

The Economic Impact of Museums and Cultural Attractions: Another Benefit for the Community

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It has become increasingly important for museums and cultural attractions to be able to demonstrate the many benefits that they provide to surrounding communities and to their region. By analyzing the economic contributions made by their facilities or exhibitions, these sites can gain new information with multiple uses, including the following:

1. to provide a more complete picture of a museum's role in the community
2. to justify the expense of special exhibitions
3. to support a museum's marketing of the full range of benefits it offers
4. to use as supporting evidence when seeking funding from the government or private donors

It is important to understand that an economic approach is not intended to replace the appreciation of the cultural and scholarly aspects of museums. On the contrary, economic insight of a museum and its exhibitions will complement the cultural benefits, giving a much clearer picture of a museum's overall significance.

Economic Contributions

Cultural attractions do not exist for economic reasons. Rather, these attractions are often seen as sources of sources of information about the past; they provide us with an appreciation of other cultures; and they are enjoyable places to spend our time, contemplating the creations of mankind or the beauty of nature. In discussing the importance of museums, the American Association of Museums has pointed out that the value of museums "is in direct proportion to the service they render the emotional and intellectual life of the people."¹ This is not a traditional measure of economic output by an organization. In fact, some administrators and key personnel at museums and other cultural sites are opposed to even considering an economic view of their organization; such individuals "act as though they are above the dirty business of commerce."²

Even though cultural attractions are not often thought of as economic entities – and though some individuals might prefer that they never be thought of that way – many of these sites do provide important economic benefits to the area in which they are located, including the following:

1. **consumers of local goods and services** -- Even though some of the items on display at museums, shown in historic homes, or used in the production of plays may not be produced or purchased locally, some likely will be produced in the area. In addition, there are many other types of expenditures that are made in a cultural attraction's hometown. Office supplies, building maintenance and repairs, utilities expenses, furniture, landscaping, consulting services, insurance, and food are just a few of the items that must be purchased for day-to-day operations of sites.
2. an **attraction for tourists** – While in the local area to visit a cultural site, out-of-town tourists will spend money at local restaurants, hotels, stores, and the museum gift shop. The purchases made with local merchants, as well as sales tax revenues for the locality and state, can be significant.
3. **source of jobs** for local residents – Even small attractions require a staff of administrators, custodians, security personnel, and guides. Along with the direct benefit of providing jobs comes the additional advantage that much of the employee wages will be spent locally. Also, employees of the attractions who live in the local area will contribute sales and property taxes to their jurisdiction.
4. **incentive for new businesses or individuals to locate** in the area – While there is strong evidence that museums and other cultural institutions are rarely a determining factor in locational decisions, their presence can still be an important secondary factor.³ These sites demonstrate a positive quality of life for a region.

Measuring the Economic Impact

In order to measure the impact of cultural attractions, formal economic impact studies are often conducted. These input-output models estimate the way in which money spent within the local area by the site and/or by its out-of-town visitors flows throughout the local economy. Money spent in the area will be received, and ultimately re-spent, by other businesses and individuals. The three components of a total economic impact to the region should be considered – these are the direct, indirect, and induced economic effects.

Direct effects – impacts that come from expenditures by the attraction or by its non-local visitor with businesses in the local area. These expenditures bring “new” money into the local economy that would not have been there otherwise.

Indirect effects – impacts that result from expenditures made by the businesses that received the initial money from visitors or the particular cultural attraction. In order to have sufficient

inputs to accommodate the increased demand from the attractions and their visitors, these businesses must purchase more goods from other firms, thereby stimulating the economy.

Induced effects – impacts from changes in household expenditures. As companies receive more business because of the previously mentioned increased purchases, they must hire additional workers or pay existing employees to work longer hours. Employees will then spend more money in the local economy, as their incomes increase.

If an analysis considers the spending by a cultural attraction, the site must provide detailed financial information, listing the local purchases of goods and services that they have made for a particular time period. Spending made by the company outside of the local area does not contribute money to that region and should not be considered for the impact analysis.

Similarly, if the focus of the study is spending by out-of-town visitors, a survey must be conducted with these individuals, asking how much they spent in the local area on “tourism-related” expenditures such as food, lodging, entertainment, and shopping (both at the museum and elsewhere). Money spent outside of the local area (i.e., the study area) during a visitor’s trip is not relevant for the economic impact analysis.

In order to convert spending to an overall economic impact, multipliers must be applied to the spending amounts. The multipliers indicate the total effect as the new money flows throughout the local economy. Multipliers can come from multiple sources, such as the following:

1. **tourism studies conducted elsewhere** – this is convenient and can provide a comparison to studies that have already been conducted; however, the multipliers may not apply for your particular region or for the type of attraction that you’re studying
2. **published multiplier lists**, usually from the Federal Government – again, while convenient, these multipliers may not apply for your region or your site
3. **multipliers computed specifically for your site and your local area** – requires analysis using a formal input-output model, that traces the flow of money spent in various sectors as it flows throughout the local economy

** A multiplier of 1.6 would mean that for every \$100 spent by visitors to the museum (or by the museum, etc.), \$160 of economic total impact will be generated for the region. This includes the original \$100 spending; i.e., there is \$60 of additional impact.

“Best Practices” for Impact Studies

1. **Work with the experts.** Economic impact studies can be difficult to conduct and to analyze. Work with individuals who really understand how this type of analysis should be conducted, to make sure that you’re getting results that truly reflect your economic impact.
 - * **Who are these experts??** The experts can come from in-house staff who know about economic impact studies, private consultants, local or state tourism offices, university and college researchers
2. Define the geographic **region of study**. The “local” area should be chosen based on the project’s area of interest, keeping in mind that the defined region should include any localities that are economically linked to the area in which the museum is located. It is essential to clearly define the area of study before proceeding with the impact.
3. Design a **survey to collect expenditure data** from visitors to the facility or special exhibition
 - A. Include questions to determine the following information:
 - i. place of residence – local vs. non-local. The study is only interested in money spent by individuals who come from outside of the local area. Expenditures made by locals do not add any new money to the area’s economy.
 - ii. importance of the exhibition or the museum in the respondent’s decision to visit area. In order to determine the money brought into the local economy because of the special exhibition or the facility, visitors must be asked whether they came to the local area primarily to see the exhibit or the museum, or if they had other reasons. Spending by visitors for whom another reason was key should not be included in the economic impact analysis; their spending is not directly do to the museum.
 - iii. money spent locally on “tourism-related” expenditures. The expenditures should only include money spent within the local area, on categories such as food, lodging, entertainment, and shopping (both at the museum and elsewhere). Money spent elsewhere during a visitor’s trip is not relevant.

Questions about demographic characteristics of respondents may also be included in a visitor survey. While not directly relevant for the economic impact estimates, that information will allow for profiles of visitors or visitation behavior.
 - B. Determine when the survey will be administered. The survey should represent all of the possible days and times that the museum or special exhibition is open.
 - C. Determine a random selection process, so that all potential visitors will be adequately represented in the sample. Using a particular sampling frequency, such as every 10th person who leaves an exhibit area, will prevent bias in the way in which respondents are chosen.

4. Implement the survey on-site, using either in-person interviews or paper-and-pencil questionnaires for the respondent to complete.
5. Isolate the expenditures made by visitors who live outside of the local area and who came to the area primarily to see the exhibition or the museum. These responses are the focus of the research.
6. Estimate the local expenditures made by respondents in the sample, considering only the non-locals who came specifically to see the exhibit.
7. Estimate the local expenditures made by all visitors to the exhibition or facility.
8. Compute or obtain multipliers for these expenditures, to estimate the level at which they are re-spent within the local economy. Pre-defined multipliers for tourism attractions can be applied to the estimate of total local expenditures, to come up with an estimate of the total economic impact. These types of multipliers are easy to use, yet they may not be applicable for all areas and all types of attractions. A second, more technical approach is to use an input-output model to establish multipliers and estimates specific to this project. This type of model will allow for the estimation of the direct, indirect, and induced effects.
9. Estimated the overall economic impact using multipliers for spending in your region. Keep in mind that the impacts may not be large.

Research by VCU - 3 Blockbuster Exhibitions

The Virginia Center for Urban Development, at the VCU Center for Public Policy, has conducted three economic impact studies for major exhibitions at the Virginia Museum of Fine Arts, in Richmond. These “blockbuster” shows were the *Fabergé in America* and *The Lillian Thomas Pratt Collection of Fabergé* exhibition (1996), *Splendors of Ancient Egypt* (1999), and *Monet, Renoir, and the Impressionist Landscape* (2000). This research analyzed the economic impact of these shows on the “**Richmond metropolitan area**,” comprised of the City of Richmond and the Counties of Chesterfield, Hanover, and Henrico. These jurisdictions have a sufficient economic linkage between them to serve as a useful local region.

These major exhibitions, combined, have brought an estimated \$23.9 million to the Richmond metro area (in 2000 dollars). This figure includes the effects of spending within the area by visitors to the exhibitions, as well as the economic impact created when recipients of this money re-spend it within the local economy.

The table on the next page summarizes the samples for each exhibition and also presents the estimated visitor spending and resulting economic impact. All of the economic impact estimates were prepared by economists at the Virginia Center for Urban Development using the Implan Pro model.

Economic Impact Estimates for Three Major Exhibitions Virginia Museum of Fine Arts – Richmond, Virginia			
	Fabergé	Egypt	Monet
Dates	2½ months (8/96 - 11/96)	6 months (5/99 - 11/99)	3 months (9/00 - 12/00)
Sample Size	1,472	944	1,405
Total Event Attendance	129,543	247,868	100,177
Response Rate	83%	85%	86%
Sampling Error Percentage Points, at 95% level of confidence	± 3	± 4	± 3
Est. Total Spending (Year 2000 Dollars)	\$4.6 million	\$8.0 million	\$2.1 million
Est. Total Impact (Year 2000 Dollars)	↓ \$9.0 million	↓ \$11.7 million	↓ \$3.2 million

ENDNOTES

¹ Edson, Gary and David Dean. The Handbook for Museums. Routledge. 1994. Page 3.

² Wireman, Peggy. Partnerships for Prosperity: Museums and Economic Development. American Association of Museums. 1997. Page 13.

³ Cwi, David and Katharine Lyall. Economic Impacts of Arts and Cultural Institutions: A Model for Assessment and a Case Study in Baltimore. Research Division. National Endowment for the Arts. October 1977. Page 1.

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