

1-1-2011

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Recommended Citation

O'Brien, Jason and Rizzo, Mike (2011) "The Economic Impact of ArtPrize 2010," *Seidman Business Review*: Vol. 17: Iss. 1, Article 11.
Available at: <http://scholarworks.gvsu.edu/sbr/vol17/iss1/11>

The Economic Impact of ArtPrize 2010

Jason O'Brien and Mike Rizzo

Jason and Mike are senior economics majors at GVSU. This article is a result of a class project in ECO 495—the economics department's capstone course.

Introduction

ArtPrize is an international art competition that takes place in Grand Rapids, Michigan, where the public is encouraged to register online to vote for their favorite pieces of art. To estimate the economic impact of ArtPrize, a survey was conducted at ArtPrize 2010, and that data were used to model the effects of local and non-local visitors to Grand Rapids. We estimate ArtPrize 2010 added between approximately \$3.8 million to \$8.1 million to the Grand Rapids area economy. While these figures are not large compared to the West Michigan economy¹, much of the local cultural and economic impact of ArtPrize will occur over the long run.

The Survey

The survey was conducted during the first two weeks of ArtPrize by Grand Valley State University students in Economics and in Hospitality and Tourism Management in partnership with Experience Grand Rapids. Using PDA-based survey software, students stopped ArtPrize attendees at random and asked if they would be willing to participate in a survey. Those who agreed were asked a range of questions including the purpose of their visit to Grand Rapids, where they were from, their spending habits while visiting ArtPrize, and whether they intended to vote in ArtPrize, among other questions. A total of over 850 adults was surveyed.

Attendance Estimates

An estimate of the number of ArtPrize attendees is critical to developing an estimate of its economic impact. From the ArtPrize website we know that there were 44,912 registered voters. Also, 55.57 percent of respondents to our survey said they either were registered to vote or intended to register. These figures imply 80,821 adult attendees.²

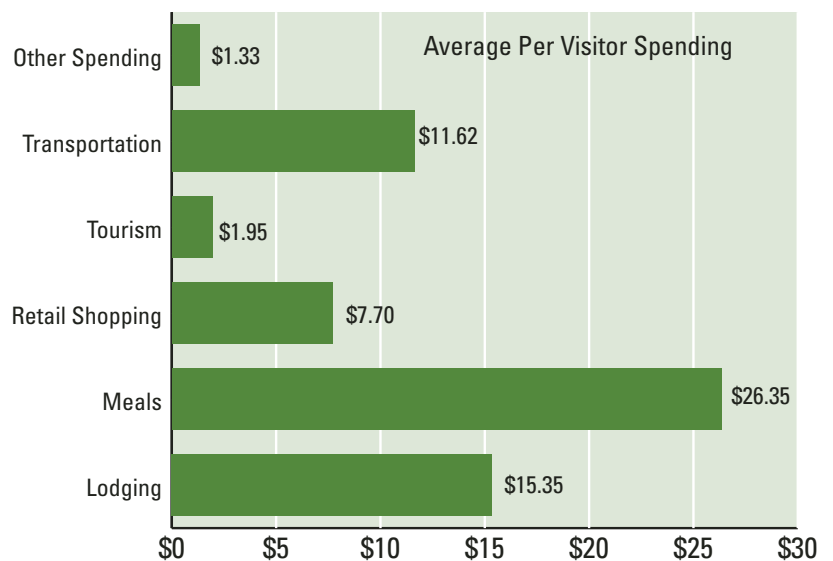
To estimate total attendance, we must account for children. Unfortunately, the survey only asked about children for attendees who were not from the area. From the survey, there were two ways to define whether a respondent was a “non-local,” and the estimate of number of children depends on which definition is used.

If we define local as a resident of Grand Rapids, we estimate .2694 children per adult. If we define local as someone living within 50 miles of Grand Rapids, we get an estimate of .9304. This disparity is caused by school groups surveyed for ArtPrize from the outlying suburbs. We use only the definition of non-local to Grand Rapids to develop our economic impact estimates. Using the narrow definition of “local,” adjusting for .2694 children per adult, we estimate 102,594 people in attendance. The survey also found that half the attendees came from outside Grand Rapids, suggesting approximately between 51,300–78,000 non-local visitors.³

Economic Impact Estimates

As is common in economic impact studies, we assume that only spending by non-locals has an added economic impact on the Grand Rapids area economy.⁴ Graph 1 presents per visitor spending for the six categories of spending included in the survey.

Graph 1: Estimates of Direct Spending



¹ For example, the Bureau of Economic Analysis estimates the Grand Rapids–Wyoming GDP in 2008 (the most recent year for which estimates are available) was \$33 Billion.

² There are several reasons to believe the survey data overestimates the percent of attendees who actually registered to vote. Thus, our estimate of number of attendees is likely an underestimate.

³ It is important to distinguish between “visitors” and “visitor-days.” Non-local attendees, according to the survey, stayed, on average, 1.83 days. Thus “visitor-days” by non-locals totaled between 93,879 and 142,755.

⁴ The idea is that locals would have spent money in the area even in the absence of ArtPrize. This makes for a conservative estimate of the true economic impact as “locals” likely spent more than they would have otherwise and some locals who might have traveled outside of Grand Rapids stayed locally to experience ArtPrize.

This direct spending has “multiplier effects”—additional spending generated by the initial spending of ArtPrize attendees—which makes the total economic impact larger than just the initial spending. To account for these multiplier effects, we use the “Regional Input-Output Modeling System” (RIMS) multipliers developed by the Bureau of Economic Analysis (www.bea.gov). Table 1 presents direct spending and total economic impact estimates (including multiplier effects) of ArtPrize 2010 under alternative estimates of total attendance.

Conclusion

We have two estimates for the total economic impact of ArtPrize, ranging from \$3,811,929.09 to \$8,139,204.64. This is a wide range for several reasons. Chiefly, it concerns whom we consider local and non-local, both in terms of our survey and in terms of economic impact. Regardless of how we define locals and non-locals, our estimates are conservative for

several reasons. First, our estimate of number of visitors is likely biased downward. Second, we have assumed that local spending has no economic impact. Finally, the survey was conducted only during official ArtPrize hours of operation. Anecdotal evidence suggests that ArtPrize exhibits attracted many visitors to Grand Rapids prior to the official start of the event. Moreover, many ArtPrize venues were open (and crowded) during non-official hours during the weeks of ArtPrize.

As this was the first year a survey of ArtPrize attendees was conducted, we discovered several limitations to the survey. We recommend conducting another, more reliable study of ArtPrize 2011 to confirm or disprove our assessment of economic impact, but do not consider it likely that the data will change so dramatically as to alter our conclusions. ■

Table 1: Direct Spending and Total Economic Impact Estimates

Spending Categories	Average Visitor Spending	Estimating attendance at 51,605 non-locals	Estimating attendance at 110,186
Lodging	\$ 15.35	\$1,358,383.03	\$2,900,410.05
Meals	\$ 26.35	\$2,451,830.15	\$5,235,130.79
Retail Shopping	\$ 7.70	\$228,048.70	\$486,928.01
Tourism	\$ 1.95	\$182,774.87	\$390,259.64
Transportation	\$11.62	\$223,997.78	\$478,278.51
Other Spending	\$1.33	\$39,454.59	\$84,243.16
Total Spending		\$4,484,489.12	\$9,575,250.16
Less non-ArtPrize attendees		\$(560,561.14)	\$(1,196,906.27)
Less Transportation Margin		\$(111,998.89)	\$(239,139.26)
Total Adjusted Spending		\$3,811,929.09	\$8,139,204.64