

FESTIVAL TOURISM IN THE CARIBBEAN:
An Economic Impact Assessment

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EXECUTIVE SUMMARY

RATIONALE

- The tourism sector, which is the mainstay of most Caribbean economies, is faced with increased competition and new demand conditions. One of the key growth trends in the global tourism industry is the diversification of the tourism product away from high-impact mass tourism toward specialty or niche markets like cultural tourism. Festival tourism is a sub-component of cultural tourism and has experienced significant growth in the last decade as tourist planners have come to recognize the demand-pull of the arts, popular music, entertainment and themed events.
- Throughout the Caribbean festival tourism is gaining prominence in the tourism calendar. In many respects this growth is built on the success of a few festivals:
 - *Reggae Sunsplash* in Jamaica, which started in the late 1970s and was succeeded by *Reggae Sunfest* in the early 1990s, can be viewed as the pioneer in terms of festival tourism in the Caribbean in the way in which the internationalization of reggae music became a magnet for tourism.
 - *Trinidad Carnival*, which is a model to many regional and overseas Caribbean carnivals, has evolved into a festival tourism product and an entertainment industry not from strategic intervention but through an organic process of community development, aesthetic innovation and diasporic relations.
 - Santo Domingo's *Festival de Merengue* is an outdoor week-long celebration which was originally sparked by Puerto Rican visitors in the late 1960s and has been fuelled by summer travel by the large diasporic Dominican population.
 - The *St. Lucia Jazz Festival* from inception was geared towards creating a demand-pull in a trough period in the tourism calendar. The festival has had strong media appeal and attracts an up-market audience of international and intra-regional tourists.
 - The *Barbados Cropover* festival, originally a sugar cane harvest festival, was revived by the national tourism agency in 1974 to fill the void in the tourism off-season. The festival attracts mainly overseas nationals and intra-regional visitors.
 - The *St. Kitts Music Festival*, which features multiple genres of music, was started in 1996 to act as a demand-pull for visitors in the low tourist season and to generate media exposure for the tourist destination. Returning nationals and intra-regional visitors are the major patrons.

- Each of these festivals is observed to have a significant impact on visitor arrivals, airlifts and hotel occupancy rates with spillover effects on media industries, local transport (e.g. car rentals) and the food, beverage and restaurant sectors. Actual data on the economic impact of these festivals is largely un-documented, however. Where there is data the impact has been considerable.

APPROACH

The goal of the research project is to improve our knowledge on how festivals work and the contribution they make to the economy and society. The research task involves:

1. A survey of festival management focusing on the specifics of each targeted festival (via a questionnaire): historical background of the festival, the programme and activities, organization and staffing, budget and finances, marketing and promotion.
2. An economic impact assessment, which involves an evaluation of the direct contribution of festival tourism on the hotel, airline and entertainment industries. The analysis will specifically look at tourist arrivals, hotel occupancy rates, visitor expenditures, tax revenues, employment generation and media value. The impact assessment will include a cost-benefit evaluation and an analysis of the division of costs and surpluses.

Six festivals in six territories were identified for investigation: Barbados, the Dominican Republic, Jamaica, St. Kitts, St. Lucia and Trinidad and Tobago. The study examined six festivals that fall into three major sub-categories:

1. Carnival Festivals: these festivals are indigenous and composite in that they include music, dance and masquerade arts.
 - Trinidad and Tobago – Trinidad Carnival.
 - Barbados – the Crop Over Festival.
2. Indigenous Music Festivals: these festivals are based on the exposition of an indigenous music to a local and foreign clientele.
 - Jamaica – Reggae Sunsplash and Sumfest.
 - Dominican Republic - the Merengue Festival.
3. Tourist-oriented Music Festivals – these festivals were created to boost tourist arrivals. The performers and clientele are primarily foreign-based.
 - St. Lucia – the St. Lucia Jazz festival.
 - St. Kitts & Nevis – the St. Kitts Music festival.

GENERAL FINDINGS

- The Caribbean festivals studied have made a significant impact on the tourism sector in terms of creating a new tourism season and/or filling the void in the tourism calendar by boosting airlifts and improving hotel occupancy levels.
- Caribbean festivals have done much to generate new tourism demand from the short break travel market, as well as from diasporic and intra-regional tourist, groupings that are largely omitted in the tourist marketing plans of most Caribbean tourism organizations.
- The spending of festival tourists, which is considered “new” or incremental and counts as an export industry, has been very significant as a share of total visitor expenditure, where the data on visitor arrivals has been documented by exit surveys.
- Festival tourists are observed to be quite knowledgeable about the art forms and the region’s culture and history. Their spending habits are such that they tend to stay longer and spend more on local goods and services than the conventional tourist. They also tend to be repeat visitors and good word-of-mouth spoke-persons.
- High calibre (e.g. jazz and indigenous music festivals) and unique Caribbean festivals (e.g. carnivals) have an up-market appeal, attract international media and have proved to be a cost effective means to gain media exposure (e.g. publicity) and enhance the image and attractiveness of a tourist destination.
- Caribbean festivals have been pivotal, especially carnivals and indigenous music festivals, in the development of an entertainment sector with export capabilities. Festivals give a fillip to the entertainment sector through creating new clients, markets and media exposure. It also stimulates infrastructure development, heritage conservation and investment into the arts.
- Festival tourism in the Caribbean makes an important contribution to the wider economy in that it increases government tax receipts, generates employment and sectoral linkages, attracts business sponsorship & cross promotions and has a spillover effect on ancillary sectors like the media and advertising industries, auto rentals and restaurants.
- Successful festivals build the society’s cultural confidence and image of self-worth and identity. In this way it creates a synergistic relationship between the tourism industry and community development.

- Governments throughout the region have begun to incorporate festivals in a tourism development strategy. However, policy formulation and related research (e.g. economic impact assessments) have lagged behind and limited efforts have been made to invest in the development and infrastructure in the arts and cultural industries.

ECONOMIC IMPACT: THE CASE STUDIES

- Of the six festivals studied only three festivals (Trinidad Carnival, St. Lucia Jazz and Barbados Cropover) have done exit surveys, which provide quality data on visitor arrivals and expenditures. The following table provides an overview of the economic impact of the festivals.

SUMMARY OF ECONOMIC IMPACT (1998)

	Trinidad Carnival	St. Lucia Jazz	Barbados Cropover
Budget US\$m	2.0	1.55	1.021
Visitor arrivals (number)	32,071	9,929	4,428
Share of annual visitor arrivals	9.2	3.9	0.86
Visitor expenditure US\$m.	14.08	14.15	2.42
Share of annual visitor expenditure	7.6	4.9	0.34
Cost-benefit ratio: visitor expenditure./budget	704	913	237
Hotel occupancy rate (%)	95	74.5	53.3
Visitor expenditure. on entertainment US\$m	3.1	n.d.	0.240
Departure taxes US\$m	0.517	0.099	0.055

- The main finding of the study is that festivals create a strong demand-pull for visitors. The best case is that of Trinidad carnival which accounted for 9.2% of arrivals and 7.6% of visitor expenditures for the year 1998. The festival with the next best performance was that of St. Lucia Jazz, which contributed 3.9% of visitors and 4.9% of visitor expenditures. In the case of Barbados the Cropover festival accounted for 0.86% of annual tourist

arrivals. The respective share of annual tourist expenditures was 0.34%.

- Most festivals impact positively on hotel occupancy levels.
 - The best example of how festivals impact on an off-season is that of St. Lucia where the month of May was converted from the worst tourist month to a position where it now enjoys above average occupancy levels (74.5%).
 - A comparable example is the case of Reggae Sunsplash in Montego, Jamaica. When compared with a peak week (first week in February) in the winter tourist season hotel occupancy levels in the week of Sunsplash averaged fourteen percentage points higher for eleven years, 1981 and 1983 to 1992.
 - The case of the Dominican Republic is also instructive. Arrivals and hotel occupancy levels in Santo Domingo jump in the month of July when the Merengue festival occurs. Over the period 1995 to 1999 the month of July averaged an occupancy rate of 71.7%, which puts it as the third highest month.
 - In the case of Trinidad carnival the festival is able to generate occupancy rates above 90%. This is achievable in Trinidad because of the large number of visitors and the fact that the hotel plant is small in relative terms.
- The festivals make a measurable impact on government taxes. The most illustrative case is that of the Trinidad Carnival. The festival has a large number of visitors and generates departure taxes of US\$0.5 million, one-quarter of the budget of the festival. There are other tax benefits. When value-added taxes (15%) are applied to visitor expenditures of US\$14.08 government earns US\$2.1 million in indirect taxes. The combined effect is that taxes generated by the festival exceed government's initial investment of US\$2.0 million by approximately \$600,000.
- Festivals are not known for generating a large number of jobs or year-round employment, at least not directly. In this study it is notable that:
 - The carnival type festivals (Trinidad Carnival and Barbados Cropover) have spawned entertainment industries that generate employment for artists and cultural entrepreneurs during the season and year round.
 - During the 1998 Trinidad Carnival the sale of carnival related goods and services amounted to US\$3.1 million. In Barbados the entertainment related expenditures for 1998 were \$240,000.
 - Year round employment is generated in the local and regional hospitality sector in addition to overseas performances in Caribbean carnivals and

other festivals throughout the region and in North America, Europe and Japan.

- The indigenous music festivals (the Merengue Festival and Reggae Sunsplash and Sumfest) have also impacted positively on their respective music industries which are estimated to earn over US\$50 million in the export of goods and services.
- Media value is one of the key benefits that these festivals provide to the host economy. The St. Lucia Tourist Board estimates that the media value of the Jazz festival is in excess of the budget of the festival. The tourist-inspired festivals have attracted stronger media value than the other festivals. The foreign music genres facilitate easier access to international media and broadcast networks. The carnivals and the indigenous music festivals have found it far more difficult to gain such media value because of the limited exposure the art forms and the genres of music currently attract.
- The benefit-to-cost analysis indicates that most festivals have a healthy yield or return on investment. The festival with the highest estimated benefit-to-cost ratio is that of the St. Lucia Jazz festival with 9.1:1. Trinidad Carnival is ranked second with a ratio of 7:1. Barbados Cropover generated a ratio of 2.4:1. These ratios, especially of St. Lucia and Trinidad, appear to be very competitive when compared with top international festivals like the Edinburgh Arts Festival, which generated a benefit-to-cost ratio of 11:1.

ISSUES AND RECOMMENDATIONS

- The festival context in the Caribbean is such that there are an increasing number of festivals, particularly music festivals. Countries like Barbados and St. Lucia have developed what can be described as a festival tourism strategy.
- One of the emerging problems associated with this development is the increase in regional competition. This is particularly evident in the proliferation of jazz festivals.
- The increased competition in festival tourism is also occurring with the carnivals. Countries like St. Lucia, Jamaica, Barbados, St. Vincent and the Grenadines and Antigua have been aggressively promoting their carnivals in the last few years. A problem of product differentiation has begun to arise as most of the carnivals source many of the same artists.
- Marketing is one of the critical areas for upgrading among festival organizers. Most of the festivals lack marketing plans with clearly defined

target markets and visitor profiles, as well as advertising and promotions strategies.

- One of the critical issues facing the various festivals is the problem of a shortage of trained personnel in the area of festival management. There is a dependence on foreign expertise in external marketing, artist procurement and stage management. Technical skills such as sound, lighting and stage are competitively procured from within the region.
- Financial management and reporting is one of the weakest areas for festival organizers. For example, most of the festivals are not able to communicate effectively the yield and benefits of the festival relative to the costs.
- Business sponsorship is another weak area of festival management. This is so because the corporate community has had limited experience with festival and arts sponsorship and many festival organizers don't have skills in writing business and sponsorship proposals.
- In most Caribbean territories there is a shortage of appropriate indoor and outdoor venues for the performing arts. This impacts negatively on audience development as well as media coverage. This is an aspect of the economy that has suffered from market failure and government disinterest.
- A key recommendation is for the creation of a regional association of festival organizations. There is much scope for industry collaboration in training, joint marketing, cross-promotions, the pooling of resources and the joint procurement of technical services.
- The success of Caribbean festivals has been built on the calibre of the artists and the quality of the experience. Most new festivals need a gestation period of three to five years before they show some positive yield and benefit. Festivals require a sizable investment upfront to establish the brand and reputation.
- Good festival management and planning requires proper measurement. Government participation or assistance in festivals should involve research and evaluation mechanisms. A key recommendation is that festival organizers need to continuously document and measure the economic impact of the festivals.