



Destination
Analysts

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NAPA VALLEY VISITOR INDUSTRY

2018 Economic Impact Report

Research prepared for Visit Napa Valley by Destination Analysts, Inc.

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Introduction

Research Objectives

The economic analysis presented in this study is the output of a year-long research project conducted by Destination Analysts on behalf of Visit Napa Valley. During 2018, Destination Analysts conducted several studies designed to both develop a comprehensive visitor profile and estimate the economic impact of the visitor industry on Napa Valley. This research was planned and administered specifically to gather information needed for use in Destination Analysts' Travel Industry Economic Impact Model, which produces estimates of direct visitor spending in Napa Valley, tax revenues generated by tourism for Napa Valley and the number of jobs (and payroll) supported by the industry.

Methodology

Several important custom research studies were conducted to develop the data inputs needed to use the Economic Impact Model for Napa Valley. These data inputs included annual estimates of the number of visitors and the average number of days they spent in Napa Valley (for key traveler segments), as well as estimates of per-person, per-day spending in Napa Valley (in detail by type of spending). This information, along with other data such as hotel occupancy rates, industry payroll data and county tax receipts, were all used as inputs to our Economic Impact Model in order to derive the results presented in this report. The model is a standard price-quantity model used in economic measurement, with visitor spending estimated in detail from survey research and visitor volume estimated from the combined use of survey data and estimates of the existing stock of hotel rooms and occupied housing units in the county.

The five research projects Destination Analysts conducted specifically to derive

the data necessary for the Economic Impact Model are summarized following:

2018 Napa Valley Lodging Guest Survey:

Over the course of the year, 25 Napa Valley lodging properties participated in the visitor profile study by distributing a brief self-administered survey to all departing guests for two weeks each quarter. These surveys were completed by guests and returned via pre-paid mail to Destination Analysts. Additionally, this survey was administered in hotel lobbies and other visitor locations through an intercept survey. Over the course of the year, a total of 874 fully completed surveys were collected from Napa Valley hotel guests. This total includes 328 printed surveys distributed by participating hotels. The remainder were collected via the intercept survey described immediately below.

2018 Napa Valley Visitor Intercept Survey:

Over the course of the year, Destination Analysts staff used an identical questionnaire to interview a random sample of visitors at locations around Napa Valley. This survey collected data from hotel guests, day-trip visitors and visiting friends or relatives staying overnight in private Napa Valley homes (VFRs). A total of 1,524 visitors were interviewed in this effort.

2018 Survey of Napa Residents:

In addition, a supplemental telephone survey/online panel survey of Napa Valley homes was conducted at the end of the year to quantify the number of visiting friends and relatives who stayed overnight in a private home. This survey was administered to 300 randomly selected homes in Napa Valley.

The data collected in the three surveys (Lodging Guest Survey, Visitor Intercept Survey and Telephone Survey) was used to develop the destination's visitor volume estimates that were in turn used to develop an overall visitor profile. In brief, the data collected in the surveys was used (along with other secondary data) to estimate the actual volume of lodging guests and visiting friends and relatives (VFRs) who come to Napa Valley during the year. The other segments of visitors (day-trip visitors and vacation home rental visitors) were estimated using the relative incidence of lodging guests to these visitors seen in the data collected in the Visitor Intercept Survey. Using the visitor volume estimates that emerged from this process, the survey data was weighted to develop the overall visitor profile and the spending estimates used here.

2018 Survey of Napa Meeting Planners & Hoteliers

Additionally, surveys of meeting planners who had used Napa Valley for meetings in the past year and Napa Valley hoteliers were also conducted. These surveys gathered data needed to support the model's estimates of the number of jobs and the amount of overall direct spending in Napa Valley generated by the industry.

Executive Summary

Key Findings

- **Annual Visitor Volume:** Napa Valley hosted 3.85 million visitors in 2018, up 8.9 percent from 3.5 million two years ago. Day trip visitors are the single the largest component of Napa Valley's visitor volume, comprising 2.4 million visitors, or 62.3 percent of all visitors. The second largest segment of visitors are persons staying in Napa Valley lodging, at 1.2 million visitors. (Figure 4.1, Page 9)
- **Visitor Days in Napa Valley:** While Napa Valley's largest visitor segment stays only one day, many visitors stay longer. In fact, visitors to Napa Valley spent 6.9 million total person-days in the county during 2018. This suggests that, on an average day during the year, there were 18,857 visitors in Napa Valley. Approximately half (50.4%) of these visitor days were experienced by persons staying in a Napa Valley hotel or motel. In total, visitors staying in the county's commercial lodging spent 3.5 million person-days in the county during 2018. (Figure 4.2, Page 10)
- **Visitor Spending in Napa Valley:** The Napa Valley visitor industry generated \$2.23 billion in direct visitor spending inside the county in 2018. The majority of this spending came from local hotel guests. These visitors were responsible for \$1.55 billion in visitor spending, or 69.5 percent of the total. The dominant share of visitor spending accounted for by hotel guests is driven by their relatively high per-person, per-day spending of \$446. By comparison, the average day trip visitor to Napa Valley spent \$170 per-person, per-day while in the county. (Figure 4.3, Page 11)
- **Visitor Spending by Type:** Visitor spending supports many of the Napa Valley's industry segments. Visitors purchase a diverse range of items, including lodging,

food and transportation. The single largest component of visitor spending is on retail (i.e., purchases in retail establishments including wine tasting rooms), which accounted for 33.5% percent of all spending, or \$747 million, in 2018. The second largest component was the \$479 million visitors spent in Napa Valley restaurants and food services establishments. This accounted for 21.5 percent of all 2018 visitor spending in Napa Valley. Total visitor spending in hotels was approximately the same as in restaurants, accounting for \$476 million. To fully understand the importance of spending in hotels, it should be noted that hotel guests only account for 30 percent of visitors. (Figure 4.4, Page 12)

- **Meetings, Wedding & Social Event Expenditures:** Group meetings, weddings and social events are big business for Napa Valley, generating \$267 million in direct spending in 2018. (Figure 4.5, Page 13)
- **Jobs Supported by the Napa Valley Visitor Industry:** Visitor expenditures in Napa Valley supported an estimated 15,872 jobs in 2018. The majority of these jobs are related to either the hotel or restaurant industries. Visitor spending backs an estimated 5,697 restaurant industry-related jobs and 4,097 jobs in hotel-related industries. (Figure 4.6, Page 14)
- **Visitor Industry Payroll:** In 2018, the 15,872 jobs supported by the Napa Valley visitor industry had an estimated total combined payroll of \$492 million. (Figure 4.7, Page 15)
- **Tax Revenues Generated:** the Napa Valley's visitor industry generated \$85.08 million in tax revenues for governmental entities in Napa Valley in 2018. Taxes directly generated by the visitor industry include revenues from the transient occupancy tax (hotel tax), sales taxes, property taxes paid by hotels and transfer taxes on the sales of hotel properties. (Figure 4.8, Page 16)

Quick Facts:

The table below shows a historical summary of key findings:

	2012	2014	2016	2018	% Change (2016-18)
Total visitors to Napa Valley:	2.94 million	3.3 million	3.5 million	3.85 million	8.9%
Visitors staying in Napa Valley hotels or motels:	857 thousand	951 thousand	1.02 million	1.2 million	13.7%
Visitors staying in private homes (inside Napa Valley):	125 thousand	166 thousand	158 thousand	199 thousand*	25.8%
Day trip visitors to Napa Valley:	1.96 million	2.2 million	2.3 million	2.4 million	5.3%
Total visitor spending in Napa Valley:	\$1.39 billion	\$1.63 billion	\$1.9 billion	\$2.2 billion	15.9%
Spending by visitors staying in Napa Valley hotels, motels or inns:	\$1.03 billion	\$1.17 billion	\$1.32 billion	\$1.55 billion	15.4%
Direct spending on group meetings, weddings & social events:	\$187.7 million	\$194.0 million	\$196.1 million	\$266.9 million**	48.4%
Spending in Napa by visitors for food and restaurants:	\$301 million	\$367 million	\$438 million	\$480 million	9.4%
Jobs supported by Napa visitor industry:	10,498	11,776	13,437	15,872	18.1%
Napa Valley visitor industry payroll:	\$300 million	\$332 million	\$387 million	\$492 million	27.2%
Taxes generated for govt. entities in Napa Valley:	\$51.7 million	\$64.2 million	\$80.4 million	\$85.1 million	5.8%
Tax revenues generated per Napa household:	\$1,041	\$1,304	\$1,604	\$1,726	7.6%
Visitors in Napa Valley on an avg. day:	13,409	15,019	16,922	18,857	11.4%
Visitor spending in Napa Valley on an average day:	\$3.82 million	\$4.48 million	\$5.26 million	\$6.10 million	15.9%
Annual visitor spending per Napa resident:	\$10,027	\$11,741	\$13,376	\$15,760	17.8%
* In 2018 a survey sample using a combined telephone and email panel was used to make these estimates. This improvement should be considered a factor in the significant growth shown here. **In 2018 the project was redesigned to include spending on social events hosted by persons from outside Napa, hence 2016 and 2018 are not fully comparable.					

Graphical Presentation of Research Findings

In this section, we present the research's basic findings. A brief written analysis is included for each chart.

Annual Visitor Volume, 2018

Napa Valley hosted 3.85 million visitors in 2018, up 8.9 percent from 3.5 million two years ago. Day trip visitors are the single the largest component of Napa Valley's visitor volume, comprising 2.4 million visitors, or 62.3 percent of all visitors. The second largest segment of visitors are persons staying in Napa Valley lodging, at 1.2 million visitors.

Figure 4.1: Annual Visitor Volume, 2018 (by Place of Stay)

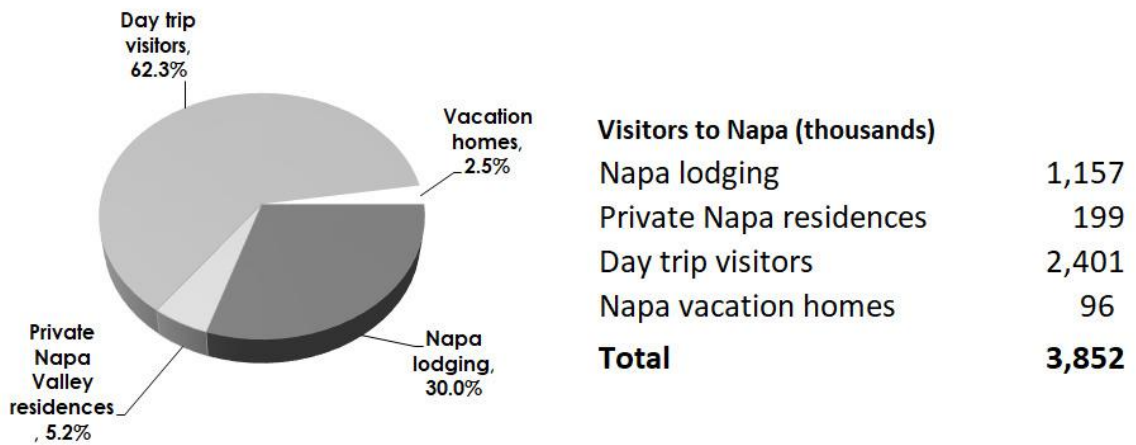


FIGURE 4.1 – Annual visitor volume in Napa Valley defined by place of stay (2018). Source: Destination Analysts Economic Impact Model developed for Visit Napa Valley.

Visitor Days Spent in the Napa Valley, 2018

While the Napa Valley's largest visitor segment stays only one day, many visitors stay longer. In fact, visitors to Napa Valley spent 6.9 million total visitor-days in the county during 2018. This suggests that, on an average day during the year, there were 18,857 visitors in the Napa Valley. Approximately half (50.4%) of these visitor days were experienced by persons staying in a Napa Valley hotel or motel. In total, visitors staying in the county's commercial lodging spent 3.5 million person-days in the county during 2018.

Figure 4.2: Visitor Days Spent in Napa Valley, 2018

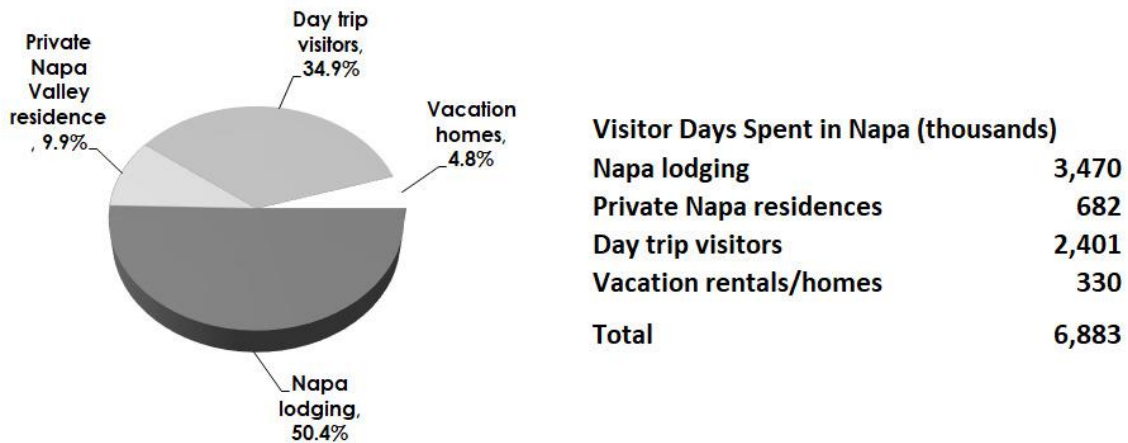


FIGURE 4.2 - Annual visitor days (person-days) spent in Napa Valley, defined by place of stay (2018). Source: Destination Analysts Economic Impact Model developed for Visit Napa Valley.

Direct Visitor Spending in Napa Valley, 2018

The Napa Valley visitor industry generated \$2.23 billion in direct visitor spending inside the county in 2018. The majority of this spending came from local hotel guests. These visitors were responsible for \$1.55 billion in visitor spending, or 69.5 percent of the total. The dominant share of visitor spending accounted for by hotel guests is driven by their relatively high per-person, per-day spending of \$446. By comparison, the average day trip visitor to Napa Valley spent \$170 per-person, per-day while in the county.

Figure 4.3: Direct Visitor Spending in Napa Valley, 2018



FIGURE 4.3 - Annual direct visitor spending in Napa Valley, defined by place of stay (2018).
Source: Destination Analysts Economic Impact Model developed for Visit Napa Valley.

Direct Visitor Spending by Type, 2018

Visitor spending supports many of the Napa Valley's industry segments. Visitors purchase a diverse range of items, including lodging, food and transportation. The single largest component of visitor spending is on retail (i.e., purchases in retail establishments including wine tasting rooms), which accounted for 33.5% percent of all spending, or \$747 million, in 2018. The second largest component was the \$479 million visitors spent in Napa Valley restaurants and food services establishments. This accounted for 21.5 percent of all 2018 visitor spending in Napa Valley. Total visitor spending in hotels was approximately the same as in restaurants, accounting for \$476 million. To fully understand the importance of spending in hotels, it should be noted that hotel guests only account for 30 percent of visitors.

Figure 4.4: Visitor Spending in Napa by Type, 2018

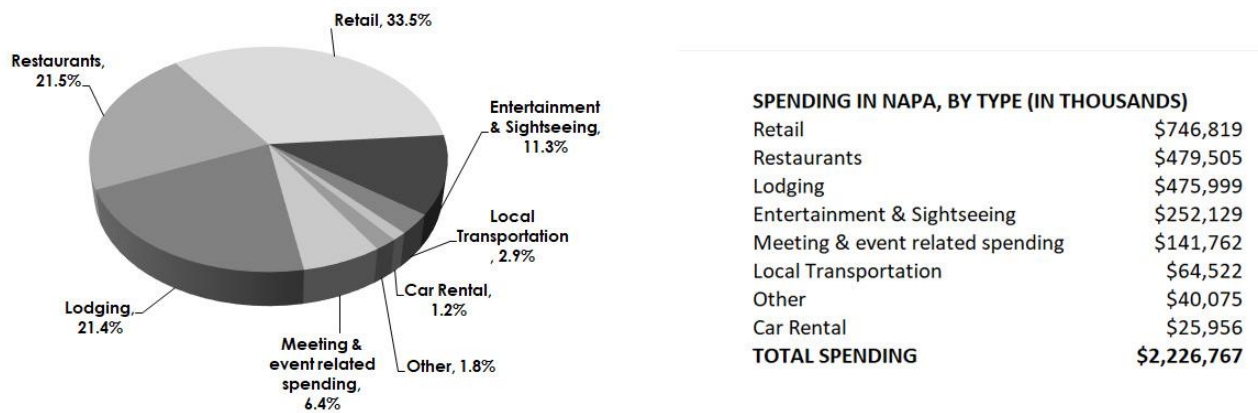


FIGURE 4.4 - Annual direct visitor spending in Napa Valley by type (2018). Source: Destination Analysts Economic Impact Model developed for Visit Napa Valley.

Meetings, Wedding & Social Event Expenditures, 2018

Group meetings, weddings and social events are big business for the Napa Valley, generating \$267 million in direct spending in 2018. Spending related to group meetings, weddings and other social events are included in these estimates. The components measured include (1) direct visitor spending by group meeting attendees, wedding or social event attendees, and (2) spending related to these meetings and events (e.g., catering, room rental, audio visual equipment, etc.). The estimates presented here are for events and meetings that were hosted by persons residing outside the county.

Figure 4.5: Conference and Meetings Expenditures, 2018

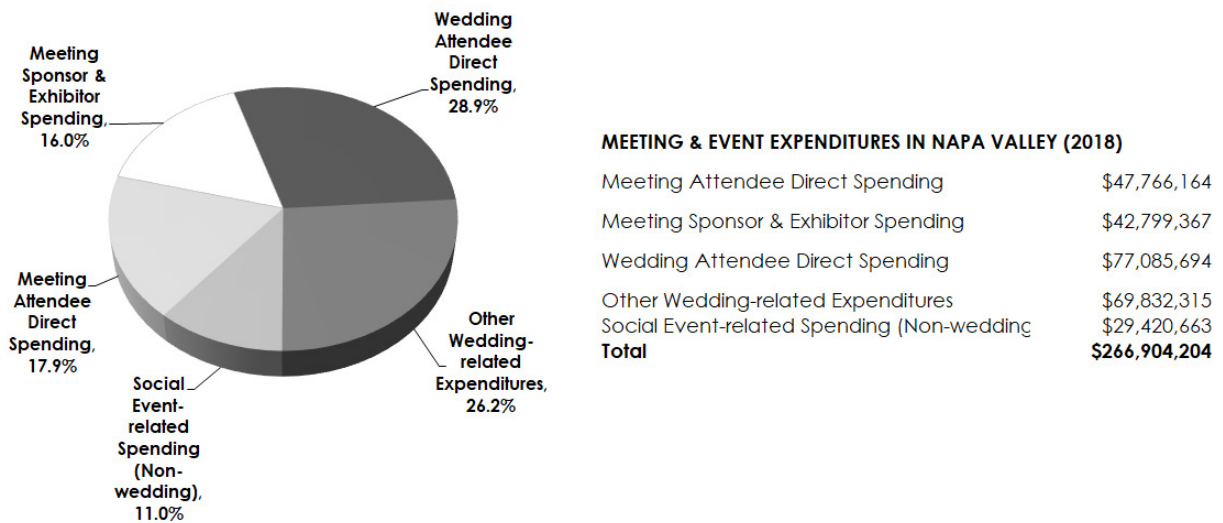


FIGURE 4.5 – Meeting and event expenditures (2018): The five components estimated in this model are direct spending by meeting attendees and spending by a meeting's sponsor or host for other goods and services necessary to hold a meeting, direct spending by persons attending a wedding or special event and related spending for weddings hosted by persons from outside Napa Valley. Additionally, a component was added this year for social events hosted by persons from outside the Napa Valley. These are non-wedding related social events and parties. Source: Destination Analysts Economic Impact Model developed for Visit Napa Valley.

Jobs Supported by Napa Visitor Industry, 2018

Visitor expenditures in Napa Valley supported an estimated 15,872 jobs in 2018. The majority of these jobs are related to either the hotel or restaurant industries. Visitor spending backs an estimated 5,690 restaurant industry-related jobs and 4,097 jobs in hotel-related industries. It is important to note that these jobs are not necessarily in Napa Valley, and may include jobs in industries not immediately recognizable as part of the industry segment. For example, a Napa Valley hotel purchasing linen cleaning services from a company in Sonoma would be supporting jobs, but these jobs are not in the county, nor are they directly in a hotel.

Figure 4.6: Jobs Supported by the Napa Valley Visitor Industry, 2018

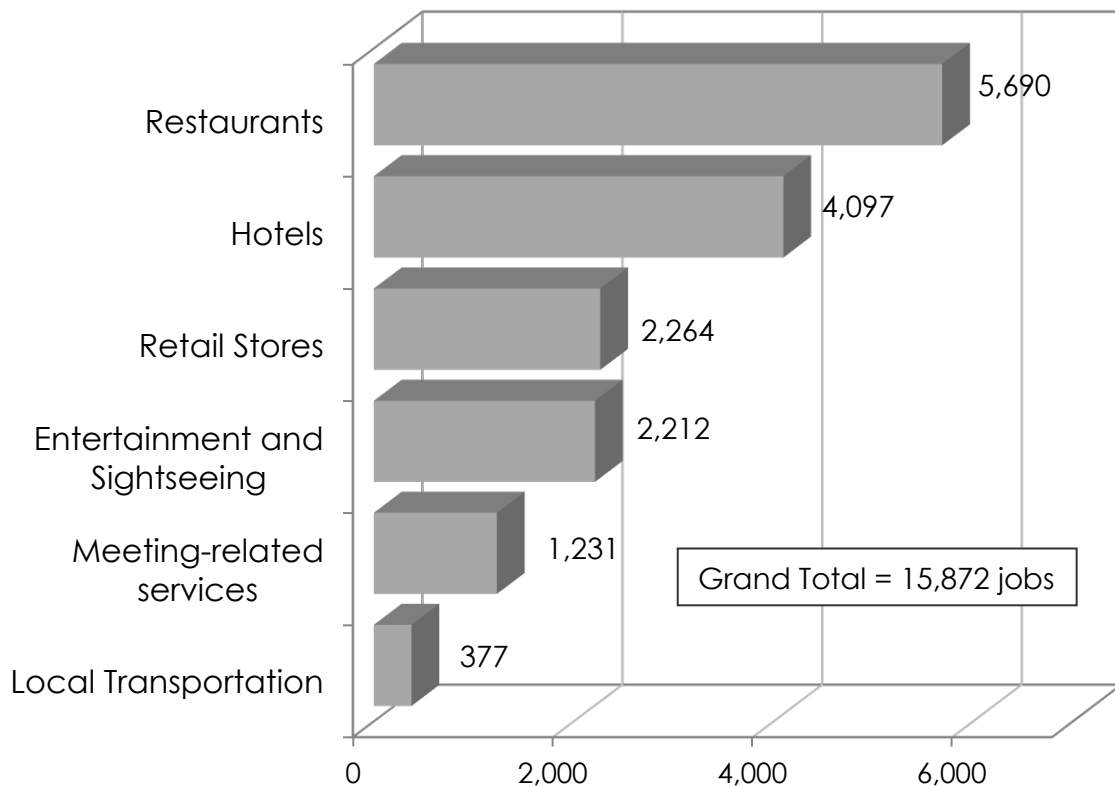


FIGURE 4.6 – Jobs supported by the Napa Valley Visitor Industry (2018). Source: Destination Analysts Economic Impact Model developed for Visit Napa Valley.

Napa Valley Visitor Industry Payroll by Employment Sector (in millions), 2018

In 2018, the 15,872 jobs supported by the Napa Valley visitor industry had an estimated total combined payroll of \$492 million.

Figure 4.7: Napa Valley Visitor Industry Payroll (in millions), 2018

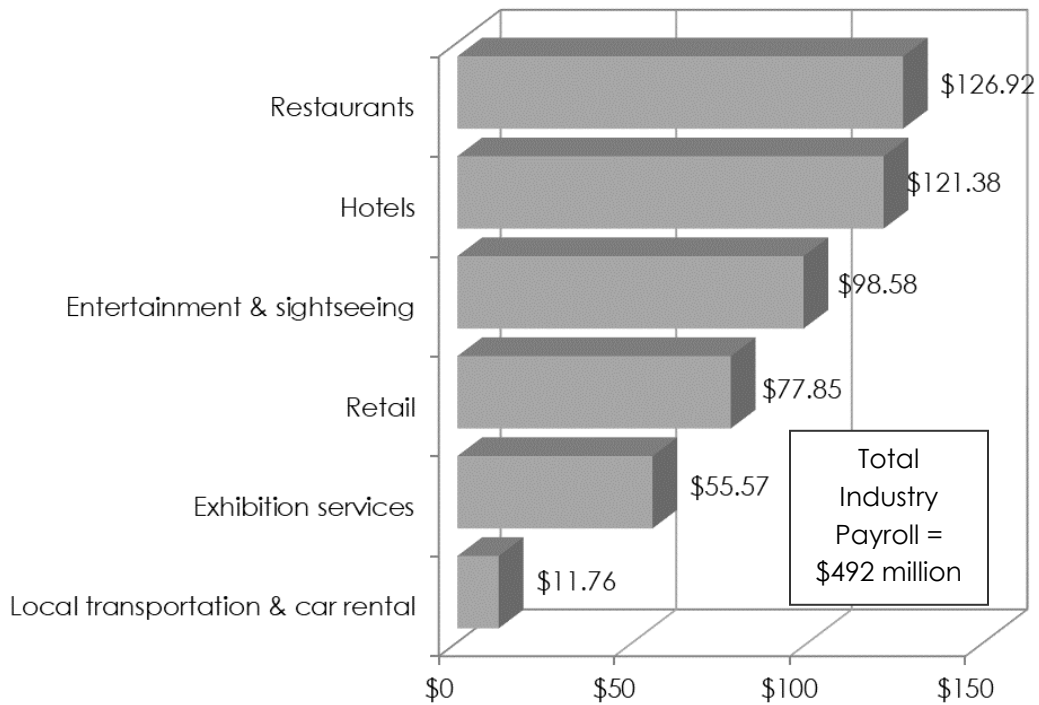


FIGURE 4.7 – Napa County Industry Payroll (2018). Source: Destination Analysts Economic Impact Model developed for Visit Napa Valley.

Tax Revenues Generated for Napa Valley Jurisdictions, 2018

Napa Valley's visitor industry generated \$85.08 million in tax revenues for governmental entities in Napa Valley in 2018. In this preliminary analysis, taxes directly generated by the visitor industry include revenues from the transient occupancy tax (hotel tax), sales taxes and property taxes paid by hotels. As Figure 4.8 (below) shows, the hotel industry generates the majority of these revenues, with the combination of transient occupancy tax and property taxes on hotels creating \$71.4 million in income for the six local jurisdictions in the county.

Figure 4.8: Tax Revenues Generated for Napa Valley, 2018 (in Thousands)

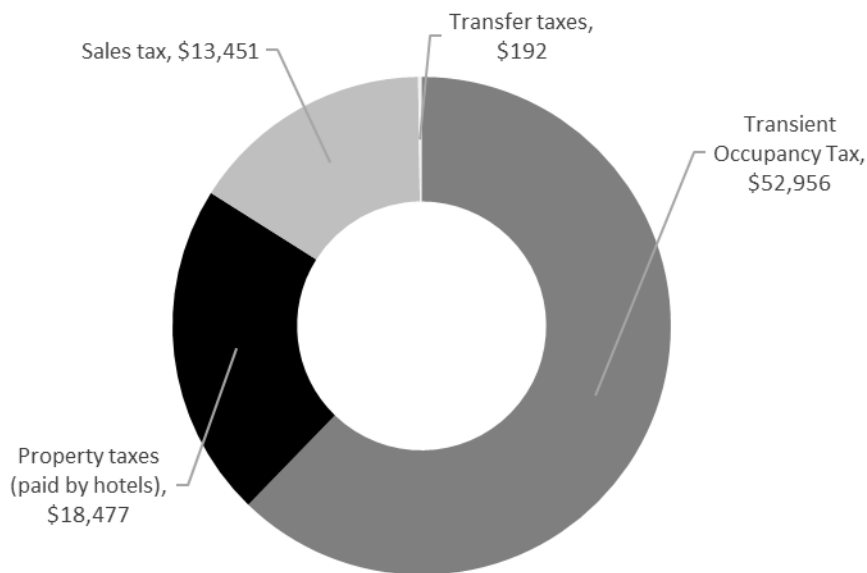


FIGURE 4.8 – Tax Revenues Generated for governmental entities in Napa Valley (2018). Source: Destination Analysts Economic Impact Model developed for Visit Napa Valley, Napa County Assessor and Napa County Auditor-Controller. Property taxes included are for hotels, motels and inns in Napa Valley.

Appendix I: Source Data

The following resources were used in the preparation of these estimates.

1. 2018 Napa Valley Visitor Survey. Research conducted by Destination Analysts, Inc., for Visit Napa Valley
2. 2018 Survey of Napa Meeting Planners, Research conducted by Destination Analysts, Inc. for Visit Napa Valley
3. 2018 Survey of Napa Hoteliers Research conducted by Destination Analysts, Inc. for Visit Napa Valley
4. Napa countywide hotel occupancy, Smith Travel Research
5. Napa County Assessor
6. U.S. Census Bureau, Economic Census
7. U.S. Census Bureau, County Business Patterns
8. U.S. Bureau of Labor Statistics, Employment Cost Index
9. U.S. Census Bureau, population estimates
10. Napa County Auditor-Controller
11. Travel Industry Association of America, Travel Price Index