

## MEASURING THE ECONOMIC IMPACT OF NIGHTLIFE

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Well planned and managed nightlife can have a profound positive impact on a city's economy. The nighttime economic sector not only generates significant tax revenues, but also grows city service funds through increased property value, revitalizes business districts, drives tourism and supports local businesses.

On the other hand, nightlife activity that is not supported by sufficient resources for crowd management, transportation, and public facilities can generate increased costs and impacts on safety and quality of life. Instead of re-allocating resources and management systems to facilitate both vitality and safety, many city legislators choose to enact strict restrictions and moratoriums on nightlife businesses. However, few realize the full economic and employment value of nightlife, and the ancillary industries that depend on this economic sector.

To raise awareness of the economic value of nightlife, cities nationwide have begun to conduct assessments to quantify the economic impact of music, entertainment and nightlife. Studies conducted to date have generated staggering results in their examination of the role of nightlife in cities' overall economy. This paper will provide an overview of the following topics:

- ◆ **How Can this Information Be Used?:** Ways that cities can utilize the information collected to support the nightlife industry.
- ◆ **Existing Economic Impact Studies:** Sample results from studies conducted to date are provided.
- ◆ **Consistency & Comparability:** Key terms and units of measurement to define and use consistently in future studies to standardize a national method of comparison.
- ◆ **Data Collection:** Economic data to collect and measure, and an overview of existing data sources.
- ◆ **Primary Research:** What data to collect from businesses and patrons, and samples of how to collect it.

The information presented in this overview is based on resource documents and interviews with representatives of:  
ERA AECOM (formerly Economics Research Associates) and Lauren Schlau Consulting, Inc.

### How Can this Information be Used?

Economic impact data can be used in many ways to instigate a positive shift in public perception and policy to a position of support and advocacy. Cities can use economic impact data in the following ways:

- ◆ Support the need for appropriate allocation of city resources and public safety services to better manage nightlife activity as a continued source of economic vitality.
- ◆ Raise public awareness of nightlife as a legitimate economic sector and viable economic engine.
- ◆ Elevate the professional status of nightlife businesses.
- ◆ Counter restrictive proposals that attack the industry and limit operations rather than solve problems.
- ◆ Propel greater coordination between city government and nightlife representatives to collaborate on sustaining vitality, while also reducing safety and quality of life impacts.
- ◆ Track industry growth and change by conducting assessments on a regular basis.

## Existing Economic Impact Studies

The majority of studies conducted to date have focused on the economic impact of the music industry, though New York City's study set a new precedent for measuring the direct and indirect impacts of nightlife (i.e. specifically activity relating to patronage at bars, clubs, lounges, etc.).

Sample results from studies are below. However, accurate comparability is not possible due to inconsistency in how information was collected, type of information collected, and data sources used for each study.

### New York City, NY

This 2004 study focused on the economic impact of the nightlife industry in New York City, and was prepared for the New York Nightlife Association. Results include:

- ◆ NYC's nightlife industry generates a total economic impact of \$9.7 Billion and generates 95,500 jobs.
- ◆ 86% of out-of-towners who patronized a nightlife venue spent a total of \$3.7 billion on shopping, hotels, restaurants and transportation.

### Chicago, IL

This 2004 study focused on the economic impact of Chicago's music industry, and was prepared for the Chicago Music Commission. Results found that Chicago's music industry generates:

- ◆ \$84 million in revenue.
- ◆ The third largest music-related workforce, with over 53,000 people generating over \$1 billion in payroll.

### Seattle, WA

This 2004 study focused on the economic impact of Seattle's music industry, and was prepared for the City of Seattle's Office of Economic Development. Results found that Seattle's music industry generates:

- ◆ \$1.3 billion in direct annual economic impact and 10,700 jobs.

### Nashville, TN

This 2006 study focused on the economic impact of the music industry in the greater Nashville area, and was prepared for the Nashville Area Chamber of Commerce. Results found that Nashville's music industry generates:

- ◆ \$3.96 billion in direct annual economic impact and 19,437 jobs.

### Austin, TX

This 2000 study focused on the economic impact of Austin's music industry, and was prepared for the City of Austin. Results found that Austin's music industry generates:

- ◆ \$616 million in direct annual economic impact and 11,200 jobs.

## Consistency & Comparability

The following are key terms and units of measurement to define and maintain consistency of use in future studies.

### Key Terms

- ◆ **Visitor:** In some studies, a ‘visitor’ may be non-local, while others may use ‘visitor’ and ‘patron’ interchangeably. Clarify which definition a study uses.
- ◆ **Patron:** Any person that uses the facility type being studied.
- ◆ **Business Impact:** Includes spending and purchases made at a business.
- ◆ **Community Economic Impact:** Refers to the impact a nightlife patron’s spending has on the larger community (i.e. what else they spend their money on).
- ◆ **Fiscal Benefits:** Taxes, licenses, fees, etc. that are levied by a local state or regional government.

### Comparability Factors

It is important to clearly define the below parameters used for future studies to facilitate more accurate comparison.

- ◆ **Fiscal Year vs. Calendar Year:** Many local governments start their fiscal year on July 1<sup>st</sup>. Be sure to clarify what period of time is used in a study.
- ◆ **Business Cycle:** Some hospitality zone businesses operate year-round, while others, particularly mountain/seaside destinations may only operate on a seasonal basis.
- ◆ **Local vs. Non-Local Patrons:** Determine how ‘local’ patrons are defined – e.g. as residents of the city studied, residents of the city and the county, etc. In traditional tourism studies, ‘non-local’ patrons are considered people who traveled 50 miles or more to reach their destination.
- ◆ **Direct vs. Indirect/Induced Impact:** Clearly distinguish type of data collected.

## Data Collection

Uniform criteria and methodology for data collection will facilitate more accurate comparison between cities’ studies, and enable cities to track and analyze changes within their music and/or nightlife industries. The following is an overview of the type of data to collect and measure for an economic impact study.

### Data to Collect and Measure

<i>Economic Benefits (Direct, Indirect &amp; Induced)</i>	<i>Fiscal Benefits (Government Revenue)</i>
<ul style="list-style-type: none"> <li>◆ Property Value Increases</li> <li>◆ New Businesses</li> <li>◆ Jobs &amp; Wages</li> <li>◆ Attraction of Visitors as Destination or Amenity</li> <li>◆ Economic Performance (sales/square foot)</li> </ul>	<ul style="list-style-type: none"> <li>◆ Property Tax</li> <li>◆ Sales and Use Taxes</li> <li>◆ Special Taxes (meals, lodging, alcohol sales, entertainment)</li> <li>◆ Business Licenses</li> <li>◆ Fees</li> </ul>

### Businesses to Include

<i>Direct Businesses</i>	<i>Indirect &amp; Induced Businesses</i>
<ul style="list-style-type: none"> <li>◆ Restaurants</li> <li>◆ Taverns</li> <li>◆ Clubs/Cabarets</li> <li>◆ Music venues</li> <li>◆ Cinemas</li> <li>◆ Live theaters</li> <li>◆ Cultural venues</li> </ul>	<ul style="list-style-type: none"> <li>◆ Suppliers</li> <li>◆ Food &amp; Beverage</li> <li>◆ Suppliers</li> <li>◆ Musicians</li> <li>◆ Retailers</li> <li>◆ Promoters</li> <li>◆ Lodging</li> <li>◆ Additional spending in preparation to go out</li> </ul>

## Existing Local Data Sources

The following are existing sources of data that can be utilized to verify data collected independently by the entity conducting the study, and fill in gaps in information.

- ◆ **Sales Tax:** Some jurisdictions collect sales tax based data.
- ◆ **Property Appraisals & Taxes**
- ◆ **Suppliers:** e.g. Beer wholesalers conduct annual studies of sales and industry growth. Some cities may be able to determine trends in local sales.
- ◆ **Business Licenses and Fees**
- ◆ **Business Improvement Districts (BID):** If the assessment is business-based.
- ◆ **Convention and Visitors Bureau (CVB):** For visitor profile studies, tourism spending, length of stay, party size, etc.
- ◆ **Arts Council:** May collect data independently on arts and culture activities.
- ◆ **City Budget:** For information on sales taxes and property taxes.

## Primary Research

Primary research can be conducted through surveys of venues and patrons.

### Venue Surveys

Surveys of venues can be conducted on-site, through phone interviews, self-completion, or through the internet. Interviewers may encounter initial resistance from business owners in revealing financial information. Clarifying objectives of the study in raising awareness of the value of the nightlife industry may help.

#### Information to Collect from Venues:

(See sample survey questions at end of document.)

- ◆ Revenues (income)
- ◆ Number of employees and employee payroll (earnings)
- ◆ Fees, licenses, taxes paid
- ◆ Value of supplier goods & services purchased
- ◆ Marketing expenditures
- ◆ Charitable contributions
- ◆ Attendance

### Patron Surveys

Patron surveys can determine how nightlife ranks in a patron's decision to visit a city, and provide insights on how nightlife supports other city industries by inquiring as to a patron's related travel, lodging, shopping and dining expenses.

#### Information to Collect from Patrons:

(See sample survey questions at end of document.)

- ◆ Spending (on all related activities)
- ◆ Taxes generated
- ◆ Jobs supported
- ◆ Other activities in the area due to attending nightlife
- ◆ Attendance (frequency & number in group)

Surveys of patrons can be conducted on-site or through the internet. Pros and cons of each methodology are outlined below.

<b>Methodology: Internet Surveys of Patrons</b>	
<i>Pros</i>	<i>Cons</i>
<ul style="list-style-type: none"> <li>◆ Quick response data turnaround</li> <li>◆ Completed at respondent's convenience (hopefully when sober)</li> <li>◆ Can provide other messages/info</li> </ul>	<ul style="list-style-type: none"> <li>◆ Must collect e-mail address to distribute survey or develop info piece with web-site link</li> <li>◆ Low response rate</li> <li>◆ Self-selection sample bias (the people most likely to respond are those who had an extreme experience – either very positive or very negative)</li> <li>◆ Harder to respond to respondent questions (about the survey)</li> <li>◆ Recall lag time from when actually on-site</li> </ul>
<b>Methodology: On-Site Surveys of Patrons</b>	
<i>Pros</i>	<i>Cons</i>
<ul style="list-style-type: none"> <li>◆ Can select random and representative sample that is more diverse in age, gender, ethnic demographics to reduce sample bias</li> <li>◆ Can monitor sample size</li> <li>◆ Respondent recall is current</li> </ul>	<ul style="list-style-type: none"> <li>◆ Relatively expensive, especially if professional interviewer</li> <li>◆ Respondents may be unable to answer questions (sobriety as night gets later)</li> </ul>

## Sample Survey: Nightlife Patrons

1. Demographics: age, gender, income, marital, etc.
2. Group composition: alone, friends, etc.
3. Area of residence?
4. What was your primary reason for being in this area tonight?
  - Nightlife and other activities
  - Other activities, then nightlife. Please specify.
5. What other activities did you participate in while in this area today:
  - Ate at a restaurant or other dining venue
  - Retail shopping
  - Other entertainment activity. Please specify.
6. How much money did you spend on each of the activities you participated in while in this area today?
7. Which of the following nightlife related activities did you participate in:
  - Drank beverages containing alcohol
  - Danced
  - Heard live music
  - Went to a bar or club
  - Went to a comedy club
8. Frequency of visiting this area for nightlife?
9. Means of transportation to area and from area?
10. Are you staying overnight in the area? (If non-local): with friends/family or in a hotel?

## Sample Survey: Nightlife Venue

### YOUR BUSINESS

1. Our business was opened in \_\_\_\_\_
2. The occupancy capacity of our business is: \_\_\_\_\_
3. Our business license is (check all that apply);
  - a.  Type 41  Type 42  Type 47  Type 48  Entertainment permit
4. Our business sales:
  - a. Total of all sales at this location \_\_\_\_ % Before 6 p.m.
  - b. Total of all sales at this location \_\_\_\_ % Between 6 and 10 p.m.
  - c. Total of all sales at this location \_\_\_\_ % After 10 p.m.(Check that total of A, B and C = 100%)

### YOUR CONTRIBUTION

5. During the past 12 months our business payroll has averaged:
  - a. \_\_\_\_ Full time employees \_\_\_\_ Part time employees
  - b. We expect to add OR reduce the number of employees by \_% next year
6. Our business sales' annual average during the past three years:
  - a. \$0-\$250,000 \$250,001-\$500,000 \$500,001-\$1,000,000+
  - b. We expect sales to  increase OR decrease by \_\_\_\_% next year
7. Our annual charitable contributions are \$\_\_\_\_\_ (cash and in-kind)

### YOUR CUSTOMERS

8. Our customers are:  
\_\_\_\_ % Local  
\_\_\_\_ % Regional  
\_\_\_\_ % Convention and Tourists
9. On average our business serves \_\_\_\_\_ customers every month

### YOUR FUTURE

10. What is the biggest obstacle to developing revenue and profitability:

**Thank you for taking the time to fill out the survey. Please be assured that your survey answers will be kept confidential. You will receive a copy of this report.**

**Sample Survey: Hospitality Zone Inventory (for all Dining and Entertainment Businesses in a District)**



## Hospitality Zone Inventory

	Total	Food	Beverages	Live Music	Dancing
# Businesses - Total					
# Businesses – After 9 pm					
# Seats - Occupancy					
<b>Defining the Zone</b>					
	North	South	East	West	
Street Names					
<b>Economic Impact</b>					
<b>Employment</b>	Kitchen Staff	Service Staff	Safety Staff	Management	Entertainer
Full-time					
Part-time					
<b>Sales</b>	Total	% Thu thru Sat	% After 9 pm		
Food					
Beverage					
Entertainment					
Sales Tax					
<b>Other Businesses (suppliers, vendors, musicians, fashion, media, etc.)</b>					
<b>Singles</b>			<b>Mingles</b>		
Percent of Population	Options for Socializing		Percent of Population	Options for Socializing	
<b>Families</b>			<b>Jingles</b>		
Percent of Population	Options for Socializing		Percent of Population	Options for Socializing	