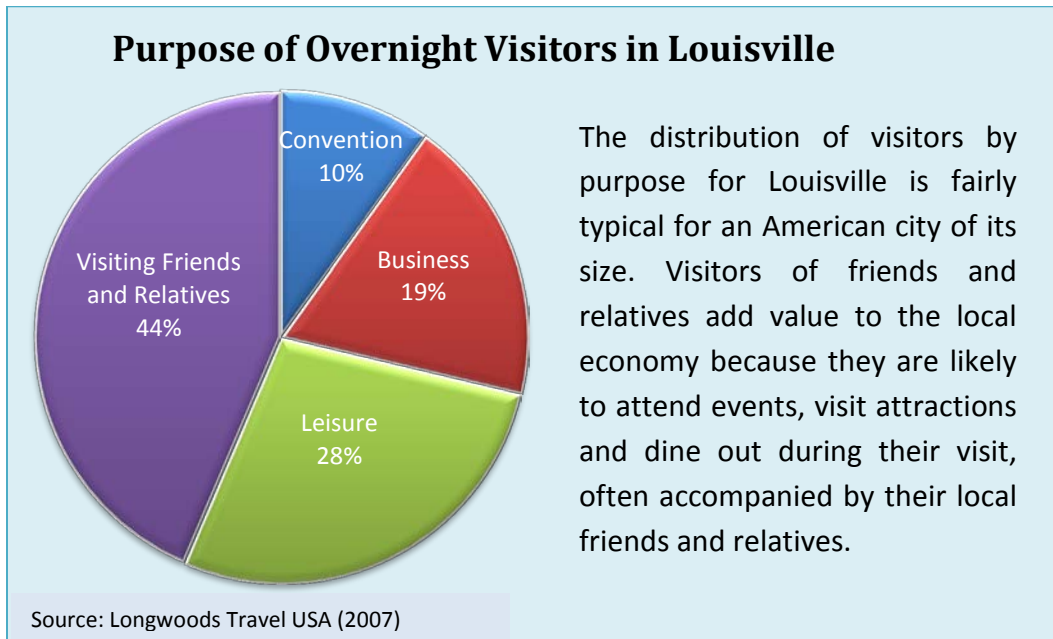
## WHAT IS A TOURIST?

To this point the words “visitor” and “tourist” have been used interchangeably. As we approach the economic modeling portions of the report it is helpful to be more precise with language. The “official” definition of tourism comes from the World Tourism Organization. They define tourists as people traveling to and staying in places outside their usual environment for more than twenty four hours but less than one year for leisure, business and other purposes.

Those other purposes can include education, medical purposes and to visit friends and family. Business tourism is generally distinguished from leisure. The business tourist may travel for a corporate meeting, to attend seminars/conferences or for other professional reasons. Conventioneers are a category of business tourist highly sought after by promoters because their trips are extended and generally include visits to local restaurants and attractions, either organized by the convention or in small groups of attendees.

Another category of tourism not covered by the standard definition, but still important, is the “day tripper.” A day tripper does not include an overnight stay, but comes from outside the area (generally defined as 50 miles or more from the destination) to enjoy an attraction or event. Day trippers often dine out during the course of their visit, especially if there are restaurants and bars near their attraction or event. Data collection on day trippers is more difficult than for overnight visitors, which may lead to undercounting.

Better data exist for overnight visitors. LCVB engaged Longwoods International, a national leader in tourism research to learn more about who visits Louisville and how they spent their time and money while in Louisville. According to the latest study (2007), most visitors to Louisville came to visit friends and relatives.



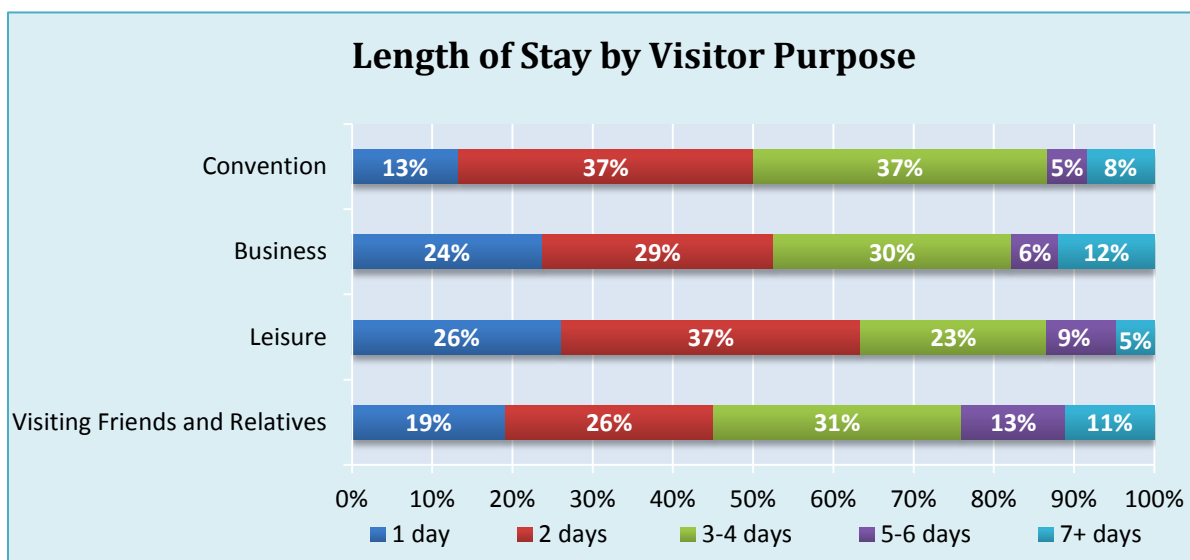
LCVB concentrates its marketing activities on leisure, business and convention travelers because they are the most likely to respond to such campaigns. However, the “local host” can be influenced by effective marketing of local attractions and events as well. When residents are aware of the array of attractions and events in their home town, they are more likely to arrange visits to local venues for their guests.

LCVB identified 592,417 sold room nights as directly attributable to their marketing efforts in FY 2011-2012. Smith Travel Research Report counts 2,387,656 sold room nights in the Louisville area over the same period, which credits LCVB with 22% of Louisville’s hotel occupancy. Further, Destination Analysts, Inc. estimated that LCVB’s website prompted 48,738 trips by travelers who were not planning to visit Louisville and extended the stay of 49,891 visitors who had already planned to visit Louisville. The conclusion from internal and external reporting is that LCVB’s efforts increase overall hotel occupancy in the Louisville area by approximately 25%.

Another important consideration for economic impacts is the length of stay for each of the visit purposes. The longer a visitor remains in Louisville, the greater the economic impacts of the visit. While data are available for length of stay by purpose, there is likely to be some variation, especially around the business traveler who comes to Louisville for a meeting or convention and elects to lengthen his/her stay to enjoy the attractions, sometimes accompanied by family

or friends. Longwoods International provided a breakdown of the length of stay by visitor purpose.

The following graph indicates that most visitors stay more than one day but less than four days. The results are typical of an American city the size of Louisville.



Understanding the purpose of visit and the length of stay is important in modeling the contribution of different groups of tourists. Day trippers will not create direct spending in the accommodations sector but are likely to contribute to the food and beverage and attractions sector. Overnight visitors have a different spending profile than day trippers but spending varies as to whether the purpose of their visit was business or leisure.

## ECONOMIC FLOWS IN THE REGIONAL ECONOMY

The methodological approach used for this impact analysis is input-output modeling. An input-output model is a mathematical model that describes the flow of money between sectors within a region’s economy. The flow of money is based on the inputs that are purchased for the production of one unit of output. This flow reveals the money that is spent in many industries in order to produce a good or service in another sector. Input-output models also determine the proportion of sales that go to employee wages, proprietors’ incomes, and government taxes.

An economic multiplier in an input-output model is based on the estimated re-circulation of spending that occurs after the initial direct spending. Multipliers capture the full range of economic impact: direct effects, indirect effects and induced effects.

Direct effects are changes that occur as an immediate result of a change in expenditure. These are front-end businesses whose facilities directly gain revenue from additional spending. For tourism, direct effects are associated with industries such as lodging, entertainment, restaurants, transportation, and retail.

Indirect effects are the result of changes within industries that supply goods and services to the businesses that experience a direct effect. Examples of indirect effects of tourism include industries such as linen suppliers, bulk food suppliers and wholesale retail suppliers.

Induced effects are changes in spending by those households earning income from sectors directly and indirectly affected by changes in expenditure. For example, this would include employees of hotels and restaurants whose wages depend on tourism and whose spending habits change as a result of changes in tourism.

To better understand how those economic flows occur, consider the value chain diagram on the following page. Direct, indirect and induced impacts arise from linkages with suppliers, often in other sectors of the economy. Note that the promotional efforts of LCVB and its partners also create positive economic impacts for local businesses such as travel agencies, printing and graphics firms and especially local media.

Also note that the public sector is a part of the value chain. Visitor spending produces tax revenue for the state and local government. In some cases, such as the transient room tax, visitor spending directly supports promotional efforts to induce more visitor spending.

All input-output models make a number of simplifying assumptions. Details about these assumptions can be quite technical, but they basically assume that all firms use the same production technology and there are no economies or diseconomies of scale. Input-output models are based on the national system of accounts organized by NAICS (North American Industry Classification System) code. Some important variables that are not accounted for in input-output models are changes in price, quantity or quality of goods and services, changes in tax structures and tax effects and any social or environmental impacts associated with tourism.



Accommodation	Food and Beverage	Transportation	Attractions, Events and Festivals	Promotional Activities
<input type="checkbox"/> Hotels <input type="checkbox"/> Motels <input type="checkbox"/> Bed & Breakfast <input type="checkbox"/> Vacation Rentals <input type="checkbox"/> Lessors of real estate <input type="checkbox"/> Apartments/ long-term stays <input type="checkbox"/> Homestays/ residency <input type="checkbox"/> Private homes (used by visiting family and friends) <input type="checkbox"/> Food suppliers <input type="checkbox"/> Laundry services <input type="checkbox"/> Cleaning services <input type="checkbox"/> Maintenance services <input type="checkbox"/> Waste and recycle disposal	<input type="checkbox"/> Full-service restaurants <input type="checkbox"/> Limited-service restaurants <input type="checkbox"/> Special food services (caterers and food trucks) <input type="checkbox"/> Drinking places <input type="checkbox"/> Breweries <input type="checkbox"/> Producers <input type="checkbox"/> Food manufacturers <input type="checkbox"/> Packers and processors <input type="checkbox"/> Wholesalers <input type="checkbox"/> Shipping companies <input type="checkbox"/> Food service distributors <input type="checkbox"/> Waste and recycle disposal	<input type="checkbox"/> Air transportation <input type="checkbox"/> Urban transit systems <input type="checkbox"/> Other ground transportation (shuttle services) <input type="checkbox"/> Interurban bus transportation <input type="checkbox"/> Charter bus industry <input type="checkbox"/> Taxi and limousine services <input type="checkbox"/> Car rental services <input type="checkbox"/> Insurance carriers <input type="checkbox"/> Gasoline stations	<input type="checkbox"/> Convention and trade show organizers <input type="checkbox"/> Travel Agents <input type="checkbox"/> Receptive Operators <input type="checkbox"/> Consultants <input type="checkbox"/> Lessors of real estate <input type="checkbox"/> Retail trade <input type="checkbox"/> Performing arts <input type="checkbox"/> Recreation industry <input type="checkbox"/> Spectator sports <input type="checkbox"/> Entertainment industry <input type="checkbox"/> Insurance carriers <input type="checkbox"/> Banking services <input type="checkbox"/> Marketing and sales services <input type="checkbox"/> Third party management organizations	<input type="checkbox"/> Tourism promotion initiatives <input type="checkbox"/> Destination management organizations <input type="checkbox"/> Travel arrangement services <input type="checkbox"/> Travel Agents <input type="checkbox"/> Receptive Operators <input type="checkbox"/> Professional conference organizers <input type="checkbox"/> Partner marketing <input type="checkbox"/> Printing services <input type="checkbox"/> Graphic design services <input type="checkbox"/> Local and State governments <input type="checkbox"/> Media <ul style="list-style-type: none"> <li>•Print</li> <li>•Television</li> <li>•Radio</li> <li>•Internet</li> <li>•Social media</li> </ul>

## ASSESSING ECONOMIC IMPACTS

This section of the report takes the information presented about tourist purpose and length of stay, combines it with the best estimates of tourism spending, and uses the IMPLAN economic modeling system to trace the flows of money through the value chain. The final section discusses the tax impacts associated with the economic flows.

### ■ Estimating Tourism Volume

Of course, no one knows exactly how many tourists visit the Louisville region each year or how much money they spend while here. We do, however, have some good information available to us on which we can base reasonable estimates. We approached the problem from two different angles and looked to see if there was convergence around a set of estimates.

One approach started from a comprehensive inventory of all hotel and motel rooms in the thirteen counties and then took into account various sources of occupancy rate information and surveys on visitor spending. The other approach began by examining data from the 2007 Economic Census and the Bureau of Economic Analysis' Travel and Tourism Satellite Accounts program. Common to both approaches is the question of just how much capacity for tourism is in the regional economy.

The LCVB regularly updates a listing of hotels and motels in Jefferson County and several of the surrounding counties. We supplemented this list and filled in some gaps through Internet searches. There are about 19,100 hotel and motel rooms in the Louisville MSA, roughly 72 percent of them in Jefferson County (13,800).

Data from the Louisville Metro Revenue Commission on transient room tax collections (which records the number of rooms sold) and reports from Smith Travel Research over several years indicate that it is reasonable to assume an overall occupancy rate of 57 percent (this corresponds to about 59 percent in Jefferson County and 52 percent in the rest of the MSA).

Applying this rate to the number of rooms available results in an estimate of just under four million room-nights sold in the MSA in recent years.

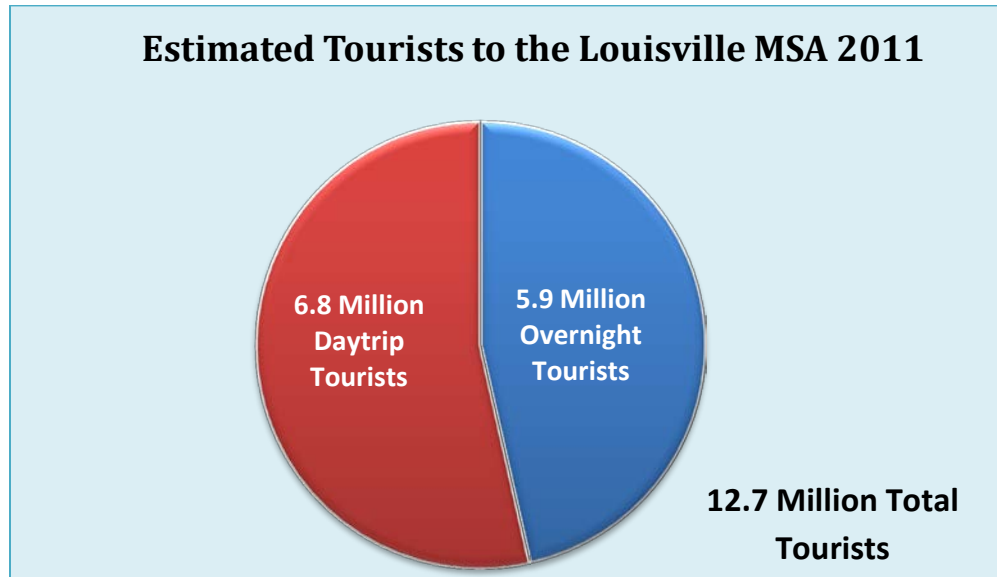
<b>Louisville MSA Hotel and Motel Rooms</b>	
	<b>Hotel &amp; Motel Rooms</b>
Bullitt County, KY	955
Henry County, KY	0
Jefferson County, KY	13,808
Meade County, KY	250
Nelson County, KY	442
Oldham County, KY	372
Shelby County, KY	222
Spencer County, KY	0
Trimble County, KY	0
Clark County, IN	1,979
Floyd County, IN	269
Harrison County, IN	794
Washington County, IN	0
<b>Louisville MSA</b>	<b>19,091</b>

Source: Louisville Convention and Visitors Bureau and internet searches of county tourism and chamber of commerce websites

Translating the room-nights estimate into an estimate for the total number of visitors to the region involves further estimates of the number of people per travel party, how many nights stayed in the area, the percentage of travelers who stay in hotels and motels (as opposed to campgrounds, places they own or with friends and relatives) and the ratio of overnight travelers to day trippers.

For that we turn primarily to the 2007 Visitor Report that Longwoods Travel USA produced for the LCVB which was described earlier.<sup>5</sup> According to the 2007 Visitor Report, the average size of an overnight travel party to Louisville was 2.43 people. They stayed, on average, 2.49 nights in Louisville and about 66 percent of the travel parties stayed in area hotels and motels. Day trip travel parties consisted of an average of 2.70 people. Data from the Longwoods study also reveal that roughly 54 percent of all the travelers to the Louisville MSA were day trippers (46 percent staying overnight).

<sup>5</sup> We compared the results of the Longwood study to several others, including two by Certec, Inc., for Clark and Floyd counties in Indiana and the state of Kentucky, respectively. We also compared the results to several studies done for other areas of the country, including Minneapolis/St. Paul, Denver, Arizona and Tucson, and Washington State. The Longwoods study produced very reasonable estimates on the percentages needed for this task and was in line with the authors' previous experience with tourism related impact studies.



Putting all this information together yields estimates that approximately 5.9 million people (both adults and children) were overnight tourists to the Louisville MSA, and a further 6.8 million people (adults and children) visited the region as daytrip tourists, for a total of roughly 12.7 million tourists to the Louisville MSA in 2011.

### ■ Estimating Tourism Spending

In deriving an expenditure profile for an average visitor we again looked to the 2007 Longwoods Visitor Report, supplemented with information from a report by Certec, Inc. of tourism in Clark and Floyd counties for 2011, a 2011 study done for the Kentucky Department of Travel and Tourism by Davidson-Peterson Associates and the results from similar surveys around the country. The Longwoods visitor expenditure profiles for overnight and daytrip tourists estimate spending under the broad categories of lodging, food and beverage, transportation (in Louisville), recreation and entertainment and retail purchases.

We altered all but the lodging figure based on three criteria; comparison to other surveys, our past experience with tourism related impact studies and calculations of what certain items cost (e.g. a tank of gas and rental cars) and how the results compared to our estimates of direct tourism related spending in the Louisville MSA based on the 2007 Economic Census.

The Economic Census is carried out every five years by the Census Bureau and is designed to be the most comprehensive description of the U.S. economy. It covers all industries and most

employers in the Louisville MSA. Among the available data are total annual sales receipts for all industry sectors tourists. Certain industry sectors are associated with tourism spending.

Of course, not all sales in those industries are to tourists. For example tourists spend a lot of money on nondurable goods at retail establishments, but so do local residents. Fortunately, the U.S. Bureau of Economic Analysis has established the U.S. Travel and Tourism Satellite Accounts program to provide quarterly estimates of the sales of goods and services to travelers and employment attributable to those tourism sales. It is based upon detailed national input-output tables (basically recipes of what each industry buys from every other industry in producing its output) and is consistent with the methods used to estimate gross domestic product, national income and other national economic measures. These accounts present estimates of expenditures by tourists on 24 types of goods and services. We used the ratios of tourist spending to total spending for these goods and services to estimate tourism related spending in the Louisville MSA.

In the next table we present our estimates of tourism related spending in the Louisville MSA by both methods, as derived from per person spending estimates from the surveys and as derived from the Economic Census and Tourism Satellite Accounts. In the visitor survey method we assume that an average overnight visitor spends \$182 during his or her trip to Louisville, while the average daytripper spends a bit over \$44. We simply multiply each of the spending categories by the number of overnight or daytrip tourists, as appropriate, to estimate total spending.

The Economic Census and Tourism Satellite Accounts method applies national ratios of tourist-related to total industry output to Louisville MSA sales data for the accommodations, food services and drinking places, arts, entertainment and recreation, gasoline stations, and passenger car rental industries, as well as a number of retail trade industries that sell nondurable consumer goods.

The lodging, food and beverage and recreation and entertainment estimates from the two methods are nearly identical. The transportation and retail purchases estimates differ substantially. This is most likely due to a combination of inaccurate survey data and regional tourism demand that differs from the national average for the car rental, gas station and retail trade industries. It appears, then, that a reasonable estimate for the total amount of direct tourist spending in the Louisville MSA for 2011 is \$1.4 billion.

### Estimates of Direct Tourist Spending in the Louisville MSA, 2011

Visitor Survey Based Spending Estimates		
Per Person Spending		
	Overnight Tourists	Daytrip Tourists
Lodging	\$62.49	n/a
Transportation	\$20.58	\$9.26
Food & Beverage	\$45.00	\$14.00
Retail Purchases	\$30.00	\$12.00
Recreation/Entertainment	\$24.00	\$9.00
Total Expenditures	\$182.07	\$44.26

### Total Tourist Spending Via Visitor survey Method

	Overnight Tourists	Daytrip Tourists	All Tourists
Lodging	\$366,545,000		\$366,545,000
Transportation	\$120,691,000	\$63,256,000	\$183,947,000
Food & Beverage	\$263,951,000	\$95,643,000	\$359,594,000
Retail Purchases	\$175,967,000	\$81,980,000	\$257,947,000
Recreation/Entertainment	\$140,774,000	\$61,485,000	\$202,259,000
Total Expenditures	\$1,067,928,000	\$302,364,000	\$1,370,292,000

### Economic Census & Tourism Satellite Accounts Based Spending Estimates

	All Tourists
Lodging	\$354,935,000
Transportation	\$327,554,000
Food & Beverage	\$378,503,000
Retail Purchases	\$152,780,000
Recreation/Entertainment	\$215,468,000
Total Expenditures	\$1,429,240,000

Note: 2007 Economic Census results have been adjusted to reflect 2011 dollars via U.S. Bureau of Labor Statistics Consumer Price Index figures for the appropriate commodities.

Spending by visitors to the Louisville MSA supports the wages, salaries and benefits of workers in those businesses, as well as those employed by suppliers. The hotel, restaurant, car rental or museum industry must purchase intermediate goods and services to meet the tourism demand, which causes rounds of re-spending across other industries. The inter-industry, business-to-business impacts are indirect effects, since changes in activity in tourism-related industries will quickly cause changes in activity at suppliers.

The dollars circulate further as employees and owners spend their income on goods and services in the regional economy, generating jobs and income in grocery stores, car dealerships, banks, restaurants, doctors' offices and the like. These household spending impacts are induced effects. At each round of re-spending, a portion of the dollars leak out due to saving, to purchases of imported goods and to tax payments, so that the re-spending ultimately goes to zero.

## ■ Implementing the Economic Impact Model

We used the IMPLAN economic impact modeling software system to create a custom input-output model of the Louisville MSA to investigate the linkages between tourism related industries and other industries in the region. Input-output models are the standard method for measuring sales among industries. It helpful to think of an input-output table as a set of production recipes (identified from national industry surveys) showing how much each industry purchases from every other industry.

IMPLAN uses economic data on the presence and size of industries at the national, state and county level in order to estimate a model of trade flows between counties. The resulting regional models and industry multipliers take account of the ability of the regional economy to supply inputs to each of 440 industries (as well as how much must be imported from elsewhere to support a given level of production).

In the case of tourism, rather than modeling a change to a single industry we are interested in the impact of repeated spending on a basket of goods across a range of industries.

We translated the five broad spending categories used in the visitor surveys into 17 IMPLAN industry sectors, as shown in the table on the next page.

We used the per person spending profiles for overnight and daytrip tourists as shown in the table above and applied information from the 2007 Longwoods survey and the 2011 Davidson-Peterson survey for the state of Kentucky on visitor experiences and activities to apportion the broad category spending among the more detailed industries. We then modeled the impact of a thousand tourists of each type and scaled up the results to our total tourist estimates (5.9 million overnight and 6.8 million day trip).

<b>IMPLAN Industry Sectors Used to Model Direct Tourist Spending</b>	
<b>Expenditure Category</b>	<b>IMPLAN Industry Sector</b>
<b>Lodging</b>	Hotels and Motels, including casino hotels Other Accommodations
<b>Transportation</b>	Retail - Gasoline Stations Automotive equipment rental and leasing Transit and ground passenger transportation
<b>Food &amp; Beverages</b>	Food services and drinking places
<b>Retail Purchases</b>	Retail - Clothing and clothing accessories Retail - Sporting goods, hobby, book and music Retail - General merchandise Retail – Miscellaneous Retail – Nonstore
<b>Recreation/Entertainment</b>	Motion picture and Video industries Performing arts companies Spectator sports Museums, historical sites, zoos, and parks Amusement parks, arcades, and gambling industries Other amusement and recreation industries

The results of the model indicate that direct tourist spending supports about 22,100 jobs in the 13 county Louisville MSA with a combined payroll of \$382 million. Tourism adds \$1 billion dollars of economic activity to the regional economy.

Once we account for the multiplier effects, tourism leads to \$2.1 billion of economic output in the MSA and supports 31,300 jobs with an annual payroll of \$665 million. About four-fifths of those impacts are due to overnight tourists.

The difference between the estimated \$1.4 billion in direct tourist expenditures in the preceding table and the \$1.07 billion in direct output in the local economy due to that tourism spending is due to the fact that a significant portion of visitor spending occurs at gasoline stations and other retail stores. The cost of a good at a retail store is made up of producer, wholesale, and transportation costs as well as the retail markup. Only the portion the retailer



keeps is considered additional output to the local economy. The fact that the retailer will be ordering new inventory due to the increased demand resulting from tourism is taken into account in the indirect effects part of the model.

<b>Annual Economic Impact of Tourism in the Louisville MSA</b>			
<b>Impact Type</b>	<b>Employment</b>	<b>Output</b>	<b>Payroll</b>
<b>Overnight Tourists</b>			
Direct Effect	16,595	\$875,714,878	\$289,509,792
Indirect Effect	2,988	\$352,496,668	\$97,692,510
Induced Effect	4,314	\$496,225,841	\$130,178,811
<b>Total Effect</b>	<b>23,896</b>	<b>\$1,724,437,386</b>	<b>\$516,053,044</b>
<b>Daytrip Tourists</b>			
Direct Effect	5,550	\$198,357,674	\$92,409,157
Indirect Effect	641	\$74,577,104	\$19,997,147
Induced Effect	1,240	\$142,598,659	\$37,261,121
<b>Total Effect</b>	<b>7,431</b>	<b>\$415,533,438</b>	<b>\$149,315,493</b>
<b>Total Tourism Impact</b>			
Direct Effect	22,145	\$1,074,072,553	\$381,918,949
Indirect Effect	3,629	\$427,073,772	\$117,689,658
Induced Effect	5,553	\$638,824,500	\$167,439,932
<b>Total Effect</b>	<b>31,328</b>	<b>\$2,139,970,824</b>	<b>\$665,368,537</b>

Source: Customized IMPLAN (Impacts for PLANing), version 3, model of the Louisville MSA, using 2010 economic data.

Note: Indirect impact refers to business-to-business spin-off spending; Induced impact refers to household spending that is a result of increased earnings.

## ■ Tax Impacts

Tourists pay taxes directly to state and local governments in the form of transient room taxes, sales taxes on retail purchases and automobile rental and gasoline taxes. Additionally, the people employed in tourism-related industries pay local income and occupational taxes and state income and sales taxes. These are largest taxes collected by state and local governments and for which we can make informed estimates.

Our estimates of the tax revenues generated by tourism activity are summarized in the next table.

### Estimated Annual Local and State Tax Revenues Resulting from Tourism Related Activity in the Louisville MSA, 2011

	Taxes Paid by Tourists			Totals
	Transient Room Taxes	Retail Sales Taxes	Gasoline Taxes	
<b>Jefferson County</b>	\$19,121,932			\$19,121,932
<b>Other Kentucky Counties in MSA</b>	\$1,472,970			\$1,472,970
<b>Southern Indiana Counties in MSA</b>	\$1,616,316			\$1,616,316
<b>State of Kentucky</b>	\$24,056,940	\$31,645,810	\$13,596,956	\$69,299,706
<b>State of Indiana</b>	\$2,828,553	\$6,835,503	\$2,255,905	\$11,919,961
<b>Totals</b>	\$49,096,713	\$38,481,313	\$15,852,862	\$103,430,887
	Taxes Paid by MSA Residents			Totals
	Local Income/ Occupational Taxes	State Income Taxes	State Sales Taxes	
<b>Jefferson County</b>	\$9,634,986			\$9,634,986
<b>Other Kentucky Counties in MSA</b>	\$408,350			\$408,350
<b>Southern Indiana Counties in MSA</b>	\$1,754,876			\$1,754,876
<b>State of Kentucky</b>		\$23,091,069	\$23,936,711	\$47,027,780
<b>State of Indiana</b>		\$5,142,189	\$5,829,679	\$10,971,868
<b>Totals</b>	\$11,798,212	\$28,233,258	\$29,766,390	\$69,797,860

Note: The tax figures paid by MSA residents include the indirect and induced economic impacts of the tourism industry in the metro area. There are other tourism related tax revenues, such as those from airport fees and taxes on taxicab fares, or from activity derived from induced household income such as insurance premiums and property taxes, but we have no reliable way of estimating those revenues.

State and local governments benefit from more than \$173 million in tax revenues generated by tourism in the Louisville MSA. Tourists pay \$103 million directly, almost half of that in transient room taxes when they stay in area hotels, motels and bed and breakfast establishments. Jefferson County benefits from \$19 million in transient room tax collections, roughly \$16.6 million of which goes to the LCVB to be used in its efforts to attract additional tourism and convention business. The remaining \$2.5 million, by statute, goes to defray operating costs of the Kentucky Center for the Arts. The state of Kentucky gains the lion's share of the taxes paid by tourists, with \$69 million in sales and gasoline tax revenues from tourist spending.

Employees of tourism affected industries, through their income and household spending, contribute nearly \$70 million to state and local government. Two-thirds of that benefit goes to the state of Kentucky in the form of income and sales taxes. The state of Indiana collects \$11 million in taxes from its residents' tourism related income. Local governments in Jefferson

County benefit from \$9.6 million in occupational taxes on income directly or indirectly associated with tourism. Of that, Jefferson County Public Schools receive about \$2.7 million.

Altogether, local governments in Jefferson County receive \$28.7 million in revenue from tourism related activity and its spin-off effects. The state of Kentucky derives over \$116 million in tourism related revenues each year from tourism to the Louisville MSA.

## **SOCIAL AND COMMUNITY IMPACTS OF TOURISM**

Some of the benefits of tourism and tourism promotion do not lend themselves to quantification in an impact analysis, but are important to consider in a comprehensive treatment of tourism impacts. We cannot know how many residents decide to start a business that caters to tourists because he/she believes the outlook for tourism is favorable. We also do not know how many businesses decide on a location because of its proximity to an attraction frequented by tourists. Another important but difficult to measure impact is how tourism contributes to the revitalization some target areas in Louisville Metro.

Ignoring community and social impacts of tourism diminishes the value of an economic analysis. However, “guesses” about the value of some impacts are likewise unacceptable. Perhaps the best alternative is descriptive material offered in addition to the impact analysis to provide the reader with a more comprehensive understanding of the full scope of the benefits of tourism to the Louisville economy.

We conclude this report with a description of benefits that were not captured by the economic analysis. We describe three programs that are designed to enhance the tourism experience by creating opportunities for residents to benefit from the tourism industry, initiatives that serve visitors but also enhance “hometown tourism” and with a campaign that is already widely considered a tourism marketing success – Bourbon Country and the Urban Bourbon Trail.

### **■ Civic and Community Programs**

The Louisville Volunteer Program provides opportunities for residents to gain on-the-job knowledge and expand their skill set by participating in special events, providing tours, and working in the Visitors Center. The Volunteer Program maintains different classes of experience, so that as volunteers gain further knowledge, they are able to participate and work in more skilled positions.

LCVB founded and continues to support the Tourism Honors Academy. This annual program provides 20 high school students with the opportunity to explore careers in the tourism industry.



LCVB offers internships to college students in their sales, services, marketing and administrative departments, interested in a future as tourism professionals. Students work closely with LCVB professionals to gain hands-on experience and develop leadership skills.

LCVB also participates in external training programs such as Taxi Cab University. This program is required for all taxi drivers working in Louisville Metro, and is a collaborative effort between city officials and LCVB. An annual "Taxi Cab Driver of the Year" cash award is given to foster hospitality and knowledge amongst taxi drivers.

Drivers are encouraged to become city ambassadors, identifying places of interest for visitors and encouraging them to explore the area. Drivers are trained in local geography, safety and customer service skills.



LCVB partnered with the Filson Historical Society and the Kentucky Distillers Association to sponsor the Filson Bourbon Academy. During this program, bartenders, hospitality workers and other bourbon enthusiasts learn the history of bourbon and are trained to develop a refined bourbon palette. This training further contributes to the tourist experience along the Urban Bourbon Trail. The external training LCVB assists in fosters a higher level of hospitality, making the visitor experience all the more enjoyable.



LCVB presents the Recognition of Service Excellence (R.O.S.E) Awards at its annual awards luncheon. The program recognizes leaders in the Louisville hospitality industry, including the contribution of front line workers. The R.O.S.E award judging criteria includes the nominee's commitment to excellent customer service, their knowledge of the city, communication skills, ability to handle problems effectively, attitude and workplace knowledge, and lasting impression.

## ■ Hometown Tourists

Out of town tourists account for most tourism’s economic impact. However, hometown tourists enrich the community financially and culturally. Louisville Convention and Visitors Bureau, in conjunction with the U.S. Travel Association’s National Tourism Week, has been organizing hometown tourist celebration throughout the month of May after the Derby. The celebration encourages local residents “to be a tourist in their own hometown.” The celebration is an annually held program with an effort to promote several attractions, hotels and restaurants. More than 60 local area attractions, hotels and restaurants around Louisville and Southern Indiana offer discounts to participating local residents.



Fourth Street Live! is one of the best known destinations for dining in downtown Louisville. It is located only a few blocks from major downtown hotels, Waterfront Park, Main Street, Slugger Field, KFC Yum! Center and other downtown attractions. Fourth Street Live! attracts hundreds of thousands of visitors and hometown tourists for food and entertainment. A recent study of the economic impact of Fourth Street Live! found that it had direct economic benefits in the form of approximately 500 jobs at restaurants and clubs in the district.<sup>6</sup>

Finally, hometown tourists and visitors benefit from Louisville’s growing reputation as an authentic top “foodie” destination. Local chefs and restaurants have been featured on television and in food magazines like *Bon Appetit* and *Food and Wine*. Louisville finished second in a recent *Southern Living* magazine contest for the “Tastiest Towns” and has been featured in several round-up stories and “best of” lists in other national publications. Louisville’s identity as a food destination increases the visibility and marketability of the city to visitors and offers hometown tourists an opportunity to experience the cuisine and enjoy the city’s reputation as a food destination.

## ■ Regional Branding – Kentucky Bourbon Country®

The most ambitious and far-reaching tourism development campaign began in 2006 with the marketing vision of the Bourbon Country® brand, developed by LCVB in cooperation with the

<sup>6</sup> Coomes, Paul, Shaheer Burney and Barry Kornstein (2012). *The Fourth Street Live! Entertainment District*. Urban Studies Institute, University of Louisville.

Kentucky Distillers Association (KDA) and the Kentucky Department of Travel and Tourism in 2006, includes eight destination management organizations covering nine counties. The team meets quarterly to direct the national advertising campaign and has developed a Bourbon Country® standards manual to protect the brand’s integrity.

The potential to make Kentucky a major tourist destination based on bourbon is rooted in the success of wine regions in California and Europe. Kentucky is nationally and internationally known for its production of bourbon, distinct to the area due to the availability of limestone-filtered water.

Visitors learn the historical and cultural factors that make this region of Kentucky akin to California’s wine country. Bourbon tourism is the primary driver in most convention and tourism market segments, reaching customers nationwide.



In February 2007 LCVB and KDA opened a pavilion showcasing the Kentucky Bourbon Trail at the Visitors Information Center, positioning Louisville as the gateway to Bourbon Country.

KDA has a program that recognizes visitors to all of the Kentucky Bourbon Trail distilleries. When the visitor’s “passport” is stamped at participating distilleries, he/she can mail in the passport to receive a free tee shirt. The program provides a rich source of data. Of the 23,000 Passport holders who completed the tour by December 2011, only 18 percent lived in Kentucky. A survey of passport holders found

- 68 percent said the Kentucky Bourbon Trail was the primary reason for their visit;
- The average party size was 2.93 and the average stay was 2.8 days;
- 70 percent stayed in hotels or other public accommodations;
- Their average household income was \$91,000; and
- Their average age was 48.<sup>7</sup>

Recent estimates of the direct economic impacts of 1,000 passport completers was a little over half a million dollars divided among food and beverages, shopping, gasoline and lodging. These direct effects stimulate businesses to add more labor and supplies, creating a multiplier effect.

<sup>7</sup> Coomes, Paul and Barry Kornstein (2012). *The Economic and Fiscal Impacts of the Distilling Industry in Kentucky*. Urban Studies Institute, University of Louisville.

When the multiplier effect is taken into account, the impact of 1,000 passport completers is approximately \$737,000, which would support about nine jobs. Since the trail generates about 15,000 completed passports a year, the regional impact could be about \$12 million. However, not all of that impact would be realized in the Louisville Metro area (Jefferson County). The best current estimate of the impact on Jefferson County is \$2.5 to \$3 million per year.<sup>8</sup>

One key to the success of the campaign is ownership of multiple marketing trademarks so that others cannot profit by advertising some slightly altered version of the genuine trademark. LCVB has filed for nine related Bourbon Country® trademarks and monitors trademark usage daily for violations that could damage the brand.

### ■ The Urban Bourbon Trail®

The Urban Bourbon Trail® was launched in 2008 with a focus on Louisville, particularly downtown Louisville. The trail consists of bars and restaurants serving bourbon in specialty drinks and food preparations. Visitors pick up a “passport” at the visitors center or electronically on their cellphone and are guided through the history of Louisville’s bourbon heritage and the most celebrated bourbon-inspired bars and restaurants. On its four-year anniversary in 2012, LCVB had twenty new establishments on the tour.

Since the Bourbon Country® campaign began, LCVB and its partners have reached agreements with two distilleries to join the urban bourbon experience on “Bourbon Row,” a trademarked name for an area of West Main Street devoted to the bourbon experience and micro-distilleries. The Evan Williams Bourbon Experience is slated to open in the fall of 2013. Michter’s, a high-end bourbon maker, plans to spend about \$8 million in renovations to the Fort Nelson building (across from the Louisville Slugger Museum), for tours, tastings, and distilling at the Michter’s distillery. Other bourbon brands are also looking at investing in the tourism experience within the bourbon district.



Along the Urban Bourbon Trail, visitors enjoy both historic bars and bars that provide a chic, contemporary atmosphere. The participating venues creatively integrate bourbon into their cocktails and entrees, and offer an impressive selection of local bourbons for their patrons’ enjoyment.

<sup>8</sup> Kornstein, Barry (2012). *The Economic and Fiscal Impacts of the Distilling Industry in Jefferson County*, Urban Studies Institute, University of Louisville.

The Louisville Downtown Development Corporation, Greater Louisville, Inc. (the Louisville chamber of commerce and business development organization) and LCVB are currently reviewing proposals from urban designers for a streetscaping design that ties Bourbon Row together spatially and creates a sense of place attractive to visitors. Increased spending at distilleries, restaurants and attractions by visitors to Louisville locations could easily push the economic impact of bourbon tourism past the \$3 million mark in a short time.

## ■ Public and Private Partnerships

Tourism development and promotion may be the most strongly identified with the LCVB, but a successful tourism program has many partners. LCVB's philosophy is that the stronger the partnerships the stronger the program. To that end, LCVB works closely with its public and private sector partners to build Louisville's future. Some of the partners of LCVB include Louisville Sports Commission, Louisville Downtown Development Corporations, Greater Louisville Hotels & Lodging Association, Louisville Metro and Greater Louisville Inc.



Expanding partnership programs provide mutual benefits to the organizations involved, not just between LCVB and the partners but among the partners as well. To maintain partnerships and attract new partners, LCVB offers membership benefits like exclusive events and promotes products and services of partner businesses/organizations at conventions and trade shows.

Partnerships are important to LCVB's local branding strategy. LCVB partnered with Greater Louisville Inc. and Metro Government to brand Louisville as "Possibility City". This collaborative marketing campaign maintains consistency in the promotion of Louisville as a tourist destination.

Other notable partnerships include:

- The Kentucky Department of Travel and Tourism, Northern Kentucky Convention and Visitors Bureau and Lexington Convention and Visitors Bureau to reach the international travel market.
- Louisville's Main Street Association in operating the Main Street Visitors Center.
- The University of Louisville to provide seed money to attract Big East Championships and NCAA Championships to Louisville.
- The Louisville Downtown Development Corporation to attract more distilleries to Main Street to expand the bourbon experience and to increase the number and variety of retailers in downtown Louisville.



- The Transit Authority of River City (TARC) to ensure the trolley buses operating in downtown run free of charge for tourists and local workers.



One of the most ambitious undertakings by LCBV is the renovation and expansion of the Kentucky International Convention Center (KICC) in downtown Louisville. The original section of the KICC was opened in 1976 and a major addition took place in 2000. The current configuration is bisected by Third Street on the first floor, limiting usable space. In addition to a renovation of the exterior of the building to be esthetically pleasing and architecturally “connected” with the YUM! Center located one block from KICC; the

proposal considers closing a section of Third Street to open the first floor and expanding along Second Street.

Proposed interior renovations include enlargement and enhancements to the two exhibit halls, each with a show manager’s suite, addition of approximately 20 meeting rooms to expand the capacity from 51 to 70 rooms, updating the ballroom, relocating the kitchen to ground level (next to meeting rooms and exhibit halls) and updating it and adding permanent dining areas to the ground level to serve conventioners and residents working in the area.

Renovation and expansion of KICC is part of an integrated effort to make downtown Louisville a destination location for conventioners and tourists. As this report has demonstrated, direct effects from such an undertaking may or may not be sufficient to offset project costs, but one must consider the indirect and induced effects on the local economy to fully evaluate such an investment.

## SUMMARY AND CONCLUSIONS

Tourism is an export industry and a major economic development tool. Just as international tourism brings foreign dollars to the destination country's economy, tourism from outside the Louisville region brings new dollars into the Louisville regional economy. These dollars have a larger economic impact than dollars spent by residents on dining, attractions and events. One challenge of a tourism impact analysis is determining how spending is local and how much is "exported."

Based on our analysis, direct tourist spending for lodging, transportation, food and beverage, retail purchases and recreation/entertainment for 2011 was approximately \$1.4 billion. This translates into roughly 22,000 jobs with a combined payroll of \$382 million. When the multiplier effects are calculated, the injection of \$1.4 billion in direct spending leads to \$2.1 billion of economic output in the MSA and supports about 31,000 jobs with an annual payroll of \$665 million.

Tourism generates more than \$173 million in tax revenues, most of it going to the Commonwealth. However, Louisville Metro receives \$9.6 million in tourism-related taxes. Most of the tax is paid directly by the tourists while the rest is paid by employees of tourism-related industries in the form of occupational taxes. Jefferson County Public Schools receive about \$2.7 million annual from taxes associated with tourism.

Tourism is a renewable resource so long as the community supports efforts to protect existing tourism venues and develop new ones. LCVB partners with dozens of businesses, nonprofit organizations and governments to make tourism sustainable in the Louisville region, ensuring a strong and growing stream of economic benefits.

Tourism professionals sometimes call the vacation experience an abstract export commodity. The visit created value for the visitor, and a positive assessment of the experience by the visitor can result in either a repeat trip or encouragement of friends and relatives of the visitor to experience the destination themselves. Initiatives like Bourbon Country and the Urban Bourbon Trail demonstrate LCVB's commitment to move from a destination-marketing organization to a leadership position in destination management by adding value and depth to the destination brand through a fully integrated marketing investment strategy.