

Visions in Leisure and Business

Volume 9 | Number 1

Article 8

1990

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Recommended Citation

Spickard, Steven E. (1990) "The Local Importance of Tourism: The Case of San Francisco," *Visions in Leisure and Business*: Vol. 9 : No. 1 , Article 8.

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THE LOCAL IMPORTANCE OF TOURISM: THE CASE OF SAN FRANCISCO

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ABSTRACT

The importance of tourism as a stimulus to local economies is well known. Few areas have been able to accurately quantify this economic importance, however, allowing for ranking of tourism along side other local industries. San Francisco (SF) has undertaken a multi-faceted research program which revealed that far more visitors come to the City than were previously counted.

Through primary research, for the first time SF is able to estimate the number of people staying with friends and relatives. Surprisingly, this "missing" market segment constitutes more visitor-days than those staying in the City's 23,000 hotel rooms. Due to the more intimate contact involved, visitors staying in private homes form the strongest bridge for international understanding. Of those staying in SF Bay Area homes, 15% were international origin.

Visitors exert a profound impact on the SF economy. The visitor "industry", actually a collection of businesses from several sectors of the economy, employs more people than any single traditional private industry in SF (e.g., 18% more than SF's financial industry).

Of special interest was the dramatic finding that an astounding 41% of SF employed adults felt that their jobs were supported in part by tourism.

THE LOCAL IMPORTANCE OF TOURISM: THE CASE OF SAN FRANCISCO

INTRODUCTION

Established in 1958, Economics Research Associates (ERA) has grown into one of North America's largest consultancies specializing in the economics of tourism and recreation. Although based in the United States, with offices located in seven major metropolitan centers, the firm has found its practice increasingly international over the last decade. Typical assignments include tourism plans and economic development strategies, strategic research for convention and visitor

bureaus, and feasibility studies for developing all types of visitor attractions ranging from modest hotels and family recreation centers, up through full service destination resorts and major theme parks.

This paper is based primarily upon work conducted by ERA's San Francisco office. In addition to recent assignments in Europe and around the Pacific Rim, ERA has recently completed a major study designed to measure the economic importance of the tourism industry in San Francisco, and for the first time to establish tourism's relative importance to the city vis a vis other major industries. The ERA study was conducted under the sponsorship of the San Francisco Planning and Urban Research Association (SPUR) with funding from the City and County of San Francisco, the San Francisco Convention and Visitors Bureau (SFCVB), and the Chamber of Commerce.

TRACK-TWO DIPLOMACY

What is most relevant for this conference is that a major focus of the research was on a heretofore "missing" segment of San Francisco's visitor industry, the portion of tourists staying in the homes of friends and relatives. For that part of visitation which is international in origin, it is reasonable to assert that overnight accommodation within the homes of relatives or friends presents the optimal environment for the exercise of track-two diplomacy. It is this situation which creates the greatest opportunities for intimate communication and the sharing of cultural values. Guided by their domestic hosts, international visitors have the ability to dive deeper into the culture they are visiting, and are likely to see more of the geographic area's sights than just the standard tourist attractions. They are more likely to come in contact with a broader cross-section of the host community residents and experience a broader range of social interactions.

In ERA's study, 900 households were randomly selected and surveyed. Not only San Francisco households were surveyed, but also suburban households in the surrounding nine county San Francisco Bay Area. Respondents were asked about the number and origin of visitors they had hosted in their homes over the previous year, and about the travel and spending behavior of their visitors during their stay. The primary reason for this research was to augment studies previously conducted on other segments of San Francisco visitor industry (e.g., the convention market, the hotel segment, and air passengers) in order to estimate the total size of the visitor economy in San Francisco. The results of this study have received wide publicity already (e.g., the SFCVB's Bureau Book, the local press, San Francisco Business Magazine, PATA Travel News, and other travel and tourism publications). The basic findings of this study are briefly reiterated below, before then discussing a reanalysis of the study's data to investigate several issues of specific interest to this conference.

PRIMARY ECONOMIC IMPORTANCE OF TOURISM

The battery of studies conducted for San Francisco have finally allowed the entire visitor industry to be pieced together. Using 1985 as a base year for estimates, it was possible for the first time to estimate the total number of visitors to San Francisco, their spending patterns and the direct economic impact of visitor spending, and the magnitude of the employment supported by San Francisco's visitor industry.

Visitation to San Francisco

In 1985, eight million visitors staying overnight in the Bay Area spent part or all of their time in San Francisco. The location by type of overnight accommodations for these visitors was as follows:

Out-of-Area Visitors by Type of Accommodations	Visitors in 1985	Percent
Staying in Hotels/Motels in San Francisco	2,649,000	32.8%
Staying with Friends and Relatives or other Accommodations in San Francisco	1,294,000	16.0%
Staying with Friends and Relatives or other Accommodations out of San Francisco	4,130,000	51.2%
Total	8,073,000	100.0%

Out of the eight million total visitors, there are about the same number of visitors staying elsewhere in the Bay Area as in San Francisco.

The number of out-of-area visitors multiplied by the average number of days they spend in San Francisco produces an estimate of visitor-days. There are approximately 28 million visitor-days spent in San Francisco by these visitors. Out of the 28 million visitor-days, the majority (62.5 percent) are due to persons staying in San Francisco.

A non-work related day trip to San Francisco made by a Bay Area resident may also be considered a visitor-day. An additional 13.5 million visitor-days to San Francisco are from Bay Area residents for shopping and entertainment purposes. Combining tourist and Bay Area recreation visitors results in the total of 41.5 million visitor-days (see Figure 1). This is equivalent to an average daily visitor population in San Francisco of approximately 114,000 people. To put this

in perspective, the visitor population may be compared with a resident San Francisco population in 1985 of approximately 719,000 people. This visitor population is approximately half as large as the average daily commuter population of roughly 225,000.

Obviously, some days (weekends and holidays) there will be many more than the 114,000 average number of visitors in the city. Similarly, on non-summer weekdays, the visitor population may be substantially less. The seasonality in the San Francisco visitor market is graphically depicted in Figure 2. The greatest seasonal variation is for the visitors staying with friends and relatives. Half of these visits are concentrated in the three summer months.

Spending and Economic Impacts

In 1985, visitors and Bay Area day trippers spent roughly \$2.867 billion in San Francisco. This represents an average of \$8 million per day. In economic terms, this is equivalent to generating \$8 million of goods and services daily. Visitor generated economic activity is especially beneficial, because it injects new dollars from outside the city into the San Francisco economy. The sources of total spending by the type of accommodation used by visitors are as follows:

Spending by Type of Visitor	Millions of 1985 Dollars	Percent
Staying in Hotels/Motels in San Francisco	\$1,420	49.5%
Staying with Friends & Relatives or Other Accommodations in San Francisco	289	10.1%
Staying Out of San Francisco	325	12.3%
Bay Area Residents on Day Trips	806	28.1%
Totals	\$2,867	100.0%

Different types of visitors have different travel and spending budgets. Figure 3 compares daily per capita spending by visitors staying in different types of accommodations. Conventioneers staying in San Francisco hotels spend the most per day. Visitors staying in the homes of friends or relatives tend to spend the least. In addition to money spent by individual visitors, visitor-related spending occurs within the city by cruise ship operators for provisioning, and by trade associations and exhibitors for convention services.

Due to differences in visitor spending patterns, some types of

visitors have proportionately larger impacts on the San Francisco economy. San Francisco hotel/motel guests account for less than a quarter of all visitor-days, yet they generate almost half of all visitor spending (see Figure 4).

The sectors of the San Francisco economy which benefit most heavily from visitor spending are the restaurant and retail industries, followed by the lodging and entertainment sectors. The industries receiving visitor dollars are presented in Figure 5.

The direct spending by visitors, and the economic expansion in visitor serving businesses this spending creates, also increase revenues to the City of San Francisco through its tax and fee system. The total direct City revenue derived from visitor spending was \$130 million in 1985. The major sources of City revenue are hotel room tax, property tax, and sales tax as presented in Figure 6.

Compared to the San Francisco General Fund, which was roughly \$996 million for fiscal year 1985/86, the fiscal impact of these visitor industries is significant (equivalent to 13 percent). In terms of individual revenue sources, visitors and the business they support are responsible for virtually all of the hotel room tax, approximately 15 percent of the property tax, 22 percent of the sales tax, and roughly 10 percent of the business tax.

Employment Impacts of San Francisco Visitors

It is estimated that over 60,500 jobs were supported directly by visitors to the city in 1985. This is a conservative estimate, because the total employment impact was even larger than 60,500 due to additional jobs indirectly created through subsequent economic activity (the "multiplier effect").

Employment directly created is expressed in this analysis in terms of the number of jobs which could have been fully supported by visitor spending during 1985 without relying on any economic support from local residents. While these jobs could have been fully supported by visitors, some of these jobs would have been part-time positions.

Direct visitor spending in 1985 created a payroll from these 60,500 jobs of roughly \$837 million. This payroll was further augmented by tips and gratuities which are a significant source of income for employees in the hotel, restaurant and entertainment industries. Employment created within individual economic sectors is shown in Figure 7.

The Chairman of this conference, Louis J. D'Amore, claimed in a recent article (The Futurist , May-June, 1988), that "the tourism industry has achieved its goal of becoming the world's largest industry." ERA's research found that was specifically true in the case of San Francisco. While the visitor "industry" is actually a collection of businesses from several sectors of the economy, in combination it employs more people than any single traditional private industry in San Francisco. For example, the visitor industry directly supports 18

percent more employees than the financial industry, San Francisco's second largest industry.

PERCEPTIONS OF VISITOR INDUSTRY IMPORTANCE AND THE QUALITY OF LIFE FOR RESIDENTS

In ERA's survey of 900 Bay Area households, respondents were asked a battery of questions regarding their own relationship to visitor-serving employment. For those who worked outside the home, they were asked, "Do you think your job or the business you work in directly or indirectly serves tourists or other out of town visitors in any way?" For those who answered yes, they were asked, "What percentage of your job or business do you estimate is supported by tourism?" Respondents were then asked similar questions to discern if there were any other employed members in the same household who had jobs which were affected by the visitor industry. The results of this line of questioning produced the astounding finding that 41 percent of San Francisco employed adults believed that their jobs were supported by visitor spending, indicating a broad understanding in the resident work force of how important the visitor economy is.

In addition to visitor economic support for local jobs, it is clear that San Francisco residents benefit dramatically from the visitor industry in other ways. Visitor spending supports a much wider variety of services, restaurants, attractions and other "fun" activities than could otherwise be economically supported by the resident base alone. This broader mix of activities and cultural opportunities enhances the quality of life for San Francisco residents.

SPECIAL ANALYSIS OF INTERNATIONAL VISITOR SEGMENT

Because track-two diplomacy involves the exchange of visitors across international boundaries, for this conference ERA reanalyzed the data behind the economic study to focus specifically on the international segment of visitation to San Francisco. The origin of visitors to San Francisco changes by season, with the greater portion of discretionary trips being made in the spring and summer seasons. Because a large portion of international travel is discretionary in nature, the portion of international visitors in San Francisco is greatest in the spring and summer months (see Figure 8). Averaged over an entire year, approximately 25 percent of the visitors in San Francisco are of international origin.

A further breakdown in origins for just the international traveller segment is presented in Figure 9. San Francisco's international visitors are approximately 40 percent from Europe and 25 percent from Canada. Much of the remainder comes from the Pacific Rim. In contrast, for the segment of international visitors staying in private homes, over half were found to be from Europe, over 30 percent from the Pacific Rim, and only five percent from Canada.

In order to investigate which types of households may be more likely to host international visitors, survey data was first reanalyzed by ethnicity. It was found that the Caucasian population in the San Francisco Bay Area was most likely to host visitors of all types in their homes. About 14 percent of these visitors were from international origins. In sharp contrast, virtually all of the visitors hosted in the homes of Black families were from elsewhere within the United States. By far, the highest portion of international visitation is within the homes of Asians and Pacific Islanders residing in the San Francisco Bay Area.

Ethnicity of Resident	Percent Hosting Visitors in Their Homes	Percent of Visitors of International Origin
White	58%	14%
Black	36	0
Asian/Pacific Islanders	39	30
Hispanic	29	18

Another perspective was the location of households which had been visited by international guests within the past year. International guests were found to be a slightly larger portion of in-home visitors in the City of San Francisco, as compared to surrounding counties (which tend to be more suburban in nature). On the other hand, the propensity to host visitors at all is significantly higher in surrounding counties than in San Francisco. ERA hypothesizes that this is simply because homes in the surrounding counties tend to be larger than those in high-priced San Francisco, and space is physically more available for accommodating guests in these suburban homes.

Location of Resident Household	Percent Hosting Visitors in Their Homes	Percent of Visitors of International Origin
Urban San Francisco	46%	18%
Surrounding Suburban Counties	56%	13%

ACTION RECOMMENDATIONS

From this tourism research conducted in San Francisco, as well as work performed in other cities, ERA's overall recommendation for enhancing opportunities for person-to-person bridging of international boundaries along track-two diplomatic lines is to start with programs at home first. Visitation is clearly of benefit to local residents, not only in direct economic terms, but also because it supports a greater diversity of enjoyable activities, thus expanding the quality of life for residents. An ethic of generous hosting of visitors should be cultivated

among residents of areas which could be frequent recipients of travelers.

Specifically, this cultivation of local awareness about the importance of tourism (thereby cultivating a willingness to serve as a generous host to the visitors one casually encounters) should be seen as a legitimate function of every convention and visitors bureau. Fortunately, this is already an important activity of the San Francisco Convention and Visitors Bureau, which maintains a Public Affairs Division to specifically promote relations between the visitor industry and the home community. ERA has worked in other cities where this has not been seen as a priority by the local visitors bureau. In at least one of these unfortunate cases, a major U.S. city has found dwindling resident support for the visitor industry reflected politically in decisions affecting the funding for visitor serving facilities.

Clearly, programs must be initiated to assist international visitors who have difficulty with the local language. Multi-lingual signage and staff in visitor-serving organizations are certainly called for.

Beyond such direct measures by visitor bureaus and visitor industry businesses, however, it is also necessary to cultivate an awareness of international visitor needs among other public servants, and among employees in resident serving businesses who may only occasionally come in contact with international visitors. For example, in San Francisco the operators of busses, trolleys and cable cars on San Francisco's municipal transit system (MUNI) are often one of the primary points of contact for international visitors. Like it or not, the bus drivers in our destination cities may be potentially among our best "ambassadors for peace." The importance of this role, and an understanding for international travellers with language difficulties, should be impressed upon local residents who work in such positions.

As a last point, it is clear from ERA's research in the San Francisco Bay Area that efforts to cultivate an awareness of visitor needs should not be restricted only to the primary area of visitor interest. Visitors will travel to outlying areas on day trips, but even more important, a large number of these visitors are likely to be housed in the homes of friends and relatives elsewhere in the geographic area. Publicizing the availability and nature of visitor attractions to local area residents has two advantages; possessing good information can make it easier for local area residents to be stimulating hosts for visitors, and in the long run it can also encourage area residents to visit and spend money at area attractions themselves.

FIGURE 1
Composition of Total Visitor-Days to San Francisco in 1985

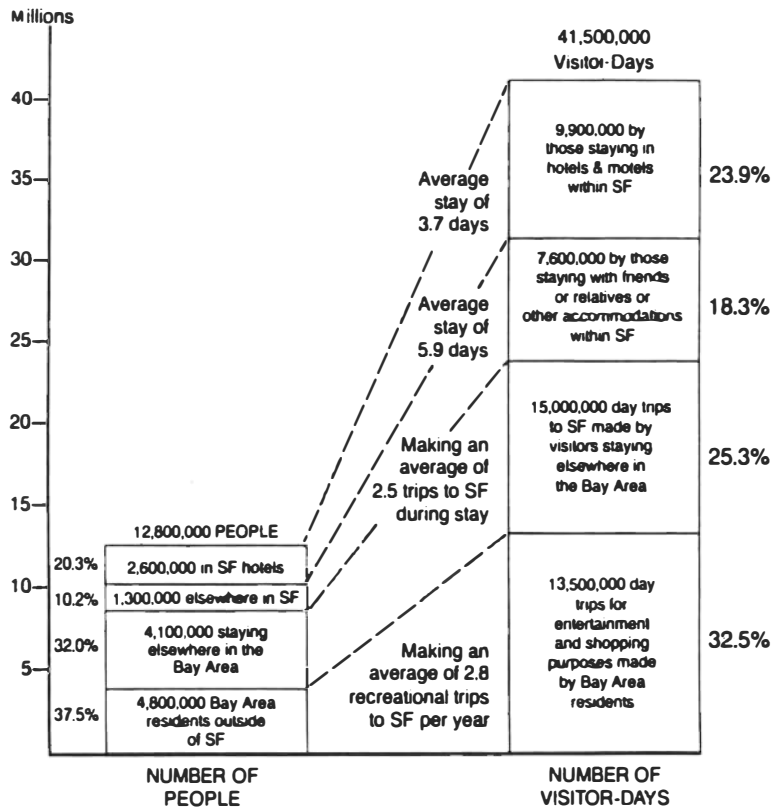


FIGURE 2
Seasonality of Visitation to San Francisco

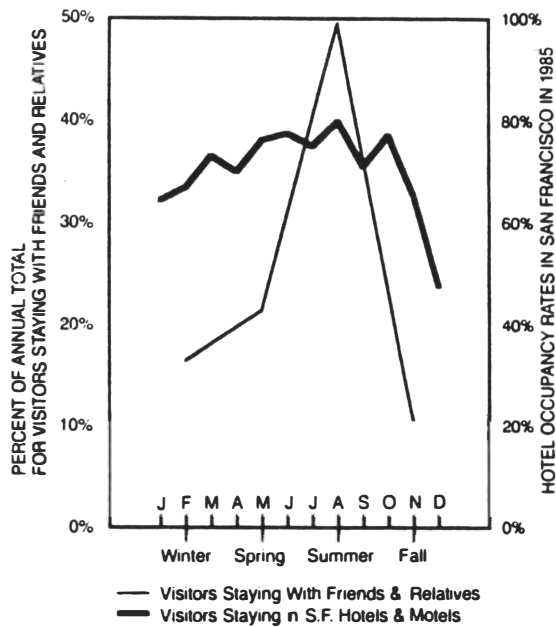


FIGURE 3
Daily Per Capita Spending & Related Impacts
for Different Types of Visitors in 1985

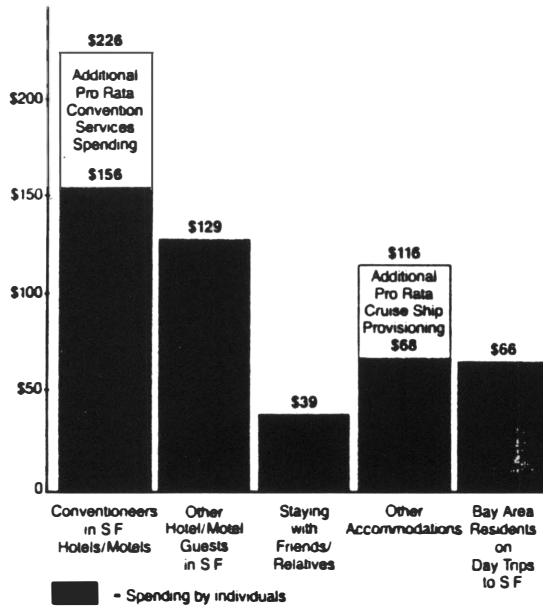


FIGURE 4
Comparison of Total Visitor-Days
with Their Total Spending
in San Francisco in 1985

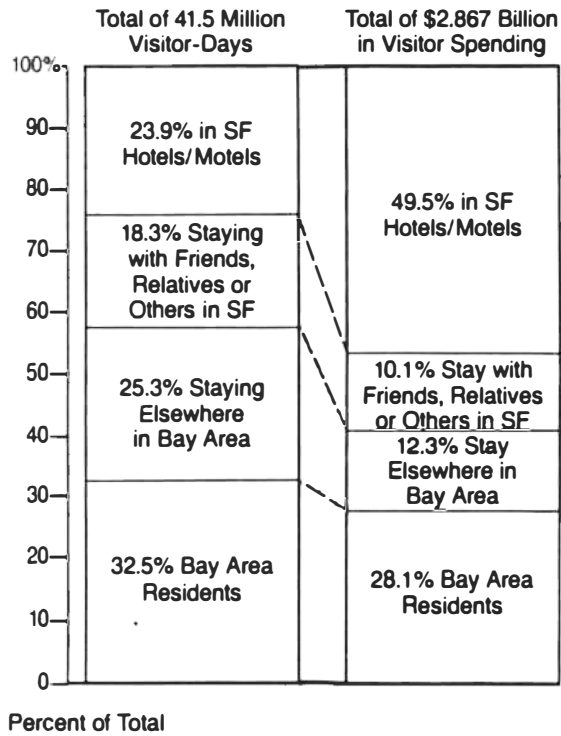


FIGURE 7
Jobs Supported by Direct Visitor Spending

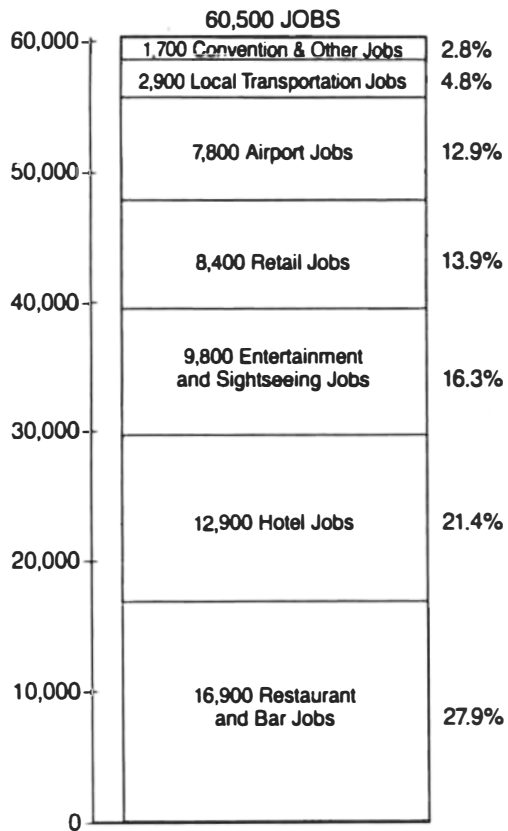


FIGURE 8
RESIDENCE OF VISITORS TO SAN FRANCISCO

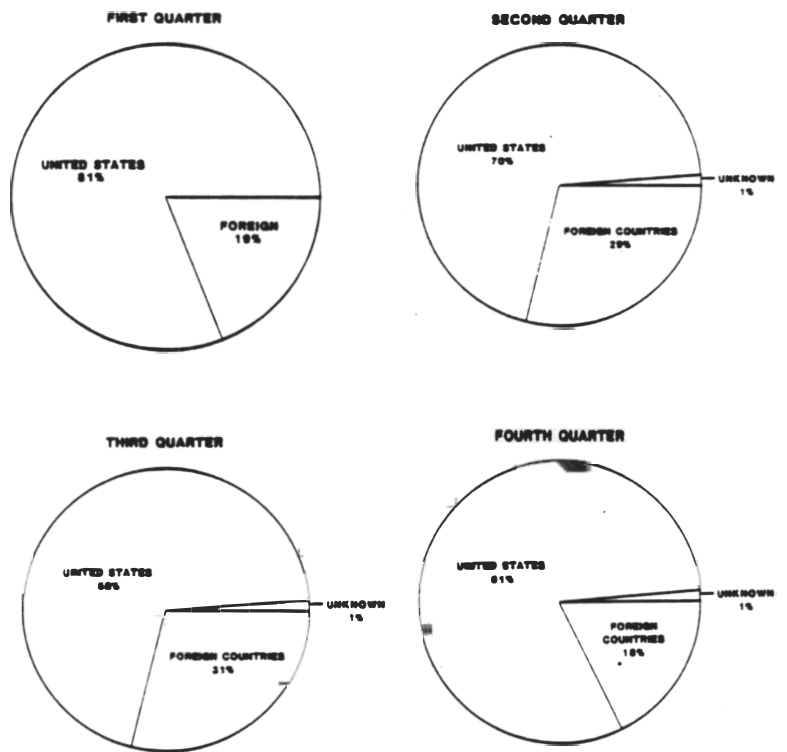
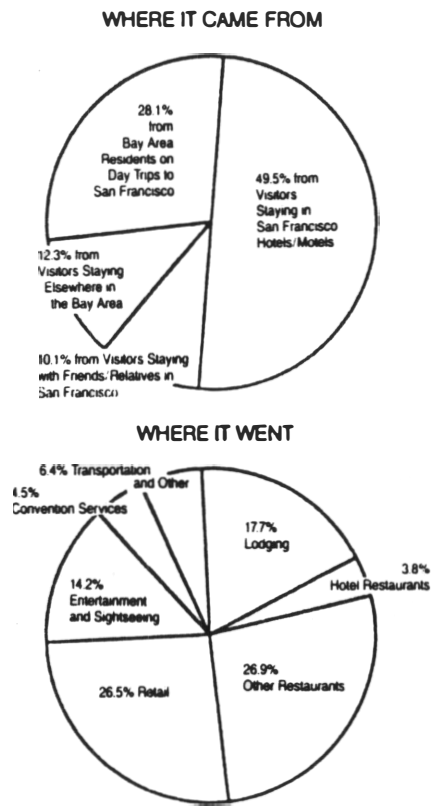


FIGURE 5
The Flow of Visitor Spending in 1985



\$2,867,000,000 IN TOTAL DIRECT SPENDING IN SAN FRANCISCO

FIGURE 6
Annual San Francisco City Revenues Generated Directly by Visitor Spending in 1985

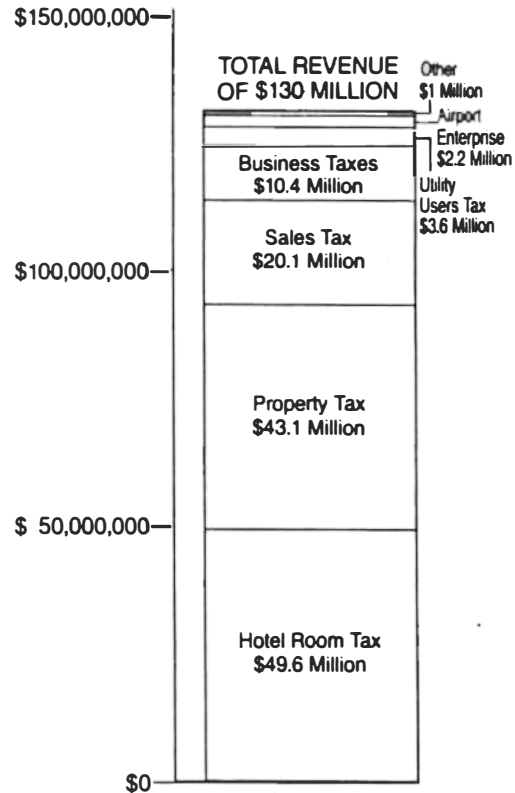


FIGURE 9

RESIDENCE OF FOREIGN VISITORS TO SAN FRANCISCO BY REGION

