

2015

BALLOON FIESTA

Economic Impact
& Guest Research

Forward Analytics
www.forwardanalytics.com

Highlights of the Study

- In 2015, Balloon Fiesta attracted 955,700 visits. Seventy-four percent visited from outside of the Albuquerque Metro area. 65.8%, or 628,580 guest visits, were from outside of the State of New Mexico. Survey respondents represent 45 states and over a dozen countries. Out-of-area guests spent an average of 3.7 nights in the Metro-Albuquerque.
- Balloon Fiesta 2015 had a total economic impact on Metro-Albuquerque's business volume of \$177.44 million, comprising \$105.31 million in direct impact and a further \$72.13 million in indirect impact. The total economic impact is largely comprised of spending by out-of-area Balloon Fiesta guests which generated \$103.04 million in business revenues and \$5.79 million in tax revenues for the State of New Mexico; \$837,200 for Bernalillo County, and \$4.14 million for the City of Albuquerque.
- AIBF contributed an estimated \$2.27 million in direct impact to the State of New Mexico, which includes \$2.01 million to the City of Albuquerque. Their direct spending includes the purchase of goods and professional services from dozens of local businesses with money from the organization's operating budget.
- Balloon Fiesta guests (non-local) spent an additional \$2.23 million with Balloon Fiesta concessionaires, many of which are regional businesses. Guests spent an average of \$29 per person on Balloon Fiesta grounds (excluding parking and admission).
- The top attractions at Balloon Fiesta (as indicated by survey respondents) are balloon mass ascensions, balloon glows, and fireworks. Forty-three percent of guests attend three or more sessions at Balloon Fiesta. And if that's not enough, Balloon Fiesta guests come back year after year. One-third of guests have attended Balloon Fiesta for four or more years!
- Balloon Fiesta guests have high levels of satisfaction with the many aspects of Balloon Fiesta. Quality of grounds, balloon shows, and staff attitude and helpfulness rate on top.
- While 61.8% of guests attended Balloon Fiesta with family, 19.8% attended with friends and 17.8% came with *both* friends and family. The group size averaged 3.94 people of whom 3.41 were adults and .53 children.
- Fifty-three percent of all survey respondents earned an undergraduate degree or higher. Accordingly, one-half of respondents (not including students) indicated their household income to be \$80,000 and above. Forty-seven percent of guests are employed full-time while 36.8% are retirees.

I. Introduction

The tourism economy is vital to Albuquerque and the State of New Mexico. Tourism supports jobs for more than 89,000 New Mexicans with a payroll of \$4.6 billion and generates \$8.6 billion in total business sales. *Source: Tourism Economics.* Known as the “Land of Enchantment”, New Mexico is a place of beauty and diversity. It’s all-encompassing attractions include a blend of snowy rugged mountains and vast desert, Native American communities and vibrant city life, art museums and culinary delights and nature experiences.

Events like Balloon Fiesta have been recognized as one of the most important areas of the tourism industry, and they have contributed to their host communities in a number of ways: creating economic impact, enhancing the overall image of the destination, and creating community involvement. Festivals have also provided the community with the recognition of the destination. When guests have a positive experience in the host community, they will return to that destination in the future. Inherently, festivals not only generate economic activity during the scheduled days of the festival but also when visitors return to the destination.

The mission statement of Balloon Fiesta is: *To conduct the world's premier balloon event while renewing friendships and promoting camaraderie among all participants and promoting the sport of ballooning, the City of Albuquerque and the State of New Mexico, nationally and internationally.* Coincidentally, the following report finely demonstrates how well Balloon Fiesta achieves its mission.

II. Framework of the Study

The assessment of the economic impact of the Albuquerque International Balloon Fiesta (Balloon Fiesta) is a complex undertaking and the accomplishment of this task requires a systematic approach. The intent of this framework section is to acquaint the audience with the approach used.

A. Purpose of Study

Forward Analytics, Inc. was contracted by Albuquerque International Balloon Fiesta, Inc. (AIBF) to conduct audience research and to measure the economic impact of the nine-day ballooning event, October 3rd-11th. The primary goal of the research was to measure the economic impact of the 2015 Balloon Fiesta on the City of Albuquerque, Bernalillo County, and the State of New Mexico.

The Albuquerque economy depends on the revenue, employment, and income that festivals and special events bring to the City. Evaluating the impact of Balloon Fiesta is crucial to analyze the return on investment (ROI) for the citizens, event planners, sponsors, government entities and the affected communities. In addition to the standard economic impact questions, audience research was designed to measure the following:

- overall event satisfaction;
- socio-graphics and psychographics of attendees;
- attendance motivators;
- communications and marketing activities,
- additional amenities that would enhance guest appeal.

B. Methodology

The study utilized a customized survey to collect data from a random sample of Balloon Fiesta guests. Prior to the event, Forward Analytics collaborated with AIBF staff to create a 4-page survey.

Forward Analytics administered in-person interviews to 989 adult attendees (ages 18+) during 12 of the 14 events of Balloon Fiesta. The sample size represents a statistical significance of +/-3.1% margin at the 95% confidence interval. This means the results reflect the answers between 91.9% and 98.1% of the total population. Generally, a +/-5% margin of error at a 95% confidence level is considered significant for making business decisions.

The impact methodology also incorporated detailed information supplied by AIBF administration. The event planners reported back its income and expenditure levels and geo-spatial distribution (spending locally vs. non-locally).

C. The Economic Impact Model

The economic impact study measures the direct and indirect business volume and government revenues attributed to Balloon Fiesta. This impact study employs a linear cash flow methodology first developed by Cafferty & Isaacs for the American Council on Education. The Cafferty & Isaacs methodology is the most widely-used impact study tool and has been used throughout the United States in impact analyses for both profit and not-for-profit organizations, corporations, institutions and events.

The economic impact of a special event is largely a function of the spending made by the visitors. When calculating the economic impact of an event, it is necessary to know the crowd size or attendance. Through ticket sales, pass distribution and admission counts, it was determined that the attendance at 2015 Balloon Fiesta was 955,703 guest visits.

Economic impact generally measures *new money* brought into the economy by out-of-area visitors. Spending by local residents (residing in the Albuquerque Metro area) represents a redistribution of existing money in the community and is not included in this study. Survey research revealed that 26.2% of Balloon Fiesta guests reside in the Albuquerque Metro area. That said, 73.8% of Balloon Fiesta guests spent "new dollars" and impact the local economy as outlined further in this report.

The linear cash flow model that we use in this study takes into account the re-spending of money within the economy as a result of what professional economists term "the multiplier effect." The multiplier effect measures the indirect impact, or the circulation of dollars originally attributable to Balloon Fiesta, and tracks their spending by successive recipients until the funds eventually leak out of the economy. The sum of these direct and indirect expenditures represents the total impact of Balloon Fiesta on the local business volume.

In summary, the economic reporting utilizes survey research to measure direct impact, or business volume, generated by two sectors: a) Balloon Fiesta guests and b) event planners. The direct impact, or the direct business revenue, of Balloon Fiesta guests generated government revenues for the City and State. Event-related taxes are calculated herein.

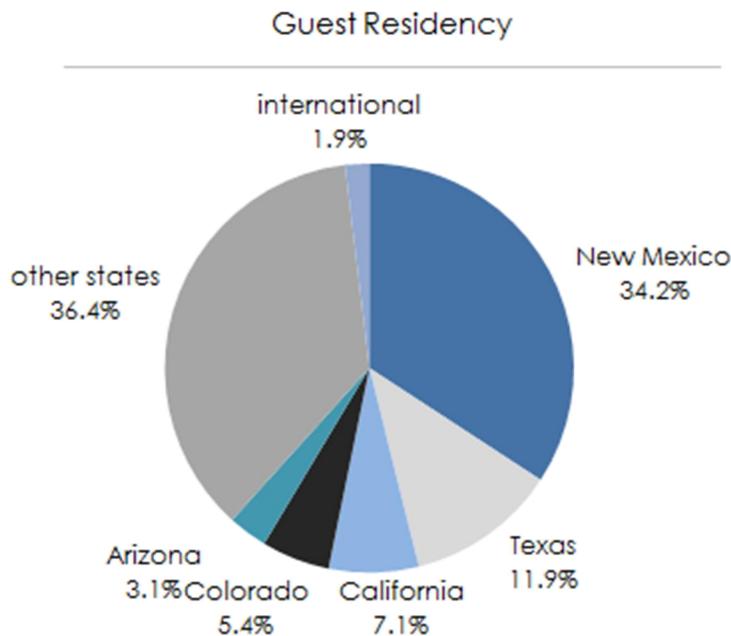
III. Research Findings

2015 Balloon Fiesta in its entirety spanned nine days with 14 sessions of ballooning activities providing an unforgettable experience for both participants and spectators. It's the world's largest gathering of hot air balloons, and you literally stand amongst them all in a field, inflating, flying into the sky (you can ride them, too) day after day after day.

Balloon Fiesta is a showcase for the region. Certainly, the awe and excitement from the annual event will be exploited to further attract tourists to Albuquerque and beyond. But knowing demographics and travel motivations is essential for successful tourism planning and destination management.

A. Demographics and Attendance Information

2015 Balloon Fiesta reached an astounding attendance of 955,703 guest visits. As previously indicated, 26.2% of guests reside in the Albuquerque Metro area. A momentous 65.8% of survey respondents reside outside of New Mexico and traveled to Albuquerque to experience the largest ballooning event on earth. Sixty-two percent of guests reside in five states: New Mexico, Texas, California, Colorado, and Arizona. Out-of-area guests spent an average of 3.7 nights in the Metro-Albuquerque.

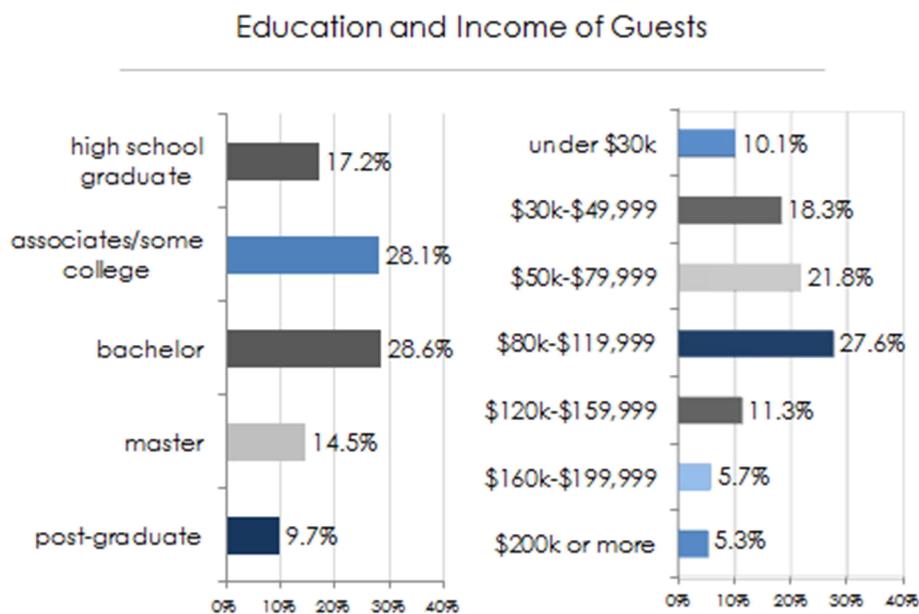


While many guests boast attending Balloon Fiesta since its inception in 1972, 54.5% experienced it for the first time in 2015. One-fourth of guests attended 5 or more years. The majority of guests enjoy Balloon Fiesta with their family (61.8%); 19.8% with friends, and 17.8% with both friends and family. The group size averaged 3.94 people, of whom

3.41 were adults and .53 were children. The majority of Balloon Fiesta guests are married (66.5%) or partnered (4.8%) while 18.0% have never been married.

The gender of survey respondents is 77% female and 23.0% male. Survey respondents indicate their ethnic or cultural background as 70.7% Caucasian/white; 20.8% Hispanic; 4.8% Native American; 2.6% Asian, and 1.1% African American.

Balloon Fiesta guests tend to be well educated- 28.6% have a bachelor degree, 14.5% master degree, and 9.7% have attained a post-graduate degree. One-half of guests report having an annual household income above \$80,000. Forty-five percent of respondents describe their working status as employed full-time. Retirees make up 36.8% of guests.

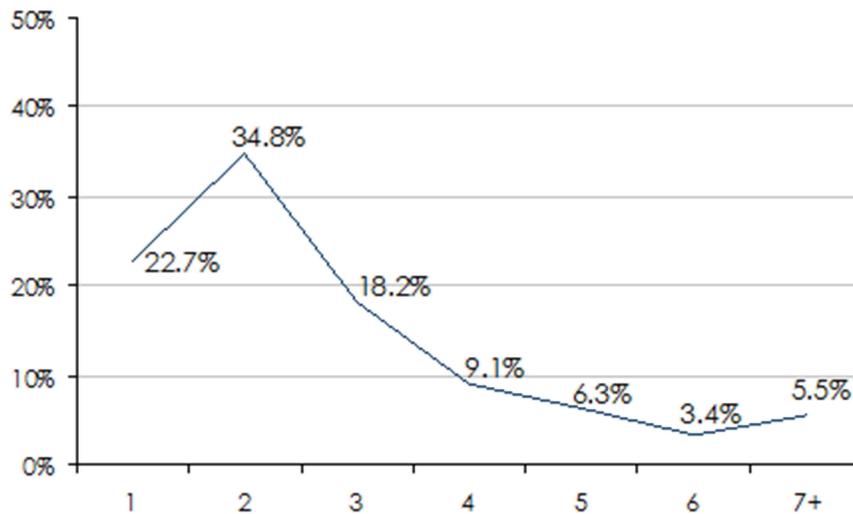


Why do people attend Balloon Fiesta and how often do they visit? While the nine days of Balloon Fiesta is filled with a variety of ballooning events and sky shows, there's also a smorgasbord of food vendors, shopping, children's activities, and more. Survey respondents were asked the rate the importance of these various attractions on a scale of 1-10, where 1=very important and 10=not important. Balloon mass ascensions and balloon glows are rated top attractions. The following graph lists each attraction in order of importance. The percentage is the sum of respondents rating each attraction most important, rating a 1-3.

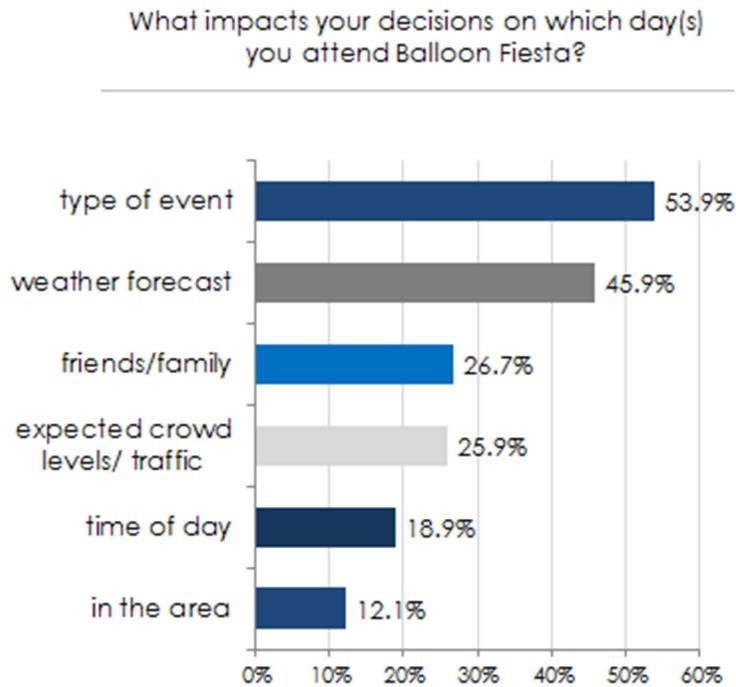
Balloon Fiesta Attraction	Importance Rating
Balloon mass ascensions	97.2%
Balloon glows	91.0%
Fireworks	60.2%
Food	54.0%
Laser Show	45.4%
Balloon flying competitions	45.3%
Main Street Shopping	43.9%
Parabatix Flying	33.1%
Balloon Discovery Center	30.0%
Demonstrations	29.0%
Exhibits	28.4%
Concerts	26.5%
KidZone activities	23.6%
Memorial Brick Walkway	21.7%

The unique layering of activities at Balloon Fiesta grounds captured the majority of visitors (77.3%) for 2+ sessions, with 15.2% attending 5+ sessions. The average number of events attended is 2.8.

How many sessions do you plan to attend during your visit to Balloon Fiesta this year?



How do guests choose which day(s) to attend Balloon Fiesta? Type of event (53.9%) and weather forecast (45.9%) have the greatest impact on which days to attend. Friends and family (26.9%) and expected crowd levels (25.9%) also influence attendance for more than one-fourth of the guests.

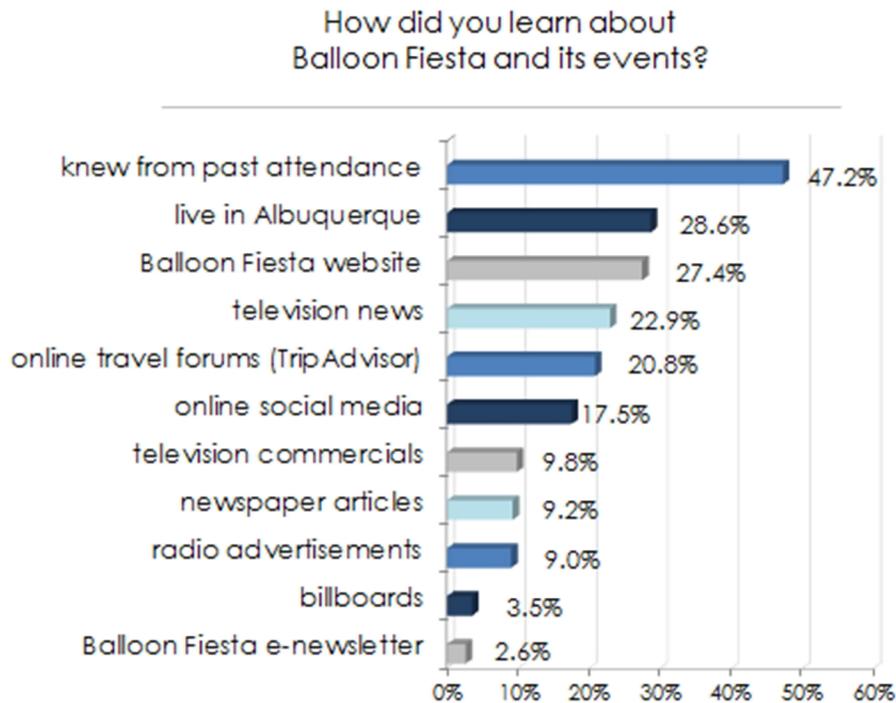


Guests have high levels of satisfaction with the many aspects of Balloon Fiesta. Certainly the masses love the balloon shows, but the quality of grounds, attitude of staff and family attractions also rate on top. The below chart illustrates the percentage of respondents rating *their satisfaction* as 8, 9, or 10 on a scale of 1 to 10, or highly satisfied, for each feature of Balloon Fiesta.

Satisfaction Ratings

- 98.3% - quality of Balloon Fiesta grounds
- 97.8% - balloon shows
- 93.1% - attitude and helpfulness of staff
- 83.8% - family attractions
- 77.9% - website
- 77.4% - information/signage inside
- 75.8% - quality and selection of food
- 74.7% - laser light show
- 73.7% - interesting/fun exhibits
- 73.6% - Information/signage outside
- 69.2% - live entertainment/concert

Despite the rise in social media and ease in availability of other electronic media, 'word of mouth' prevails as the top promotional tool for Balloon Fiesta- just as in the previous years. The data shows an increase in the use of social media with room to grow. Twenty-one percent of survey respondents utilized online travel forums (TripAdvisor) and 17.5% utilized other online social media tools to learn about Balloon Fiesta.

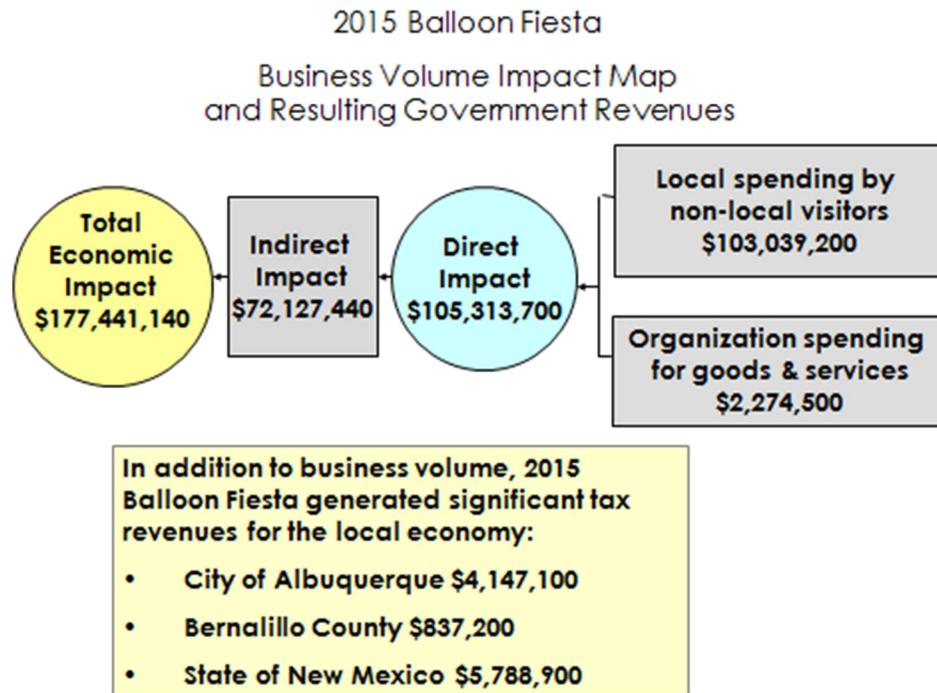


Now, to keep people informed of the on-going events and news, Balloon Fiesta offers a custom-built, easy to use app providing directions to Balloon Fiesta Park, parking maps, Park and Ride information, a concessionaire locator, things that are happening on the field, information on the countless balloons, etc. This year, 18.6% of survey respondents loaded the official Balloon Fiesta app, while 5.2% loaded KOAT's app. The majority of users were very satisfied (32.4%) or satisfied (51.5%) with the official Balloon Fiesta app.

Balloon Fiesta takes a proactive role in traffic management by promoting transportation, or Park 'N Ride. Thirty-three percent of survey respondents used Park 'N Ride to get to the event. Of these users, 83.6% said they would do it again. Of those 16.5% who would not utilize Park 'N Ride again, 32.9% said it is *no more convenient than driving*. And 18.3% *don't like taking buses/ shuttle/public transportation*. Another 14.2% feel it is *too expensive* 11.9% indicated that *there is no Park 'N Ride pick up location near where they live/stay*.

B. Economic Impact Findings

The total economic impact of 2015 Balloon Fiesta is estimated at \$177.44 million for the 9-day festival. Balloon Fiesta increased the business revenue by \$105.31 million in direct impact and \$72.13 million in indirect impact. Government revenues attributable to Balloon Fiesta is estimated at \$10.77 million.



1. Business Volume: The Direct and Indirect Expansion of the Local Economy Attributable to Balloon Fiesta

The direct economic impact, or “first-round” spending, of 2015 Balloon Fiesta is estimated at \$105.31 million. This figure is the sum of both visitor spending and ALBF organizational spending. Additionally, the guest’s “direct” expenditures are re-circulated in the City and County economies as recipients of this first round income re-spend a portion with other businesses in the local area. Thus, the “indirect” impact of Balloon Fiesta is estimated at \$72.13 million.

a. Spending by Balloon Fiesta Guests

The direct impact of 2015 Balloon Fiesta guests (nonlocal) is estimated at \$103.04 million, while an additional \$72.13 million is generated through the re-spending of these dollars (what is known as the multiplier effect). Balloon Fiesta guests have a total economic impact on Albuquerque’s economy of \$175.17 million.

The following chart illustrates the economic impact of non-local guests who traveled to Albuquerque to experience 2015 Balloon Fiesta. The chart provides a

breakdown of revenues generated at local restaurants, retailers, attractions, hotels, etc. in the Albuquerque Metro area. Each non-local guest spent an estimated \$146 per day attributable to Balloon Fiesta.

Balloon Fiesta Guests spending outside of Balloon Fiesta grounds	Impact Dollars
Food and drinks at restaurants, bars, etc.	\$16,384,300
Non-festival entertainment	\$10,269,300
Retail purchases	\$17,484,600
Parking outside of grounds	\$1,424,700
Gasoline	\$6,665,200
Car Rental	\$7,074,200
Misc. items and services	\$2,525,000
Overnight accommodations	\$41,211,900
Direct Impact	\$103,039,200

In addition to the direct and indirect impact outlined above (but not included in the total economic impact), Balloon Fiesta generates an extended sales channel where local and non-local vendors and businesses have an opportunity to grow their revenues. Balloon Fiesta turns out such great profits for these vendors some of whom travel across the country, year after year, to reap the marketing opportunities and financial benefits.

According to survey data, 2015 Balloon Fiesta guests (non-local) spent \$20.63 million with Fiesta artisans, merchandisers and food concessionaires, many of which are local businesses. Each guest spent an average of \$29 per person on Balloon Fiesta grounds (not including admission fees and parking).

Indirect impact is generated as these vendors spend money in the local economy for materials, booth equipment, advertising, printing, and giveaway. They spend money on food, retail, entertainment, and hotel accommodation, too.

Guest Spending on Balloon Fiesta Grounds	
Food & drinks	\$9,450,600
Retail Purchases	\$9,604,500
Misc. Items & services	\$1,574,400
Total Spending - Balloon Fiesta Grounds	\$20,629,500

b. Direct Spending by AIBF

In 2015, AIBF contributed an estimated \$2.27 million in direct impact to the State of New Mexico, which includes \$2.01 million to the City of Albuquerque. This category of economic impact includes the purchase of goods and professional services from local businesses with money from the organization's operating budget. For example, AIBF's budget includes PR and advertising, equipment rentals, utilities, entertainment and hospitality, etc.

A large portion of AIBF's operating budget is comprised of sponsor dollars, with a substantial portion coming from corporations and organizations headquartered outside of Albuquerque and Bernalillo County. The operating budget also includes admissions and parking of which 74% comes from out-of-area guests. This represents fresh dollars that, in turn, generate direct and indirect revenue for Albuquerque and its region.

2. Impact on Local Government Revenues: Revenues Received by the City of Albuquerque, Bernalillo County, and State of New Mexico Allocable to Balloon Fiesta

When an event such as Balloon Fiesta brings people and an influx of money into the area, tax revenues are generated for local and state governments. Tax revenues are paid directly by guests on purchases such as retail, food and drinks, overnight lodging, gasoline and parking. *This study only measures the government revenues generated from the direct impact of guest spending. It does not measure the government revenues generated by the indirect impact of the event, nor does it consider revenue enhancements resulting from increases in employment (i.e., income withholding and unemployment taxes).*

The State of New Mexico received an estimated \$5.79 million in tax revenue from the direct economic activity allocable to 2015 Balloon Fiesta. The City of Albuquerque gained an estimated \$4.15 million in tax revenues and Bernalillo County gained an estimated \$837,200. The government revenue impacts attributable to Balloon Fiesta comprise the following:

a. Gross Receipts Tax

As previously indicated, Balloon Fiesta guests spent an estimated \$103.04 million at restaurants, hotels, retailers, tourist attractions, etc. in the Albuquerque Metro area and beyond. The direct spending of Balloon Fiesta guests generated and estimated \$5,280,800 for the State of New Mexico, \$837,200 for Bernalillo County, and \$1,674,400 for the City of Albuquerque.

b. Lodgers Tax

Balloon Fiesta attracted a significant percentage (73.8%) of guests *who reside outside of the Albuquerque Metro area*. In fact, survey data shows that 44.5% of Balloon Fiesta guests paid for lodging. These 'tourists' generated substantial income for the hotel community and also generated lodgers tax revenues for the local government.

Measured by the average cost of accommodations and group size, Balloon Fiesta guests spent an estimated \$41.21 million with local hotel, motels, B&B's, etc., leveraging \$2.47 million in lodgers tax for Albuquerque (in addition to gross receipts tax).

c. State Gasoline Excise Tax

Tourists (nonlocal) spent an estimated \$6.67 million in gasoline while traveling to and from and throughout Albuquerque. A gasoline excise tax of \$.17 per gallon generated \$508,100 for the State of New Mexico.

3. Additional Impacts Allocable to Balloon Fiesta

The above information demonstrates that Balloon Fiesta largely increases business volume revenues in the Albuquerque Metro area *year after year*. We must acknowledge additional impacts allocable to Balloon Fiesta—employment and community service. It is within these domains that a host of monetary and social transactions take place and ripple throughout Albuquerque and the region, directly and indirectly, enriching the lives of the residents.

a. Impact on Employment: Expansion of Local Employment Attributable to the Direct and Indirect Impact of Balloon Fiesta

Many of the local economic benefits attributable to Balloon Fiesta have been highlighted already in this report. But perhaps what strikes close to home is the sheer number of local residents who rely on tourism, either directly or indirectly, for their jobs or livelihood and household income. The \$103.04 million in direct spending attributable to Balloon Fiesta generates an

additional \$55.31 million in New Mexico's employment wages¹ supporting 1,470 FTE at an annual per capita personal income of \$37,605. The impacted industries include tourism and hospitality, but also comprise other major employment sectors like construction, manufacturing, transportation and warehousing, professional, health care, etc.

b. Impactful Volunteerism

Establishing the vision and direction of an important community event, such as Balloon Fiesta, could never be accomplished without the support and participation of many volunteers. Their involvement enhanced the scale of Balloon Fiesta and enabled a multi-faceted event to effectively serve many community objectives. Undoubtedly, their heartfelt efforts enhance the social, economic, and educational impacts of the ballooning event year after year.

An overwhelming 1,100+ vibrant volunteers (whom Balloon Fiesta calls Navigators) are to be commended for all their efforts and the many hours they gave to help make 2015 Balloon Fiesta a success. Volunteers provided guest services, administrative services, balloon coordination and safety, set-up and logistics, and more in over 40 different areas. They donated an estimated 54,000 volunteer work hours.

Appraising the exact dollar amount is less critical than the notion that those who volunteered their time could have spent it in many ways but decided this event was of key importance and worth donating their time. If the total of 54,000 volunteer hours is calculated at the *government dollar value of a volunteer hour* in New Mexico (\$20.13 in 2014), an estimated \$1,087,020 is donated in time to Balloon Fiesta, the City of Albuquerque, and its residents.

¹ Forward Analytics utilizes the Gross Employment Multiplier of 1.5368 generated by United States Bureau of Economic Analysis to determine the employment wage impact.