

The Economic Impact of Festivals on Small Towns

Gwen Shelton

Tennessee Certified Economic Developer Certification Program

April 2017

Abstract

Rural areas have encountered numerous changes to the economic and social fabric of their communities over recent decades. As a result they have suffered declining economies and shifting demographic characteristics, therefore they have looked to tourism and specifically events as foci of rejuvenation. However much of the research in this area has been directed towards the economic impacts of tourism and overlooked the social consequences that tourism and events create.

Introduction

Background

Tourists visit places in search of an interesting environment and plenty of activities they can involve themselves in. There are various activities in the State of Tennessee that tourists can engage in. The State of Tennessee offer tourists a good natural adventure with beauty, music, rivers, and ancient mountains. Whether tourists visit Western, Middle, or Eastern Tennessee's Regions, they will experience small communities' festival spirit, camaraderie, and a rich culture rooted in country music, Rock n Roll, culinary delights, shopping, agri-tourism, sports, outdoor recreation, aquariums, museums, and amusement parks for all to enjoy. In addition to the entertainment value, Federal, State and Local Governments rely heavily on tourism for real estate development, tax revenues, and employment generation. Studies are now showing that tourism creates jobs, both through direct employment within the tourism industry and indirectly in sectors such as retail and transportation. When these people spend their wages on goods and services, it leads to what is known as the "multiplier effect," creating more jobs. The tourism industry also provides opportunities for small-scale business enterprises, which is especially important in rural communities, and generates extra tax revenues, such as airport and hotel taxes, which can be used for schools, housing and hospitals. (Fayetteville/Lincoln Chamber of Commerce). The improvements to infrastructure and new leisure amenities that result from tourism also benefit the local community. Tourism can encourages the preservation of traditional customs that otherwise may have been allowed to wane, and it can foster civic pride.

Exploring small towns gives people an opportunity to explore the love, pride, quality, and beauty families put into the development of their community. Tourists are attracted to the authenticity of the food, culture, entertainment, and exploration of Tennessee's scenic beauty. Tourists can also learn about the culture of the local community after attending the festivals. Examples of cultural sites include stopping by visitor centers, State historic parks, marketplaces, State parks, mountains, and train stations (U.S. Travel Association, 2014, p. 1).

Statement of the Challenge

Local governments, chamber of commerce, and main street organizations have faced increasing pressure of being accountable for their programs as they impact local finances. Public funds are being scrutinized to ensure that the funds spent on special events like festivals have a positive impact to the community and have a positive return on capital investment. Even though certain considerations are warranted on economic impacts, local communities have divergent views regarding the impact of tourism in their lives (Tsundoda & Mendlinger, 2009, p. 61).

Although, small town festivals are an eye-catching tourist attraction, festivals impact the city economically hence generating attractive revenue. A significant number of people in the town tend to support the festivals in addition to the support from the tourists themselves. The staging of festivals and special occasions in small towns are aimed at the development of tourism, cultural development, and the provision of recreational activities to tourists, but certainly local residents benefits as well when they participate in them (Rechner, 2014). Moreover, government entities and non-profit organizations are interested in producing revenue from these festivals. Festivals in small towns are frequently viewed by organizers as income resources if well-managed. The cost of having festivals in the small towns of Tennessee is

dependent on several issues. These include civic and school organization, security and police, traffic control, damage to public property, water and sewer requirements, and clean-up of the town after the festivals. For festivals in Tennessee to be successful, creating financing that helps the cities in offering these municipal services is of great importance. The festival organizers of every town have a variety of potential funds to tap into in the provision of payments to the local government units for service. Fees for entrance, corporate and individual gifts, exhibitors' fees, and marketing promotional costs all offer ways for income generation (Rechner, 2014).

Business attractions such as festivals will create an economic and social impact to local small communities. Small towns will experience infrastructure expansion, inflation due to hiking of prices to target tourists, loss of quality of life, and an increase in cost of living as the prices of goods and services are increased. Economic costs will include increased tax burdens by developing infrastructure used primarily by tourists costs of this usually falls on the local government, so it has to come out of tax revenues. Social costs can include increased crime rates, friction between tourists and residents and changes in traditional cultures and the host community's way of life (Tsundoda & Mendlinger, 2009, p. 61). Visitor behavior can have a detrimental effect on the quality of life of the host community. For example, crowding and congestion, drugs and alcohol problems and increased crime levels can occur. (Fayetteville Chief of Police Howell).

Statement of the Opportunity

A lot of income is generated by the festivals held in distinct cities all over the Tennessee State on a monthly or yearly basis. For instance, much of the revenues are realized from the sale of tickets. Importantly, tickets are purchased either online or at the ticket counters on the festival grounds. For example, Bonnaroo ticket admission has hit \$324. Professor David Herrera, who

is a professor at Belmont University, stated that young people tend to bring in revenue and are the festival's major clients. Young people often like to attend expensive vacations consisting of various events and concerts and spend a lot of money on the festivals, attractions, and mainstream concerts. The VIP tickets for Bonnaroo in 2014 were increased to \$1,598 per person (Rechner, 2014). Much revenue is remarkably generated from the sale of these tickets since individuals both from urban areas and overseas are expected to attend the festival.

The festivals held in distinct towns of Tennessee create a significant number of employment opportunities for the people of the hometown and other nearby towns. For instance, the Bonnaroo Music Festival, which is one of the greatest music festivals in Tennessee and the United States has created many employment opportunities (Knipple, 2013). The festival often takes place annually in June on a 700-acre farm in Manchester, Tennessee. Also, the festival which takes up approximately four days brings some of the best entertainers to present music from around the globe (Banker, 2010). Many people all over the world reserve RVs and camp out in the town to attend and celebrate with their family and friends. As is true of any successful festival, it requires many employees, including to seasonal, full-time, and part-time workers so that all the activities can run smoothly. Typically, these festival, all other festivals require employees to participate on several activities to keep the visitors entertained.

The employment opportunities created depend greatly on the type of festival being held in Tennessee towns (Knipple, 2013). Some of the exceptional employment opportunities created by these festivals in cities and small towns involve vendors, stage performers, art installation, concert staff, patrons, show directors, registered nurses, and progressive care nurses among others. For these festivals to be successful, a significant number of volunteers are needed in all the occasions.

The volunteers are required for post-festival, pre-festival, and to work during the festival concert. They assist in setting up, vending, catering, and information booth staff (Singh et al., 2002).

The State of Tennessee is notably becoming an international tourist destination for many people due to the monthly and yearly festivals conducted in its towns. Some of these festivals, for example, Bonnaroo, play a critical responsibility in the local community both through a refreshed economy and through its generous contributions to the entire state of Tennessee. In 2013, the yearly Bonnaroo Music and Arts Festival generated an approximately more than \$51 million dollars for Manchester, Coffee County, and as well as the entire State of Tennessee. Around 80,000 people attended Bonnaroo festival from across the United States and overseas, and it is said to have generated \$36 million dollars in direct expenses by the attendees (Singh et al., 2002). The tangible direct spending was on such items as gas, hotels, and food. Also, the festival generated \$15 million dollars in indirect, as well as induced, economic endeavors from the monies that were spent by local residents who gained income because of the money generated by the festival.

Other than drawing thousands of people to aid in boosting the local economy as well as the state economy of Tennessee, Bonnaroo has become part of an innovative income sharing initiative that allows local organizations to receive a significant percentage of sales made all through the festival. The vendors employed in the festival received more than two hundred thousand dollars. In 2014, the estimated total local and state tax income generated from tickets was almost \$2 million dollars. These taxes were expected to rise by the festival organizers bringing together individuals from all over the globe by creating a phenomenon that directly enriches the Tennessee locals who happen to host them (Knipple, 2013). The state of Tennessee prides itself on bringing together the best combination of vendors from the all over the country to ensure that individuals are well served.

Another town where significant taxes are generated annually from tourism is Pigeon Forge. The economy of Pigeon Forge relies heavily on the tourism industry when a significant number of individuals visit the town during the monthly and yearly festivals (Knipple, 2013). The employment created and generation of income in the city through business receipts and state tax revenue, benefits the city and the entire state of Tennessee. In 2016, visitors to the city were estimated to have spent more than \$713 million dollars which reflected a seven percent increase compared to 2015 when visitors spent more than \$669 million dollars (Rechner, 2014). Local sources report that visitors' spending has increased on a yearly basis especially during the festivals. Per reports from the State of Tennessee, the city of Pigeon Forge contributes six percent of the city's total income to the state of Tennessee on an annual basis. As of 2013, the state of Tennessee received \$56.2 million dollars in tax revenues from the city of Pigeon Forge (Knipple, 2013).

The state of Tennessee has many attraction sites which tourists can visit all year round. With the well-known Appalachian Mountains to the east and the Mississippi River to the west, Tennessee is filled with a wide range of rural and outdoor experiences. Some of these appealing cities and small towns where festivals are held in Tennessee include Fayetteville, Humboldt, Lynnville, and Lewisburg. Also, some of the biggest festivals take place on a yearly basis in these towns involves, Host of Christmas Past, Slaw Burger Festival Strawberry Festival, Blackberry Festivals, Goat, Music & More, (Knipple, 2013).

Fayetteville became the county seat of Lincoln County's founding in 1809, named for Revolutionary War Officer General Benjamin Lincoln. It was possibly only the second county seat in the U.S. with mandatory layout that featured courthouse square in its center. The first courthouse here was small log structure that cost just \$35 to build. Fayetteville was occupied by Union troops

for much of the Civil War, and they even build a “bomb-proof” wall in what was to be the second of four courthouses to anchor the town square. In the late 1800s, this town and several of its neighbors organized “city band”, and a bandstand on the courthouse lawn to showcase their talents; it is still used today for festivals and community events (TN Department of Tourist Development). This bandstand is the landmark for the Slaw Burger festival, Host of Christmas Past and many events throughout the year. The 2015 Economic impact in tourism for Fayetteville/Lincoln County generated \$22.77M in direct tourism expenditures; generated 140 jobs, produced \$3.03M in payroll, created \$740,000 in local tax revenue and created \$1.42M in state tax revenue (South Central Tennessee Tourism Association). Also, the benefits of having festivals in Tennessee towns are more significant when they are of interest to the local residents. The local artisans, restaurateurs, vendors, craftspeople, innkeepers, and hoteliers are kept busy and make a significant portion of their yearly revenue through the course of the festival (Singh et al., 2002). Appearance enhancements made on a yearly basis for the celebration affect the city by creating a mood for improved retailing, as well as service industries in the region. These festivals also create significant social environment for the people of Tennessee. There is a sense of community developed when people are brought together to celebrate their culture (Knipple, 2013). The local community has a significant level of attention bestowed on them within a short period by the festival that has their community image.

The economic development of a region or society is linked to the increasing revenues and connected increases in savings, investment, and consumption. If these festivals are successful and generate positive revenues, these towns can experience elevated levels of revenue, higher levels

of consumption, improved levels of employment, and increased investment plus saving (Singh et al., 2002).

The festivals held in the small towns of Tennessee can also create some disadvantages to the community's development. Some of the people visiting the cities may find the history, land and culture very much pleasing and decide to move there. If a town grows faster than its resources can support, festivals can add to local pollution and overwhelm its sewage treatment capacity. As increased output occurs and consumption rises, more solid hazardous waste can also be produced (Knipple, 2013). The prices of goods and services are often increased significantly during the festivals with the anticipation that the tourists will come with a lot of money. The benefits of economic development may not be evenly distributed in small towns because many of the residents may not receive any additional income from the festivals. Instead, their small community and surrounding communities may face increased taxes, inflation, instability in employment, and challenges regarding housing.

Conclusion

Festivals can be major fundraisers for local organizations and local groups and much of the income generated stays in community. These festivals provide an opportunity to create an awareness of what they have to offer reflecting a community effort and displaying pride in their communities. Directing tourism growth toward local needs, interests, and limits can greatly enhance tourism's value to the community and help create a sustainable industry. Many small communities have the skills and resources for successful tourism development. Creating a local tourism industry is not a daunting task, but making tourism really "fit" the community requires work. Creating a successful and sustainable tourism industry is like creating any successful

economic activity. Fundamentally, each place has to evaluate that based on its own values, resources and the estimated benefits. Although festivals start as small community events-they grow because people they provide entertainment, historic interest, unique foods and drinks, and an opportunity for family fun. However, successful festivals take a clear vision, considerable planning, and a lot of work by volunteers.

Is all the cost and trouble that goes into a festival or event worth it? Yes, it certainly can be.

References

(Ed.). (2014). *The economic impact of travel on Tennessee*. Washington, D.C.: The U.S. Travel Association.

The Research Department of the U.S. Travel Association

Banker, M. T. (2010). *Appalachians all: East Tennesseans and the elusive history of an American region*.

Knipple, P. (2013). *Farm fresh Tennessee: The go-to guide to great farmers' markets, farm stands, farms, u-picks, kids' activities, lodging, dining, wineries, breweries, distilleries, festivals, and more*.

Rechner, A. (2014). *Tennessee: The volunteer state*.

Singh, S., Timothy, D. J., Dowling, R. K., & Ovid Technologies, Inc. (2002). *Tourism in destination communities*. Oxon, U.K: Cabi Pub.

Tsundoda, T., & Mendlinger, S. (2009). *Economic and social impact of tourism on a small town* [Peer commentary on the journal article "J. Service Science & Management" by T.

Tsundoda, & S. Mendlinger]. *SciRes*, 2(61), 61-70. Retrieved from

www.scirp.org/journal/jssm

Fayetteville/Lincoln County Chamber of Commerce

TN Department of Tourism

Interviews with Fayetteville Police Chief Howell

