



Front Street, Lahaina Halloween Festival
Economic Impact Report for
2007, 2008 & 2009

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Economic Impact Analysis Overview

The Halloween Festival on Front Street in Lahaina, Maui provides a significant economic impact to Maui and the state of Hawaii's economy. This type of service may be classified as an experiential service—customers largely purchase these services due to the value of the experiences they provide.

To assess the economic impact analysis that the Halloween Festival has on the host city or host county, an input-output model¹ was used.

To measure the impact of the Halloween Festival on Front Street, data was collected then combined with specific information on the characteristics of a local economy. Because spending by individuals from outside the region provides “new” money to the local economy, data on the attendees' place of residence is important to economic impact analysis.

These new or outside dollars generate additional multiplier effects as local businesses purchase inputs and pay wages or salaries, employees spend earnings, and governments collect taxes. Once estimates of the types and amounts of attendee expenditures are calculated, these numbers can be entered into an input-output (IO) model of the regional economy to estimate economic impacts.

Total impacts equal the sum of direct, indirect and induced impacts. Output, value added, labor income, indirect taxes and employment represent different measures of economic activity and cannot be added together.

In contrast, spending by local or resident attendees within a regional economy does not necessarily constitute a change in total spending within the region.

Local residents' spending is generally not included in economic impact studies under the presumption that local expenditures merely represent a redistribution of existing money already within the community itself. One example is that, a dollar spent by a local resident of Maui at the Halloween Festival on Front Street is simply a dollar that would have been spent somewhere else in the local economy and therefore local spending during the event is simply transferring the money from one event to another.

¹ The Nordic Model is a research method that determines the economic impact of tourism. The Nordic Model depicts the impact of tourism on a local economy. The input-output model and its variations are, internationally, the most popular analysis techniques in economic studies on tourism (Archer & Fletcher, 1996; Fletcher, 1989; Johnson et al., 1989). In comparison, the Nordic tourism income model is more flexible, easier to apply, and covers the whole tourism income-receiving industry (Paajanen, 1993, 1994). The model is accurate at local and regional levels and not dependent on heavy statistical data. The Nordic Model is based on tourism income that is inclusive of volume and allocation of tourism sales, employment, and purchase considerations. Also, the Nordic Model is best applied to regional events when data collection is a challenge, considering the time and expenses involved in obtaining the data (Rinne & Saastamoinen, 2005). Considering the nature of the sample for this study and the relative size, the Nordic Model provided an acceptable assessment for calculating the direct impacts of tourism income.

To event organizers, the total expenditure of all customers is the crucial financial statistic, but in a tourism context the expenditure of visitors to the area is much more important than total revenue.

The money which is spent by the tourist in area shops, hotels, and restaurants has much more widespread economic impact than the money that the tourist spent at the event.

The official definition of a “tourist”, according to the U.S. Department of Commerce, is one who has traveled 100 miles or farther and who stayed overnight at the destination. For this study the researcher determined that a Halloween Festival visitor is a person who is not a resident of the West side of Maui area, traveled specifically to the area for the Halloween Festival and stayed overnight in a hotel.

Due to the fact that this event is an open event (meaning that there was no entrance gate or admission ticket that had to be presented) determining the exact number of people attending the festival is a difficult task.

With the increased popularity of Maui’s Halloween Festival and the time of the year, late October, through the use of the media (newspapers, etc.) it was determined that 25,000 people viewed and participated in the Halloween Festival on Front Street.

The following is the economic impact of spending by visitors for the Halloween Festival. By evaluating the hotel occupancies rates prior and after the Halloween Festival a conservative estimate is that **35%** of all hotel rooms in the Lahaina area were occupied by tourists who specifically visited the area for the Halloween event.

It is estimated that each room averaged **2.2** people with a 2 night minimum stay.

The data for this study was gained through interviewing Hotel, Restaurant and retail operators in the Lahaina area as well as through the Department of Business, Economic Development & Tourism of Hawaii.

Economic Impact (2007 - 2009)

Economic impact of the **spending (other than hotel rooms)** by Halloween Festival visitors is calculated based on the Read Formula used by DBEDT (Department of Business, Economic Development & Tourism) Hawaii.

An input-output model was also used to verify these figures.

	2007	2008	2009
Number of visitors	5201*	5366*	5264*
Average length of stay	2 days	2 days	2 days
Visitor days	10,402	10,732	10,528
Estimated spending per visitor per day	\$155	\$ 146	\$146
Gain of Direct Visitor Expenditures	\$ 1,612,310	\$ 1,566,872	\$1,537,088
Output multiplier	1.13	1.14	1.14
Sales generated by additional related expenditures	\$ 1,821,910	1,786,234	\$1,752,280
Income multiplier	.32	.32	.33
Direct, indirect and induced income generated	\$ 583,011	\$ 571,595	\$578,252
State tax multiplier	.089	.086	.086
Direct, indirect and induced tax revenue generated	\$ 51,888	\$ 49,157	\$ 49,728

*Number of Visitors 2007 - (2364 rooms) x (2.2 people per room) = 5201 visitors for the event

*Number of Visitors 2008 - (2439 rooms) x (2.2 people per room) = 5366 visitors for the event

*Number of Visitors 2009 - (2393 rooms) x (2.2 people per room) = 5264 visitors for the event

2007

In 2007 there were 3,656 hotel rooms and 3,382 condominium-hotel rooms equaling 7,038 rooms in the West side of Maui.

- The hotels were at 96% occupancy for the Halloween Festival's mid-week celebration (a two day minimum stay was required for most hotels).

$$(7038) \times (.96) = 6756 \text{ rooms occupied}$$

- It is established that 35% of the occupied hotel rooms were occupied as a direct result of the Halloween Festival.
- $(6756) \times (.35) = 2364$ rooms had minimum night stay restrictions
- $(2364) \times (2 \text{ days}) = 4728$ room nights
- $(4728) \times (\$205.84 \text{ average room rate}) = \$ 973,211$ in hotel revenue for the Halloween Festival
- With these figures, a total of \$136,247 in direct tax dollars was generated by the Halloween participants in hotels.

2008

In 2008, there were 3,590 hotel rooms and 3,906 condo-hotel rooms equaling 7,496 rooms in the West side of Maui. (There was a slight increase in the number of available rooms compared to 2007).

- The hotels were at 93% occupancy for the Halloween Festival weekend celebration (a two day minimum stay was required for most hotels).

$$(7496) \times (.93) = 6971 \text{ rooms occupied}$$

- It is established that 35% of the occupied hotel rooms were occupied as a direct result of the Halloween Festival.
- $(6971) \times (.35) = 2439$ rooms had minimum night stay restrictions
- $(2439) \times (2 \text{ days}) = 4878$ room nights

- $(4986) \times (\$207.38) = \$ 1,033,996$ in hotel spending for Halloween Festival
- With these figures, a total of \$144,759 in direct tax dollars was generated by the Halloween participants in hotels.

2009

In 2009, there were 3,590 hotel rooms and 3,906 condo-hotel rooms equaling 7,496 rooms in the West side of Maui.

- The hotels were at 91.2% occupancy for the Halloween Festival weekend celebration (a two day minimum was required for most hotels).

$(7496) \times (.91.6) = 6836$ rooms occupied

- It is established that 35% of the occupied hotel rooms were occupied as a direct result of the Halloween Festival.

- $(6836) \times (.35) = 2393$ rooms had minimum night stay restrictions
- $(2393) \times (2 \text{ days}) = 4786$ room nights
- $(4786) \times (\$178.70) = \$ 855,258$ in hotel spending for Halloween Festival

- With these figures, a total of \$119,736 in direct tax dollars was generated by the Halloween participants in hotels.

Total Impact

Total sales generated	2007 - \$2,795,121
	2008 - \$2,820,230
	2009 - \$2,607,538

Total direct, indirect and induced tax revenue generated	2007 - \$188,135
	2008 - \$193,916
	2009 - \$169,464

According to the results of this study, the highest visitor spending and taxes generated was in 2007 although there was a slight increase in the number of visitors for the 2008 Halloween Festival compared to 2007 due to the increase in the number of hotel rooms that were available.

Front Street Restaurant Sales

Restaurant sales on Front Street for the Halloween Day celebration were as follows:

- 2007 - \$390,654
- 2008 - \$319,165
- 2009 - \$283,419

There was an 18.3% decrease in sales from the 2007 Halloween event to the 2008 Halloween event. 2008 was the first year that Front Street was not closed off to vehicle traffic.

There was also a 11.2% decrease in restaurant sales from the 2008 Halloween event to the 2009 Halloween event.

While the majority of restaurants on Front Street benefit from the Halloween celebration, on average sales increasing 2.36 times for Halloween Day. Some restaurants on Front Street benefit greatly with Halloween Day resulting in their highest sales day of the year with a 400% increase in sales for Halloween compared to an average day of sales.

The data for restaurant sales was derived in two ways. First, restaurants on Front Street were cooperative enough to share their exact sales for both the Halloween dates as well as sales for an average day. Second, purveyors of products used by the restaurants were kind enough to share their sales figures and through the use of food costs and beverage costs formulas, restaurant sales were determined.

Conclusion

According to the results of this study, the Front Street Halloween Festival has had a positive economic impact on the area.

Revenue generated by tourists who specifically traveled to Maui to participate in the Halloween events are as follows:

- In 2007, \$2,795,121 in sales was generated and \$188,135 in taxes was generated.
- For 2008, \$2,820,230 in sales was generated and \$193,916 in taxes was generated.
- For 2009, \$2,607,538 in sales was generated and \$169,464 in taxes was generated

Although total revenue was slightly higher for 2008 compared to 2007, this was due to the fact that hotel revenue for 2008 was higher as a result of higher room rates and more available rooms, not due to revenue generated by increased sales of visitor spending in shops and restaurants.

Over the years, the Halloween Festival on Front Street has grown significantly. One justification for this growth is a term called “event affinity”. Event affinity occurs when a person feels a personal attachment to an event which can result in a person returning to the area, not just during the event period, in the future due to the positive experience they had encountered at the event. Tourism marketers and officials hope that sponsored events provide “event affinity” to tourists so they will return to the area as future tourists.

There are a number of restaurants on Front Street that have their highest day of sales during the Halloween Festival. In 2007, the last time that Front Street was closed for vehicle traffic, a number of food & beverage establishments’ sales were twice as much as they were for the 2008 & 2009 Halloween Day. It is believed that the closure of Front Street for the Halloween Festival increases sales for that day.

Front Street restaurant sales for the 2007 Halloween Day were \$70,000 more than in 2008 and when comparing restaurant sales for Halloween Day in 2007 to 2009, sales were down more than \$100,000 in 2009, which is quite significant.

Although there are a number of retail stores (surf wear, t-shirts, etc.) and art galleries on Front Street, the sales managers of these establishments stated that sales were not effected by the celebration. Some surf clothes company managers did state that they close their stores early on Halloween Day, but felt the increased crowd the day prior and after Halloween more than made up for sales that they may have received by closing the stores early on Halloween Day.

During the collection of the data, the researcher was told a number of times by residents, hotel, restaurant and retail employees as well as managers that with the elimination of some of the activities from the past (the adult costume contests, the musical acts and the closure of Front Street to motor vehicles,) they feel that they lost a part of the festivities and part of the community spirit.

For future research, it is recommended that visitors be surveyed to attain their exact spending patterns as well as to obtain their perceptions on the Halloween festivities and what they feel would be beneficial to the visitor experience.

We hope that this research offers important insight to the providers of the festival and that the activities can be beneficial to residents as well as tourists.