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15 403 4320143

The Impact of Pure Romance's 2014-2018 National Training & World Conferences On Greater Cincinnati

Prepared by the

Economics Center

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Introduction

At the end of April, Cincinnati will host a Pure Romance National Training event, which is expected to bring nearly 2,500 of its consultants from around the country for a three-day gathering. The National Training will not only help Pure Romance and those consultants continue to grow their businesses, but also produce a \$4.4 million economic impact for Greater Cincinnati.

Pure Romance is a \$150 million-a-year, direct-seller of various products designed to enhance intimate adult relationships. Founded in 1993, the company moved its headquarters to downtown Cincinnati in early 2014. The economic impact of Pure Romance on the region extends beyond its normal business operations, which include its warehouse and distribution center in Loveland.

In 2013, Pure Romance organized its first World Conference to bring together its global network of consultants. In addition, it holds National Training events to build consultants' sales expertise.

Beginning with the World Conference held in downtown Cincinnati last August, Pure Romance will hold one of these two events in Cincinnati each year from 2014 through 2018. Through this commitment to holding these major corporate meetings in Cincinnati, Pure Romance is expected to generate a total economic impact of \$28.3 million in the region over the five-year period.

Because these events rely on local vendors and induce additional spending by visitors to Cincinnati, Pure Romance benefits the local economy even more strongly through its conferences and training than through its other business activities. Every \$1,000 that Pure Romance spends to put on one of these events has the effect of generating between \$4,000 and \$5,000 in total economic activity for the Cincinnati region.

Impact of the 2015 National Training

To put on the 2015 National Training event, which will take place over a period of three days in April, Pure Romance will incur an estimated \$1.02 million in expenses for staff time and vendor goods and services. Consultants who attend the National Training will spend an additional \$1.15 million for local conference expenses, including lodging, meals, entertainment, and other shopping. Combined, these expenditures will generate an additional \$2.28 million in economic activity in Greater Cincinnati, producing a total economic impact of nearly \$4.45 million.

Economic Impact of the 2015 National Training		
Spending by Pure Romance	\$1,017,300	
Additional Spending by Visitors	\$1,149,500	
Total Direct Spending	\$2,166,800	
Indirect Economic Impact	\$2,278,500	
Total Economic Activity	\$4,445,300	



Spending by Pure Romance leverages spending by visiting consultants, as well as indirect economic activity. The resulting multiplier effect is estimated at 4.37, which means that Pure Romance will have a total impact on the local economy of more than four times its own expenditures. Of this total, nearly \$1.37 million (31% of the total) will be in the form of wages and salaries for local workers.

Of the \$2.17 million in direct spending, an estimated \$1.84 million (85%) will benefit downtown Cincinnati businesses. Although the indirect economic impact will be more widely dispersed throughout the region, downtown businesses should capture an estimated \$2.66 million (60%) of the total economic activity associated with the 2015 National Training.

Impact of the 2014 World Conference

Last August, Pure Romance hosted a five-day World Conference, which brought consultants from across the country and overseas to downtown Cincinnati. In order to put on this World Conference, Pure Romance spent \$1.16 million for staff time and vendor goods and services. Consultants who attend the World Conference spent an additional \$1.65 million locally in connection with the conference, including costs for lodging, meals, entertainment, and other shopping. Combined, these expenditures will generate an additional \$2.99 million in economic activity in Greater Cincinnati, producing a total economic impact of \$5.80 million.

Economic Impact of the 2014 World Conference		
Spending by Pure Romance	\$1,158,900	
Additional Spending by Visitors	\$1,652,000	
Total Direct Spending	\$2,810,900	
Indirect Economic Impact	\$2,987,400	
Total Economic Activity	\$5,798,300	

The multiplier effect of the spending by Pure Romance was 5.00, which means that Pure Romance had a total impact on the local economy that was five times its own expenditures. Of the total economic impact, nearly \$1.74 million (30% of the total) was in the form of wages and salaries for local workers.

Of the \$2.81 million in direct spending, an estimated \$2.39 million (85%) benefitted downtown Cincinnati businesses. Although the indirect economic impact was more widely dispersed throughout the region, downtown businesses garnered an estimated \$3.46 million (60%) of the total economic activity associated with the 2014 World Conference.

Impact of All 2014-2018 Events

Over the five-year period from 2014 through 2018, Pure Romance plans to host one event each year in downtown Cincinnati. In addition to this year's National Training, similar activities are scheduled for 2016 and 2017. In 2018, Pure Romance intends to organize another five-day World Conference as a



part of its 25th anniversary, which is expected to bring to downtown Cincinnati a record number of consultants from every U.S state and every other country in which its consultants do business.

As a part of organizing and hosting these five events, Pure Romance plans to spend \$5.88 million for staff time and vendor goods and services. Consultants who come to Cincinnati for the five events are expected to spend an additional \$7.87 million locally in connection with their trips, including costs for lodging, meals, entertainment, and other shopping. Combined, these expenditures will generate an additional \$14.52 million in economic activity in Greater Cincinnati, producing a total economic impact of \$28.26 million.

Economic Impact of All 2014-2018 Events	
Spending by Pure Romance	\$5,876,300
Additional Spending by Visitors	\$7,867,800
Total Direct Spending	\$13,744,100
Indirect Economic Impact	\$14,515,400
Total Economic Activity	\$28,259,500

The projected multiplier effect of this spending by Pure Romance is estimated at 4.81, which means that Pure Romance will have a total impact on the local economy of more nearly five times its planned expenditures. Of the total economic impact, \$8.57 million (30% of the total) will be in the form of wages and salaries for local workers.

Of the \$5.88 million in direct spending, an estimated \$11.68 million (85%) is anticipated to benefit downtown Cincinnati businesses. As with the 2014 and 2015 events, the overall five-year indirect economic impact will be more widely dispersed throughout the region. Still, downtown businesses should capture an estimated \$16.91 million (60%) of the total economic activity associated with all five Pure Romance events.

A Note About Fiscal Impacts

Given the economic activity associated with the events hosted by Pure Romance, certain tax revenues can be anticipated for local governments. Based on the analysis presented above, some observations can be made about the associated local government fiscal impacts that can be expected.

- **Income taxes**: Payroll taxes from employee earnings will produce revenue for various municipalities throughout the region, but the primary beneficiary will be the City of Cincinnati, which is expected to receive at least \$125,000 in payroll taxes from employee earnings associated with the economic impacts of the five Pure Romance events.
- **Sales taxes**: Although consumer spending will take place throughout the region, a very large share of it will occur in Hamilton County. Based on total visitor spending and the earnings impact resulting from the five events, the County is expected to receive sales tax revenue totaling at least \$100,000.



• **Hotel taxes**: Hamilton County and the City of Cincinnati will also receive hotel tax revenues as a result of stays by people attending the five events. These revenues, which are generally reserved for the operation of the convention and visitors bureau and the operation and debt repayment of the convention center, are projected to total at least \$175,000.

Conclusion

Pure Romance produces an ongoing economic benefit for the City of Cincinnati through its choice of downtown for its headquarters. Not only does it contribute economically to the City and the surrounding region through its year-round operation, but it also makes a significant economic impact through its National Training and World Conferences. The total economic impact of the five events examined in this study is estimated to be more than \$28 million.

Methodological Notes

In general, calculations are based on actual expenditures for the 2014 World Conference, and on budgeted and estimated expenditures for the 2015 National Training. For future years, fixedcosts are generally assumed to increase by 5 percent per year. Attendance is expected to rise by 5 percent annually, so associated variable costs are expected to increase by 10 percent annually. In 2018, attendance is projected to increase by 10 percent over the previous year.

Expenditures by Pure Romance and its consultants represent the direct impact of the Pure Romance conferences on the local economy, but they also have indirect impacts. Local businesses that supply products for construction and operations also purchase local goods and services to produce their products. These local expenditures – by suppliers and by employees who spend their wages – are termed indirect impacts. They are measured through an economic model (RIMS II) developed by the U.S. Department of Commerce. The use of this model is based on the expectation that business enterprises in the same industry and in the same region have similar purchasing patterns.

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Jeff Rexhausen, Senior Research Associate and Project Director
Michael Jones, PhD, Director of Research
Julie Heath, PhD, Director