DYNAMIC DOLLAR

The money spent by visitors is likely the most powerful spent in your community

With all the recent talk about tariffs and trade wars, I was inspired to opine about the often misunderstood and undervalued powerful economic driver — the tourism dollar.

There, I said it. The tourism dollar is the most "powerful" dollar spent in a community. I know I'm going to get some rebuttal mail from elected officials, government staff professionals and Chamber of Commerce executives. Before you hit the "send" button, I did NOT say, the most "important" dollar, only asserted the most "powerful" dollar.

Mind you, I recognize the most important dollar spent in a community is local wages that generate property and sales taxes. Jobs and taxes provide stability for sustaining the costs of essential services that government entities provide: police, fire, utilities, quality of life amenities like parks and museums, as well as transportation, education and much more. In effect, the taxes generated by those wages (including property taxes) and the spending of "net" income for goods and services (sales taxes) provides a sustainable stream of revenue to government entities so they, in turn, can provide community services. Job growth in a community helps to grow funding for services and the historical baseline dep endability of those tax revenues, provides the foundation for bond debt capacity of a government entity to expend capital for amenities likes parks, museums and enhanced education resources.

Dennis E. Campbell, MPI

IMPACT OF TOURISM

Enter tourism spending — leisure visitor or conference attendee. Visitor spending generates sales taxes (most states in the United States have a sales tax) and lodger's or "bed tax" (rates vary by jurisdiction) through hotel and motel stays. I'm leaving the Airbnb and VRBO (Vacation Rentals By Owners) stays out of this discussion. Hotels collect the lodger's tax and remit it to the local government, which then decides the allocated use of the lodger's tax, which could be tourism promotion funding through a Destination Management Organization or Convention and Visitors Bureau, bond debt for convention center capital improvements or expansions, special interest projects and/or mixed into the general fund of the government entity. It should be noted that some governmental legislation does specify/restrict what these lodger's taxes may be used for.

Now for the case of the most powerful dollar. If we set aside leisure visitors' impact and just examine the meetings event business, conference attendees spend dollars earned OUTSIDE the community in which those dollars are being spent. On average, conference attendees spend $1,500-$2,000. Those dollars are either wages earned elsewhere, or organizational dollars (in the case of reimbursement allowances) earned from other sources and geographical locations. These are NEW dollars that will circulate multiple times within the community, before they leave the community. This known among economists as an economic multiplier. These new dollars are spent on ground transportation, (taxis, Uber, rental cars, light rail, public transportation), hotel stays, restaurants, museums, attractions and retail goods. All of these NEW dollars are spent with local businesses and generate sales taxes. In addition, event organizers of conferences spend greater sums on audio visual services, food and beverages, group ground transportation, general labor, as well as other goods and services. In those cases, they still engage local jobs (wages). As a small example, I was giddy when the trend of "farm to table" hit the local scenes with restaurants buying from local farmers. This isn't just about the fresh ingredients and supporting local businesses; it's also about keeping the powerful dollar circulating longer in the local community, before that dollar leaves.

BACKBONE OF ECONOMY

Some argue that tourism Jobs are low-wage jobs. I'm reminded of a quote from the famous NFL coach, Vince Lombardi. Paraphrasing: "The quality of any person's life must be a full measure of that person's personal commitment to excellence and to victory, regardless of his/her field of endeavor". Translation and message: If you are a dishwasher or housekeeping attendant at a hotel and you excel at your duties and have no interest in advancing to management or other higher income roles, you can still be proud, have quality of life and achieve your personal goals. And, by the way, these folks buy groceries, cars, furniture, even homes that generate taxes. Why criticize an industry that provides innumerable entry level jobs that many employees are happy to have for the entirety of their working years. On the other hand, I am also personally aware of dozens of tourism executives that started in those entry level roles, had an appetite for advancement and now earn incomes in the six figures. We must remind ourselves that an individual's station in life and their definition of success and significance does not have to be a high-profile, high-wage job. In fact, the entry level wage roles are the backbone of delivering service excellence and essential for attracting the "powerful" dollar of tourism to your community.

Let's peel the layers of the onion back a bit further on this. Starting with the easy and working our way to the more complex for busting myths. Lodger's tax rates: They're all over the map. Orlando, Las Vegas, New York, San Francisco and others are among some of the highest rates in the U.S. and their room rates can cause a Maalox moment for most of us. So why do hotels in other destinations with lower room rates (on average) and much lower lodger's tax rates than competitive destinations, resist raising the rate so more funds can flow into destination sales and promotion and into city coffers? In part, it's a lack of confidence that the increased collections would be reinvested back into improving tourism related attributes of the community and tourism promotion. The fear is that much of the new rate increase collected would end up in the general fund and allocated for funding programs that would not benefit tourism growth for the community. It is that simple. In some cases, hotel support for raising a lodger's tax rate is fractured by those that support bond debt for convention centers and museums and those that believe all lodger's tax should be reinvested in destination promotion.

SIZE MATTERS

Convention centers. Depending on the type of event, a convention center may make a "per-event gross profit," in the case of "gate" shows, like home improvement expos, dog shows, boat or RV shows and even concerts. These rvent organizers pay for exhibit space and charge the public to attend. Very little meeting space is used. These events are targeted to local attendees and desirable for convention center operators. In the meetings market, conventions or conferences that are too big to meet in a single hotel and have heavy meeting space and exhibit space requirements look to convention centers. These are events whose attendance will be 99 percent from outside the community (even the state). This is where the sticky and complex debate of convention center funding and revenue shortfalls lives. By the way, conventions that meet in a convention center, as a rule, will also use blocks of rooms in multiple hotels within walking distance or a short shuttle ride of the convention center. Convention centers should not be viewed or evaluated as profit centers or break-even venues. Rather, convention centers should be viewed as an organ (say the heart) to use an anatomy metaphor. The convention center pumps revenue (blood) throughout the rest of the body (community businesses) carrying oxygenated blood (revenue) which in turn generates the aforementioned taxes (and jobs), which also provide essential government services. Instead of just focusing on the direct space rental revenue or food and beverage revenue, weighed against the operational costs, community leaders should account for the hotel, restaurant, attraction and retail revenue that the convention center made possible. If the rental costs are subsidized through discounts and incentives, the other organs (community businesses) benefit, ergo more sustainable jobs, using the power of lodger's tax and sales tax revenues.

Size does matter in convention centers, if the community has the hotel inventory to support the size, which is a delicate balance that all communities wrestle with. As I pen this article, dozens of cities are continuously seeking to fund and justify expanding their convention center capacity to attract larger conventions to pump more oxygenated blood (revenues) through the community. AB

Dennis E. Campbell is a trainer, coach and speaker in the meetings industry and served in multiple senior roles in the travel/tourism and large-event venue sectors, including Southwest Airlines, VisitABQ and EXPO New Mexico.

WHAT IS MPI?

MPI: Meeting Professionals International (MPI) is the largest and most vibrant global meeting and event industry association. The organization provides innovative and relevant education, networking opportunities and business exchanges, and acts as a prominent voice for the promotion and growth of the industry. MPI membership is comprised of approximately 18,500 members belonging to 70 chapters and clubs worldwide.

INFORMATION: mpiweb.org

ARIZONA CHAPTER: Active since 1979, the Arizona Sunbelt Chapter is MPI's 13th largest chapter in the world. The organization is comprised of 330 members throughout Arizona, representing a mix of corporate, association, government and independent meeting planners, suppliers who provide a variety of products and/or services to the meeting and hospitality industry as well as student and faculty from our local colleges and universities. The local chapter offers member's educational, networking, and community volunteer opportunities, plus industry certification and professional growth opportunities.

INFORMATION: Contact Executive Director Joanne Winter at 602-277-1494 or visit the chapter website at mpi-az.org