

Economic Impact Generated by Visitor Expenditures in 2018
Huntington Convention Center of Cleveland
Global Center for Health Innovation

Methodology

The economic impact from activities held at Huntington Convention Center of Cleveland and Global Center for Health Innovation in 2018 have been calculated from the performance results listed in this report. Definitions used to create the report are included for reference in the Appendix section. "Per delegate" expenditure numbers calculated previously were adjusted for inflation by adding three-percent (3%) per the Consumer Price Index.

Executive Summary

	2017	2018
Visitors from outside of area:	52,243	89,988
Direct visitor expenditures:	\$ 34 million	\$ 54 million
Convention/trade delegate spending per stay:	\$ 920.09	\$ 956.58
Conference attendee spending per stay:	\$ 231.58	\$ 235.73
Total hotel room-nights consumed:	65,118	94,416
Tax Revenues Generated:	\$ 4.1 million	\$ 5.9 million
Total Economic Impact:	\$ 120 million	\$171 million

Event Activity in 2018

Conventional Wisdom used booking and hotel occupancy data generated by both SMG and Destination Cleveland for the events held in 2018 at the Huntington Convention Center of Cleveland (HCCC) and Global Center for Health Innovation (GCHI). The data analyzed only includes events that were contracted with SMG and held at the HCCC or GCHI. Events that may have been held by other GCHI tenants within their leased spaces are not counted in this analysis.

The facilities hosted 34 conventions and tradeshow that brought 45,089 delegates from outside the local metropolitan area and used 74,897 room-nights in downtown hotels. Over the same timeframe, the facility hosted 17 conferences and large sporting events that brought an additional 44,899 visitors from outside the area and used another 19,519 room-nights.

Data analysis shows that convention/trade show attendees spent over \$391 per day and stayed approximately 2.4 days. Conference and sporting event attendees spent an average of \$266 per day and stayed approximately 0.9 days at an average daily hotel room rate of \$182 plus taxes. The details of expenditure distribution using that data and DMAI-generated proportions are shown in the table below:

Spending Categories	% Distrib	Distribution (per day)		Direct Economic Impact (per stay)		
		CTS	CONF	CTS	CONF	Total
Hotel Rooms & Services	54.0%	\$211.60	\$211.60	\$23,290,766	\$7,422,682	\$30,713,448
Entertainment	2.0%	\$7.84		\$862,621		\$862,621
Restaurants, Food & Beverage	18.0%	\$70.53	\$35.27	\$7,763,589	\$2,474,227	\$10,237,816
Hospitality Suites	4.0%	\$15.67		\$1,725,242		\$1,725,242
Recreation, Sporting, Tours	3.0%	\$11.76		\$1,293,931		\$1,293,931
Retail Stores	11.0%	\$43.10		\$4,744,415		\$4,744,415
Local Transportation	5.0%	\$19.59	\$19.59	\$2,156,552	\$687,285	\$2,843,838
Other	3.0%	\$11.76		\$1,293,931		\$1,293,931
Total	100.0%	\$391.85	\$266.46	\$43,131,047	\$10,584,195	\$53,715,243

From the direct spending by outside visitors, \$5.9 million in local and state tax revenues were generated; the table below shows the tax revenues by type generated from conventions, trade shows and conferences:

		Direct Tax Revenues		
AVERAGE ROOM RATE	\$181.63			
SALES TAX - STATE	7.5%	\$2,776,677	\$663,422	\$3,440,099
SALES TAX - LOCAL OPTION	0.5%	\$185,112	\$31,857	\$216,969
CUYAHOGA COUNTY HOT	5.5%	\$1,099,564	\$350,427	\$1,449,991
CITY TAX	3.0%	\$599,762	\$191,142	\$790,904
TOTAL	16.5%	\$4,661,115	\$1,236,848	\$5,897,963

Economists in the hospitality industry use the IMPLAN (IMpact Analysis for PLANning) model to establish the indirect and induced economic impact components for total economic impact to the local metropolitan area. Using the industry-accepted multipliers of 0.987556 for *indirect* impact and 1.1883 for *induced* impact yields the following results for 2018:

Direct Visitor Expenditures	\$ 53,715,243
Indirect Economic Impact	\$ 53,046,810
Induced Economic Impact	\$ 63,829,823
TOTAL Economic Impact	\$ 170,591,876

Appendix

Economic Impact Overview

The primary purpose for most convention centers in North America is to generate economic impact for their communities through expenditures made by delegates, exhibitors and visitors from outside of the region. The amount of impact from visitors is used widely to calculate resulting employment and various tax revenues. Economic impact is reported in three distinct categories that have corresponding calculations for “direct”, “indirect” and “Induced” expenditures.

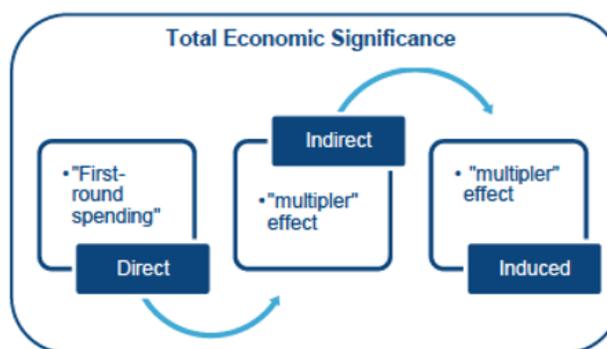
Direct expenditures are the measure of the actual “new money” that is placed into the local economy by delegates, exhibitors and visitors and represents purchases that this group makes while in the community. Examples of direct expenditures include lodging, shopping, local transportation and dining. Direct expenditures do not include the cost of airfare, as that purchase is made typically before the event and outside of the destination.

Indirect expenditures include purchases necessary to provide products and services that are procured as direct expenditures.

Induced expenditures are additional purchases made as a result of the direct expenditures but are not used to procure products and services for direct expenditures.

Both indirect and induced expenditures use a multiplier to calculate their total economic impact. The calculations for direct expenditures are the easiest of the three to determine and justify. When reported on an annual basis, the figures for direct expenditures represent a significant amount of money, but do not provide the full extent of economic impact. Including the indirect and induced expenditures account for the full economic impact of delegate spending in the community.

A relevant example of the three types of expenditures is demonstrated with the purchase of dinner. The visitor purchases a dinner and leaves a tip representing *direct expenditures*. The restaurant purchases food to replace what was consumed and pays wages to the server as *indirect expenditures*. When the server spends the wages and tip, those purchases are counted as *induced expenditures*.

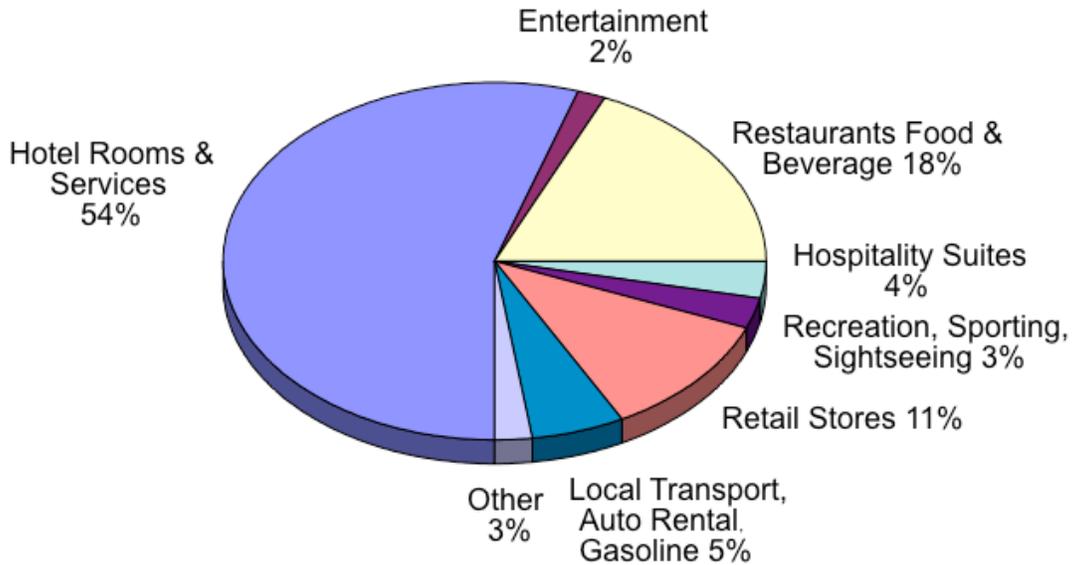


The figure above provides a graphic version of the flow of funds.

Distribution of Visitor Expenditures

Traditionally, Destination Marketing Association International (DMAI) commissioned biannually research through PricewaterhouseCoopers on the actual delegate expenditures for the top 30 markets in the USA and Canada. In addition to the individual destination data,

a blended average of expenditures was provided for the other markets. DMAI produced a graphic showing the expenditures by category in the overall market; the chart (shown below) has changed little over the past two decades and is still a viable indicator of where expenditures are made by visitors. The graph clearly depicts why hotel occupancy taxes are used typically to fund these facilities, as hotels are the primary beneficiaries of visitor expenditures.



Since DMAI halted this research project, many cities have commissioned studies to provide this data for their respective destinations. As part of analyzing the data provided for Cleveland, Conventional Wisdom reviewed data generated by eight independent economic consultants for:

- America’s Center in St. Louis
- Anaheim Convention Center
- Boston Convention & Exhibition Center
- John B. Hynes Convention Center in Boston
- Georgia World Congress Center in Atlanta
- Jacob K. Javits Convention Center in New York
- Los Angeles Convention Center
- Moscone Center in San Francisco
- San Diego Convention Center

Event Classifications

The type of events that generate visitor expenditures counted in direct economic impact include conventions, trade shows, and conferences, which are described below:

Conventions

Conventions provide educational programming and information to an organization, association or business. Attendees are usually members of a professional association, company, organization, or interest group. Most of the attendees and exhibitors stay at local

hotels. Conventions may have a local, regional, national, or international focus that may affect its booking priority. Conventions may have a trade show associated with the event.

Trade Shows

Trade shows display products, technology or services and may include an educational component requiring meeting space. In most cases, the exhibitors in a trade show are manufacturers or suppliers, and the attendees are retailers trade shows facilitate business-to-business (B2B) transactions. Most of the attendees and exhibitors stay at local hotels; a number of attendees may “drive-in” for the day. Trade Shows may have a local, regional, national, or international focus that may affect its booking priority.

Conferences

Conferences are multiple day events where the majority of the attendees are from outside of the local metropolitan area, but do not require use of the major function spaces in the facility such as the exhibit hall or the ballroom. Conferences may generate a number of hotel rooms and have a national or international focus that may enhance its booking priority. This category was created as a separate and distinct event type to recognize the considerable amount of business generated by Cleveland’s medical community.

Not all activities at the complex provide outside visitor expenditures that generate direct economic benefits; these event types include:

Consumer Shows and Public Events

A consumer show is a type of trade show that is open to the public and serves a business-to-consumer (B2C) function. In most cases the exhibitors are local retailers and the attendees are local consumers. Relatively few hotels rooms are used for performers, exhibitors, or attendees. Examples of consumer shows include the car show, home and garden show, boat show, and sport show. Public events include any performance or presentation that is open to the public. These events may generate a great amount of economic activity, but the expenditures are made typically within the local metropolitan area.

Meetings

Meetings are generally single day events that do not require use of the major function spaces in the facility such as the exhibit hall or the ballroom. The majority of attendees at meetings originate from within the local metropolitan area.

Banquets and Receptions

Banquets and receptions are generally local events that are not associated with a convention, trade show, meeting or conference. They may be public or private in nature.