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Economic Impact Study: Downtown Market Grand Rapids

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ECONOMIC IMPACT STUDY:
DOWNTOWN MARKET GRAND RAPIDS

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Report Highlights

- The Downtown Market Grand Rapids causes $31 million in economic activity
- Of the $31 million in economic activity, $19.5M is generated by tenants within the Market
- Visitors whose primary purpose was a trip to the Market generated $10.9 million in economic impact by their spending outside of the Market
- Approximately 961,000 visitors, annually
- 330 jobs created through the economic activity caused by the Market

Downtown Market Grand Rapids Background

The Downtown Market Grand Rapids (the Market) is a $30 million mixed-use facility focused on the production and distribution of local foods. The facility houses over 20 different vendors, two full-service restaurants, an outdoor venue pavilion, a rentable incubator kitchen, rooftop greenhouses, special event spaces and a kid-friendly demonstration kitchen.

In September 2018, the Market celebrated its fifth anniversary. In those five years, the Market has launched 85 businesses and counseled over 450 businesses.

In addition to these services, the Market facility rental program hosted over 400 events in 2018.

Per Doug Small, president of Experience Grand Rapids, the Market was a big factor in the New York Times' designation of Grand Rapids as one of the best places to visit in 2016[1].

Purpose of study

This study focuses on the economic impact of the Market from four perspectives:

1. Visitors who traveled for the express purpose of visiting the Market
2. Visitors who visited the Market while already in Grand Rapids
3. Tenant activity within the Market
4. The Market's impact on local business revenue and job creation

[1] News release February 23, 2018

Economic impact study approach

In calculating the economic impact of the Market, data was collected to determine visitor count, how many days visitors visited, and how much each visitor spent. An intercept survey (see Appendix) provided this data on spending, visitor origins, and days visited. The intercept survey was administered at random times throughout the week from May 2018 to July 2018 resulting in approximately 135 hours and 34 days of surveying. The Market is an open space, meaning visitors do not have pay to enter the Market. Open venues make it difficult to accurately count visitors, thus the survey team used systematic sampling at designated entry/exit locations within the Market.

During the sampling period, 1,645 interviews were requested with 573 surveys completed (35% response rate). This response rate exceeds the target of 384 completed surveys, with a 95% confidence interval, and a 5% margin of error.

To complement the visitor survey data, the Market also provided their own spending associated with hosting, organizing, and maintaining the Market. Finally, the Market provided the revenue figures of all Market tenants.

In addition to spending data from visitors and the Market, 13 local businesses were surveyed on the impact the Market may have on revenue and job creation.

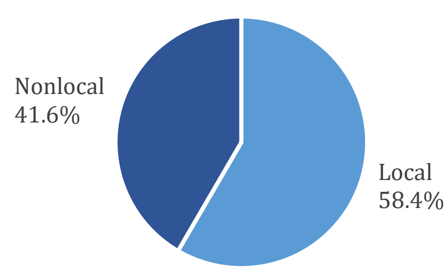
In calculating the economic impact of the Market, the Regional-Input-Output Modeling System(RIMS II) is used. The RIMS method focuses on economic impact at the county level, in this case Kent County. The downside to this approach is that the Market is in downtown Grand Rapids, yet Kent County has an area of 872 square miles. To more precisely measure the economic impact of visitors to the Market, visitors are categorized in two ways: those who state that the Market was their primary reason for visiting Grand Rapids/Kent County, and those visitors who are in Grand Rapids for other reasons and visit the Market. Making this distinction allows us to identify precisely how much spending is generated by the Market as new money coming into Grand Rapids/Kent County.

Determining who is a 'visitor'

The economic impact of the Market is based on spending that occurred specifically because of the Market or spending supported by the Market. To accomplish this, survey respondents are categorized into three groups:[1]

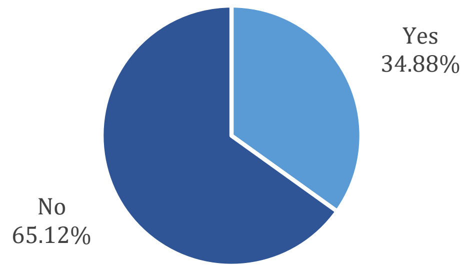
> **Non-Local Visitors:** Spending by non-local visitors is the key driver in economic impact studies. These visitors' primary residence must be outside the defined economic region (Kent County) and the primary reason for their visit must be the Market.
>
> **Local Visitors:** Spending by Kent County residents—local visitors--is not generally counted in the economic impact because the spending would have happened regardless of the Market. All survey forms ask for zip codes, which identifies the local residents. Local residents are included if they claim their *primary* reason for being in Grand Rapids was the Market. As shown in Figure 1, 58.4% of all visitors were local.
>
> **Casual Visitors:** These visitors were already in Kent County (Grand Rapids) for other reasons (family outing, relatives, business, etc). Generally, the spending of these visitors cannot be included in the economic impact because they were already in town and it is likely they would have spent the money regardless of the Market. The economic survey asks the question: "Is the Downtown Market your primary reason for visiting Grand Rapids today?" This allows us to identify the casual visitors. This method does have a drawback, as it will cause us to miss some spending by individuals who, while not visiting Grand Rapids specifically for the Market, ended up spending more than they would have because of the Market. Therefore, these visitors will be included in the economic impact *supported* by the Market. As shown in Figure 2, 65.12% of visitors were in Grand Rapids for other reasons.

Figure 1: Type of visitor – all respondents



[1] Crompton, J. L., Lee, S., & Shuster, T. J. (2001). A Guide for Undertaking Economic Impact Studies: The Springfest Example. *Journal of Travel Research, 40*(1), 79-87. doi:10.1177/004728750104000110

Figure 2: Was the market your primary reason for visiting Grand Rapids today?



Estimating the number of visitors and visitor days

To measure the economic impact of the Market we need an accurate count of the visitors during 2018. The open format of the Market creates challenges for estimation of attendance. Visitors enjoy the Market without paying an admission price. Hence, it is not possible to verify the total attendance by admission tickets or a turnstile count. However, the Market did provide estimated total visitor counts for 2017[1]. Using this data and the survey results, we estimate that 561,224 visitors to the Market came from Kent County (local) and 399,776 visitors traveled to the Market from outside Kent County (Table 1a).

Table 1a: Total visitor count

Local visitors	561,224	58.4%
Nonlocal visitors	399,776	41.6%
Total visitors	961,000	

The survey asked respondents if their primary reason for visiting Grand Rapids was the Market. The survey results show that 34.5% of *local* visitors came to Grand Rapids primarily for the Market and 35.3% of *nonlocal* visitors came to Grand Rapids primarily for the Market (see Table 1b). It is these visitors that will be used to determine the economic impact *caused* by the Market.

Table 1b: Total visitors who visited Grand Rapids primarily for the Market

	Primary visitors
Local visitors	193,622
Nonlocal visitors	141,121
Total	334,743

[1] Based on door counters are each market entrance

The economic impact *supported* by the Market is determined by the number of casual visitors. Table 1c shows the number of these visitors.

Table 1c: Total visitors who visited Grand Rapids for other reasons

	Casual visitors
Local visitors	367,602
Nonlocal visitors	258,655
Total	626,257

Per the survey results, local visitors visited only for one day, thus total visitor days for locals is 193,622. However, of the nonlocal visitors, 8,608 (6.1%) stayed for, on average, 2.4 days. These visitors could have stayed at a hotel, with family, or had other lodging arrangements. The remaining nonlocal visitors, 132,513, visited for one day. Combining local and nonlocal visits, we estimate a total of 346,795 visitor days (Table 2a).

Table 2a: Visitor days for primary visitors

	visitor days
Local visitors	193,622
Nonlocal visitors	153,173
Total	346,795

The local casual visitors indicated that they visited Grand Rapids for the day. Of the 258,655 nonlocal causal visitors, 55,094 (21.3%) stayed on average 2.06 days. The remaining 203,562 visitors visited for one day. Combining local and nonlocal casual visitors, we estimate a total of 684,656 visitor days (Table 2b).

Table 2b: Visitor days for casual visitors

	visitor days
Local visitors	367,602
Nonlocal visitors	317,054
Total	684,656

Economic impact

As noted earlier, the economic impact is based on economic activity *caused* by the market and economic activity *supported* by the market. The economic activity caused by the market is based on spending by visitors who indicated the Market was their primary reason for visiting (primary visitor). The economic activity supported by the market is based on spending data by those who were in Grand Rapids for other reasons (casual visitor).

All survey respondents were asked how much their party expected to spend on meals, shopping, lodging, transportation, and other. Average spending per person for all visitors was $38.69. For primary visitors it was $23.37 and for casual visitors it was $47.00 (Table 3a).

Table 3a: Average spending per person based on visitor type

All visitors	$38.69
Primary visitors	$23.37
Casual visitors	$47.00

Economic impact caused by the Market:

The economic impact caused by the Market focuses on spending by those who stated the Market was their primary reason for visiting Grand Rapids. The local primary visitors spent on average $18.76 per person. The spending distribution is outlined in Table 3b.

Table 3b: Local primary visitor spending per person

Meals	$11.62
Shopping	$4.86
Lodging	$0.00
Transportation	$1.48
Other	$.80
Total	$18.76

The nonlocal primary visitor spending is based on how many days this visitor stayed in Grand Rapids. Nonlocal visitors that stayed for one day spent on average $24.11 while those that stayed more than one day spent on average $42.10 per day. The spending distribution is outlined in Table 3c. It should be noted that the lodging data in Table 3c is based on per person per day, not cost per night.

Table 3c: Nonlocal primary visitor based on visit type

	Primary-Overnight	Primary-Daily
Meals	$15.25	$11.18
Shopping	$1.70	$9.33
Lodging	$23.40	$0.00
Transportation	$0.95	$3.08
Other	$0.80	$0.52
Total	$42.10	$24.11

The initial spending by visitors is referred to as direct spending. The direct spending is calculated as the product of the visitor spending (Table 3b and 3c) and total visitor days (Table 2a). It should be noted that the 'Shopping' and 'Other' categories do include retail pricing and therefore are adjusted for retail margins. That is, retail prices will include the cost of manufacturing, the majority of which occurs outside the defined economic region. The estimated economic impact of visitor spending should not include these costs. We assume a 50% retail margin when calculating these two categories.

Table 4: Direct spending from all primary visitors

	All primary visitors
Meals	$4,046,448
Shopping	$1,106,234
Lodging	$483,446
Transportation	$714,327
Other	$240,332
Totals	$6,590,788

Direct spending by all primary visitors is $6.6M with approximately 52% of that coming from people outside of Kent County. This direct spending by visitors leads to indirect and induced spending. For example, a visitor to Grand Rapids purchases from local retail stores (direct spending). These retail stores must then purchase more supplies from local distributors (indirect spending). Retail store owners and employees receive more income from the spending of visitors and they spend some of that greater income in the local area (induced spending). The dollar amount and effect on employment of indirect and induced spending can be estimated using the Regional-Input-Output Modeling System (RIMS II) multipliers developed by the U.S. Department of

Commerce's Bureau of Economic Analysis.[1] The RIMS II multipliers measure total economic activity in three ways[2]:

> **Gross Output:** The sum of intermediate inputs and the value they add to the final good or service. The intermediate inputs are the resources used in the production of final goods and services.
>
> **Earnings:** This measures the increase in wages, salaries, and proprietors' income as a result of the initial change in demand (direct spending).
>
> **Employment:** The increase in jobs (full-time and part-time) for every $1 million change in demand (direct spending). This measurement does not distinguish between full-time and part-time employees.

Using this RIMS II model, the total impact of nonlocal visitors to the Market can be calculated (Table 5).

Table 5: Total economic impact of all primary visitors

Direct Spending	$6.6M
Indirect and Induced Spending	$4.3M
Total Output	$10.9M
Total Earnings	$2.8M
Total Employment	100

Economic impact supported by the Market:

The economic impact supported by the Market focuses on spending by those who stated the Market was *not* their primary reason for visiting Grand Rapids. These are referred to as casual visitors. Per Table 1c, there were 626,257 casual visitors to the Market, with 41.3% of those visitors coming from outside Kent County.

The local casual visitor spent on average $21.27 per person per day. The spending distribution is outlined in Table 6a.

[1] Please note that the BEA does not endorse any estimates or conclusions concerning the study presented here.

[2] Bess, Rebecca. "Input-Output Models for Impact Analysis: Suggestions for…" *Bureau of Economic Analysis.* N.p., 23 Mar. 2011 Web.

Table 6a: Local casual visitor spending per person

Meals	$13.42
Shopping	$5.97
Lodging	$0.00
Transportation	$1.18
Other	$.70
Total	$21.27

The nonlocal casual visitor spending is based on how many days spent in Grand Rapids. The nonlocal casual visitor staying one day spent on average $34.65 while those staying more than one day spent on average $117.94 per day. The spending distribution is outlined in Table 6b. It should be noted that the lodging data in Table 6b is based on per person per day, not cost per night. Table 6c presents the overall economic impact of all casual visitors.

Table 6b: Nonlocal casual visitor based on visit type

	Casual-Overnight	Casual Day Visit
Meals	$32.74	$21.72
Shopping	$16.96	$8.43
Lodging	$63.16	$0.00
Transportation	$5.00	$3.65
Other	$0.08	$0.85
Total	$117.94	$34.65

Table 6c: Total economic impact of all casual visitors

Direct Spending	$33.4M
Indirect and Induced Spending	$20.4M
Total Output	$53.8M
Total Earnings	$13.7M
Total Employment	435

Market tenant impact

There were 23 active tenants in 2017 (three closed in 2018). During August 2018, an online survey was sent to each Market tenant. The businesses were surveyed on employee count, year established, and the Market's influence on their business decision to locate within the venue. The Market also supplied 2017 revenue figures for the 23 tenants. which include active tenants and tenants that have since moved or closed. In addition, a few tenants did not provide job information. Therefore the jobs were estimated using the RIMS II economic model.

Based on the responses to the survey and the revenue figures provided, we estimate $11.7M in direct spending occurs within the market. This spending generates $21.3M in additional output and supports 251 jobs (Table 7).

Table 7: Jobs and output from tenants within the Downtown Market Grand Rapids

Direct Spending	$11.7M
Indirect and Induced Spending	$7.7M
Total Output	$19.5M
Total Employment	222

Downtown Market Grand Rapids spending

In addition to visitors that come to visit the Market, the venue itself generates spending. This includes costs associated with the production of exhibits, building maintenance, and salaries of workers. To determine economic impact, we only use the amount that was spent within Kent County. The economic impact of the Market's spending is presented in Table 9.

Table 9: Economic impact of Downtown Market Grand Rapids spending

	New spending	Output	Earnings	Jobs
Grand Rapids Downtown Market	$418,482	$729,507	$200,188	8

Conclusion

The Downtown Market Grand Rapids plays an important role in the Kent County economy. The economic impact can be viewed from multiple perspectives. If the focus is on the impact caused by the Market, the result is $18.7M in new spending with 52% of that spending coming from nonlocal visitors. Approximately $11.7M of this new spending occurs within the Market and the local business community. Table 10 summarizes the economic impact of the Market.

Table 10: Summary of Economic impact

	New Spending	Output Generated	Jobs
Primary visitors	$6.6M	$10.9M	100
Market tenants	$11.7M	$19.5M	222
Market spending	$418.5k	$730.0k	8
Total	$18.7M	$31.0M	330

Using primary visitors as the only means of economic impact does ignore the casual visitors who were in Grand Rapids for other reasons, and also spent money at the Market. This economic activity is not caused by the Market; it is supported by the Market. This money may not have been spent if it weren't for the Market. For an example, a visitor to Founders Brewing Company may stop at the Market to buy bread on the way home. The visitor was in Grand Rapids for other reasons, however ended up spending more at the Market.

If we include casual visitors into the overall economic impact, then the result is $85.0M in total output supporting 764 jobs. This figure should be used with caution as it is unknown how much of the money would have been spent regardless of the Market. That is, we do not know how much of this is 'new' money.

It should be noted that this economic impact does not address any long-term economic or cultural impacts. Nor does it address the economic impact of repeat visitors who return to Kent County because of their positive experience at the Market. In addition, the Downtown Market Grand Rapids is a destination that adds to the number of possibilities a visitor can enjoy when visiting the Grand Rapids area.

Appendix A: Intercept survey

Grand Valley State University is conducting research on behalf of Downtown Market Grand Rapids. Participation is voluntary. Please take a moment to fill out this survey.

1. What is your zip code? _______________

2. Are you or do you have a family member employed by Downtown Market Grand Rapids?
   □ No (Continue) □ Yes (Stop here and submit survey)

3. Are you 18 or over? □ Yes (Continue) □ No (Stop here and submit survey)

4. Is the Downtown Market your primary reason for visiting Grand Rapids today?
   □ Yes □ No

5. Is this your first visit to the Grand Rapids Downtown Market? □ Yes □ No

6. What is the primary reason you are visiting the Grand Rapids Downtown Market today? (Choose 1)
   □ Dining □ Shopping □ Cooking Class □ Private Meeting or reception □ Downtown Market Special event □ Other: ________________________________

7. How many in your party: Adults: _________ Children: _________

   Will you/did you stay overnight in a hotel because of this visit to Grand Rapids?
   □ Yes □ No If yes, how many nights? ____

8. As a result of today's visit, how much will your party expect to spend in the Grand Rapids area (**Excluding** what you spend at the Grand Rapids Downtown Market):

   $___________ Meals (including alcohol) $___________ Shopping

   $___________ Lodging $___________ Other

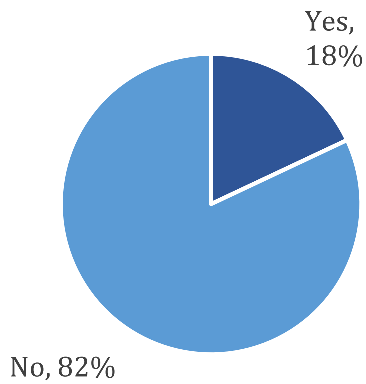
   $___________ Transportation (gas, parking, uber, taxi, bus)

9. Gender: □ Male □ Female □ ______________________________

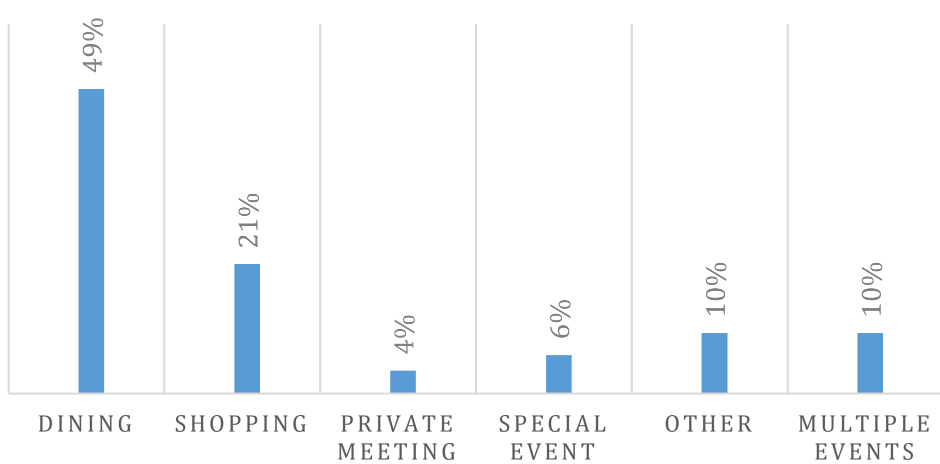
10. Age: _________

Appendix B: Visitor information

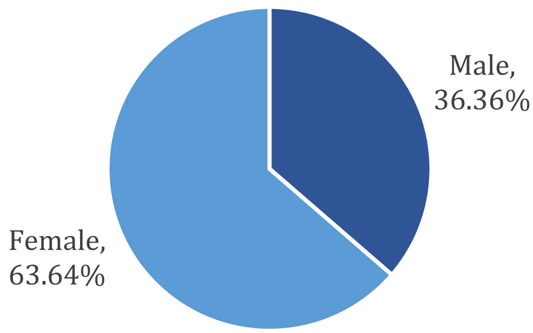
Graph B1: Is this your first visit to the Grand Rapids Downtown Market?



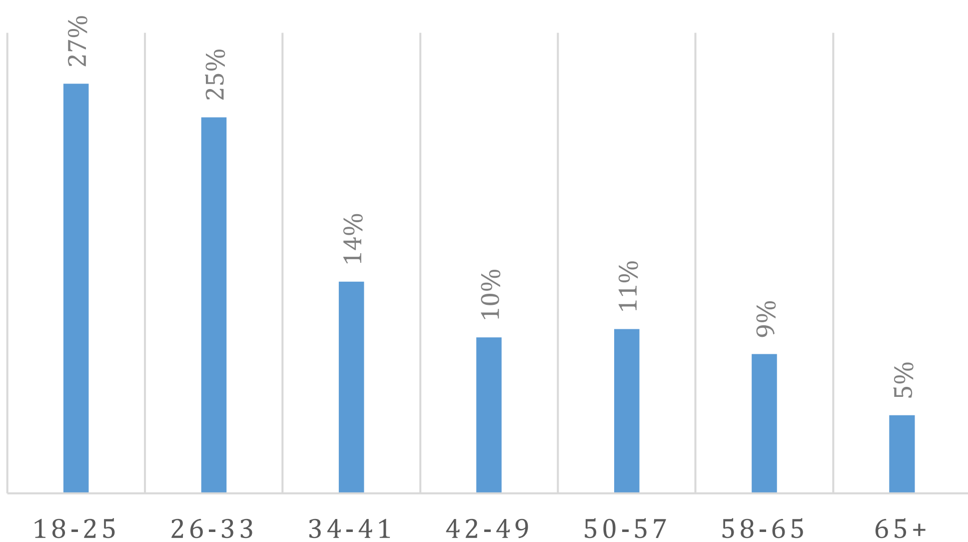
Graph B2: What is the primary reason you are visiting the Grand Rapids Downtown Market today?



Graph B3: Gender



Graph B4: Age



Appendix C: Technical Data

Visitor count (Table 1a)

Visitors to the market (provided by the Market)	961,000
% of visitors from Kent County (per survey)	58.40%
Local visitors	**561,224**
% of visitors from outside Kent County (per survey)	41.60%
Nonlocal visitors	**399,776**

Type of visitor (Table 1b and 1c)

Local visitors	561,224
% of visitors who visited primarily for the Market (primary)	34.50%
Total local primary visitors	**193,622**

% of visitors who were in Grand Rapids for other reasons (casual visitors)	65.5%
Total local casual visitors	**367,602**

Nonlocal visitors	399,776
% of visitors who visited primarily for the Market (primary)	35.3
Total nonlocal primary visitors	**141,121**

% of visitors who were in Grand Rapids for other reasons (casual visitors)	64.7%
Total nonlocal casual visitors	**258,655**

Visitor Days: Primary visitor (Table 2a)

Local primary visitors	193,622
Number of visits per day	1
Total local primary visitor days	**193,622**

Nonlocal primary visitors	141,121
% of nonlocal primary visitors who stayed overnight	6.1%
Nonlocal primary overnight visitors	8,608
Average number of nights	2.4
Total nonlocal primary visitor days (overnight)	20,660

% of nonlocal visitors who stayed one day	93.9%
Nonlocal primary overnight visitors	132,513
Number of visits per day	1
Total nonlocal primary visitor days (one day)	132,513

Total nonlocal primary visitor days (all)	**153,173**

Visitor Days: Casual visitor (Table 2b)

Local casual visitors	367,602
Number of visits per day	1
Total local casual visitor days	**367,602**

Nonlocal casual visitors	258,655
% of nonlocal casual visitors who stayed overnight	21.3%
Nonlocal casual overnight visitors	55,094
Average number of nights	2.06
Total nonlocal casual visitor days (overnight)	113,493

% of nonlocal casual visitors who stayed one day	78.7%
Nonlocal casual overnight visitors	203,562
Number of visits per day	1
Total nonlocal casual visitor days (one day)	203,562

Total nonlocal casual visitor days (all)	**317,504**