

# E

## Economics

Economic impact analysis measures the total contribution a given economic event makes to a region-of-interest's economy. For the National Coal Heritage Area, changes in visitation patterns caused by expanding existing destinations such as Beckley, Bramwell and the New River Gorge, as well as creating the operation expenditures associated with the National Coal Museum and Miners Memorial, comprise the impetus for a series of economic events, for example, additional food and beverage sales, improved hotel performance, etc.



*Community Market, Kimball, McDowell County.*



## 10.1 Concepts and Definitions

Economic impacts include:

- the number of jobs created directly;
- the earnings associated with those jobs accruing to households within the region;
- the number of jobs created at other area business/industries (new and existing) as a result of procurement activities and spending by affected employees within the economy.

In essence, economic impact analysis measures the extent to which money generated by an economic event cycles through the economy before being given to an outside entity in exchange for a good or service that is not locally available. It is based on a theory of inter-industry economic relationships known as input-output analysis. Input-output analysis is an accounting framework that shows the inter-relationships between sectors of the economy and reveals how various parts relate to each other and to the whole. Input-output analysis essentially quantifies the extent to which a given sector contributes to keeping dollars circulating within the economy.

Input-output analysis reveals the extent to which a given industry requires goods and services from other sectors in order to produce a million dollars worth of products. For example, a tool and dye operation requires inputs from metals and industrial machinery producers to do its work. In turn, the metals provider requires input from the mining sector, which produces the raw ore. These

relationships apply to retail and service industries as well; hotels, for example, require food products to serve their guests and accountants purchase computers and paper clips. However, not all inputs required for an industry to produce its goods and services are available within any given regional economy. Even in a mid-sized economy, like greater Charleston, businesses may choose to acquire their inputs from outside of the area.

Economic impact analysis can also be used to translate these input relationships into the jobs and household earnings they produce. The factors that describe the proportions between jobs, output and earnings are commonly known as “multipliers.” A multiplier represents the factor by which an initial change in an economic sector is multiplied to arrive at the total change in the economic measure of interest. For example, employment multipliers measure the total number of jobs created by a million dollar change in final demand in a given sector. In a sense, they assess the distributive role of a given sector: the more jobs created, the more people take part in the benefits of growth or economic development efforts. It should be noted that multipliers represent averages across all businesses within a given sector operating within the economy of interest. Therefore, while they correctly represent the relationships between industrial sectors on average, they may not be correct for any specific business.



Some uses generate more economic impacts than others do. For example, so-called “basic” industries “import” dollars into the local economy from outside of the region that can offset “leakage” of dollars out of the economy caused by other activity. In a large and/or well-integrated economy, leakage may be quite limited. Conversely, in a small economy, or one that depends heavily on a single sector, such as mining, it may be difficult to obtain many inputs locally.

Tourism is considered a basic sector industry because visitors earned the money they spent during their trips outside of their own local economy. However, it tends to support jobs paying low wages, which do not generate economic impacts comparable to those offering higher income positions. Moreover, the impact the wages themselves have on the local economy depends on how diverse the retail and services sectors are: with limited selection, people will take their dollars elsewhere to shop.

The math involved in preparing an economic impact analysis is actually quite simple. However, the art comes in determining how to quantify the economic activity that will serve as the starting point for the analysis.



## 10.2 Economic Impact Assessment of Destinations and Attractions

Measuring economic impacts associated with tourism activity and, more particularly, patronage of cultural/historical institutions and attractions is fairly difficult, because the activity involves so many industries and also tends to entail legions of volunteer staff and other contributions that are difficult to value. Moreover, in its early years the National Coal Museum and Miners Memorial will likely increase the length of time visitors motivated by other factors spend in the NCHA as well as inspiring people to make trips specifically to the NCHA. When assessing the economic impact associated with an increment of activity, analytical choices must be made in light of the following issues (among others):

- Most economic impact associated with tourism and cultural attractions occurs off-site, as a result of spending at hotels, restaurants, shops, and other service providers.
- The economic impact analysis should examine impacts associated with increasing lengths of stay by existing visitors, rather than be concerned solely with the number of new visitors attracted to the area.
- Providing a quality attraction experience may improve the demographics of the visitor/resident pool. In other words, the number of visitors may not change dramatically, but they may be richer and hence contribute more to local economic activity.

Estimates of visitor attendance, one of the key underlying factors in an impact analysis, are dependent on the facilities, services and programs to be offered by the NCHA. In general, the more extensive and differentiated the potential activities available, the longer the average visit and subsequently the greater the distance visitors are willing to travel to the attraction. The ability to draw from greater distances broadens the visitor base for the NCHA as well as the National Coal Museum and Miners Memorial and increases the potential number of visitors that may travel on to destination centers and experience zones.

There may be economic impacts associated with local residents visiting the facility as well. The question becomes whether their spending is a substitution for other local entertainment spending or whether, but for the existence of the NCHA-affiliated attractions, they would have left the area and spent the money elsewhere, for example, at heritage-themed attractions in Virginia or Tennessee. If the latter is the case, this dynamic creates an avoided loss. The extent to which substitution will occur is a particularly important issue. Identifying the degree and nature of substitution relative to the NCHA and its component attractions is a key to determining the extent to which it will, in fact, be the source of economic benefits to the area.



Visitation to the various NCHA attractions will vary based on their content and individual audience assessments are necessary to project each element's draw. Regardless, total visitor spending must be discounted to reflect the impact of substitution effects in order to derive net new spending since, for many visitors, even the National Coal Museum and Miners Memorial will be:

- a contributing factor in the decision to visit southern West Virginia, but not the primary destination motivator;
- an interesting activity once one chooses to visit the NCHA in order to visit friends and relatives.

Examining the relationship between business volume and tourism industry wage rates suggests that, conservatively, visitor spending will average about \$50 per visitor off-site. Converting this to jobs created within the southern West Virginia economy suggests that affected businesses will create one full-time equivalent job for every 1000 visitors. In addition, institutions created to help tell the NCHA story also generate employment at their facilities in addition to jobs attributable to spending by the institution within the local economy. Net new tourism activity associated with the NCHA will also generate significant local, state and federal taxes.

It's important to understand what this rough estimate excludes from consideration. No attempt has been made to measure the following additional impacts:

- direct and indirect job and wage creation from construction;
- indirect job and wage creation from tourism activity described above;
- performance improvements delivered to other southern West Virginia attractions (apart from the spending detailed herein);
- direct and indirect job and wage creation from facility operations;
- influence on southern West Virginia's image and identify;
- Beckley's ability to compete for convention and meetings business;
- Southern West Virginia's ability to compete for relocating/expanding businesses, in part due to the increased publicity and exposure accompanying the establishment of the NCHA;
- additional private sector investment stimulated by the NCHA, for example, when a free agent working solo discovers the region through a heritage visit, moves there, and expands the business to employ local residents.

### **10.3 Leveraging Economic and Other Benefits from NCHA-Driven Tourism**

Delivering visitors to a regional economy does not guarantee that the area will realize economic benefits proportionate to the effort it takes to lure them there. For starters, there have to be places open for business and offering appealing meals, goods and services so that the visitor spends money willingly and abundantly; at present, there are gaps in the service aspect of the southern West Virginia visitor experience. At the same time, other benefits are impossible to quantify because they entail subtle social changes that happen incrementally over time.

NCHA proponents should work towards:

- exposing visitors to the region's suitability as a business location and introducing business travelers to the interesting things to see and do that are available to leisure travelers;
- expanding the perceptions of southern West Virginia—history as well as scenic beauty make it a good place to hold corporate retreats, regional association meetings and family reunions—by working in concert with the state park system and local hoteliers;

- educating residents about the benefits of tourism, including the notion that the jobs are worthy and important to the economy. Although some perceive tourism employment as “burger flipping,” there are numerous skilled professional positions in the industry. Moreover, the tourism sector jobs held by young people teach skills and instill values that serve them well throughout their careers, including courtesy and a sensitivity to customer service and being able to adopt other people's perspectives;
- ensuring a supply of qualified labor so the industry need never compromise service or the caliber of the visitor experience;
- helping communities address resentment towards tourists that crops up when too many visitors descend on small towns, are viewed as a corrupting influence on the region's youth, or when some local residents become wealthy by capitalizing on the industry;
- build positive relationships with the press so that the positive economic benefits are conveyed to the area through print and broadcast media;
- help the region's community colleges and other higher educational institutions set up hospitality programs and broker internships for students in area businesses;
- work to bring Southwest or other low-cost air carriers to Charleston.



Building the community's capacity to create, produce, market and sell works by local artisans and craftspeople is equally important to the potential economic impact on the NCHA. The NCHA should examine Tamarack's market and figure out how to brand the arts and crafts available in southern West Virginia—that is, to create understanding in the travel press and elsewhere about the nature and quality of the offerings—as well as conveying what the rest of the visitor experience entails. This may prove especially difficult in the early years but it's critical to refining techniques used to market NCHA as a destination. People who buy "country" crafts (e.g., ranging from jigsaw-cut Santa figurines and quilted geese made in production volume by an individual all the way up to Longaberger baskets) are not the same as people who buy either genuine folk art or decorative and functional art pieces. They travel in different circles and bring different expectations to their vacations. Letting these market segments know what they can realistically expect to find in the NCHA will pay dividends in visitor satisfaction and expenditures.

