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## **Understanding the VFR Markets and Their Economic Impacts**

This study provides information on the Visiting Friends and Relatives (VFR) market. The results indicate that the VFR market is dominated by female head of households with an average age of 37 years. Expenditures incurred by this segment on lodging, shopping, gasoline, and meals cumulatively generated an impact of \$64 million and created 701 jobs over a period of two years (2001 and 2002) on Sacramento County, California.

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## **Understanding the VFR Markets and Their Economic Impacts**

### **Introduction**

Visiting friends and relatives (VFR) has been listed as one of the primary motivations of travel in the United States (Moscardo et al., 2000). The VFR market has been further segmented on the basis of purpose of visit, type of accommodation used, international versus domestic travel, and activity participation (Morrison et al., 2000). This study ascertains the economic impact of the VFR market using input/output analysis.

### **Methodology**

A survey was conducted in Sacramento, California, in 2001/2002 to elicit information on the visitor market. To ensure a representative sample, visitors were randomly intercepted (one per family) in the morning and afternoon over two weekends at six popular locations during the autumn and spring of 2001 and 2002 respectively. Those willing to participate were briefly interviewed to determine place of residence and the local visitors were excluded. Trained surveyors were used who specifically asked for the head of the household before handing out the survey. Approximately 700 surveys were collected with a response rate of 85%. The VFR visitors (300) were selected from the whole sample for analysis. Split-half method was used to test sample reliability. The mean value across both the halves was similar for age, length of stay, and total expenditure and the correlation coefficients were above .79.

## **Findings**

### *Socioeconomic characteristics*

"Winsorized averages" (with a 4% trim) were used for age, party size, and length of stay. Average group size of the VFR market was 3 with an average number of 2 nights in Sacramento. Average age of the VFR traveler was 37 years and fifty-nine percent of these visitors were females. Initially, visitors were asked to check one of the six categories of income brands. Their responses were as follows: below \$20,000 – 14%; between \$20,000 and \$39,999 - 16%; between \$40,000 and \$59,999 – 30%; between \$60,000 and \$79,999 – 19%; between \$80,000 and \$99,999 – 8%; and above \$100,000 – 13%. Approximately 40% of the travelers had an annual household income of \$60,000 or above.

### *Economic Impact*

Expenditure related questions from the survey were analyzed to determine economic impact. As mentioned above, visitors were asked to report their spending in Sacramento on food and beverage (lunch, breakfast, and dinner), lodging, gasoline, and shopping (souvenirs) sectors. Table 1 offers a breakdown of 2001 and 2002 expenditures. Average tourism expenditures (per person per night) were multiplied with the non-local VFR visitors (43%) to calculate total spending per sector. Total number of visitors to the Sacramento County was estimated to be 1 million for 2001 with a 4% increase for 2002 (Sacramento CVB, 2003). The IMPLAN model was used to determine the economic impacts of visitor expenditures on the Sacramento region. The multipliers for the Sacramento County were found to be small. Type I and Type SAM multipliers ranged from 1.01 to 1.57 indicating substantial leakages out of the local economy.

Value added and labor income Type I multipliers and Type SAM multipliers were found to be the highest for the food and beverage and lodging sectors.

**Table 1: Expenditure Breakdown**

Expenditure Items	2001 (million \$)	2002 (million \$)	Total (million \$)
Eating and Drinking	3.44	7.27	<b>10.71</b>
Lodging	3.50	7.45	<b>10.95</b>
Shopping	4.30	3.72	<b>8.02</b>
Gasoline	2.42	2.20	<b>4.62</b>

Tables 2, 3, and 4 provide economic impact information. Maximum expenditures were incurred in the food and beverage sector followed by lodging. The VFR expenditures generated a total economic impact of \$34.8 million. Approximately, 701 jobs were created. Lodging generated the highest impact (\$17 million).

**Table 2: Direct, Indirect, and Induced Output and Value added impacts**

Total Impact Output + Value Added	2001	2002	Total
Direct	16.0	27.3	43.3
Indirect	3.5	6.7	10.2
Induced	3.7	6.6	10.3
<b>Total</b>	<b>23.2</b>	<b>40.6</b>	<b>63.8</b>

**Table 3: Employment Impacts**

Employment	2001	2002	Total
Direct	194	358	552
Indirect	24	47	71
Induced	28	50	78
<b>Total</b>	<b>246</b>	<b>455</b>	<b>701</b>

**Table 4: Impact on the visitor spending sectors**

Sector	2001 (million \$) output + value added	2002 (million \$) output + value added	2001/2002 (million \$)
Restaurants	5.4	11.3	16.7
Shopping	2.7	2.4	5.1
Lodging	5.5	11.7	17.2
<b>Total</b>	<b>13.6</b>	<b>25.4</b>	<b>39.0</b>

### **Conclusion**

This study is one of few that provide an insight into the VFR market and should be of considerable interest to the policy-makers. This affluent market (40% earning above \$60,000) is dominated by female head of households and an average age of 37 years. Approximately 43% of the visitors traveling to Sacramento belong to the VFR market. This market might not be as sophisticated as the business market (with a lower average spending), but because of its volume, the economic impact is substantial. This study provides a snap shot of Sacramento economy to illustrate the effects of VFR visitor spending. Expenditures incurred on lodging, shopping, gasoline, and meals cumulatively generated an impact of \$64 million and created 701 jobs over a period of two years.

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