

LGBTQ Tourism in San Juan, Puerto Rico: The Economic Impacts of the “Pink Dollar”

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Introduction

Many industries such as media, merchandising catalogues, tourism, legal, medical, financial, and communications services have recognized the importance of the lesbian, gay, bisexual, transgender, queer (LGBTQ) market segment (CMI, 2012; Penaloza, 1996). The purchasing power of this market segment is commonly referred to as the “*pink dollar*” (Hughes, 2006). The spending of the LGBTQ market seems to be growing at significantly higher rates than the national average and does not appear to be as vulnerable to economic recession (Witeck, 2011; Wiltshier & Cardow, 2001). The LGBTQ market has demonstrated consistent use of discretionary income, especially towards travel and tourism even amid signs of economic uncertainty or slowdown in the U.S.. When it comes to targeting and pursuing the “*pink dollar*” it is important for destination managers to assess the potential economic value of the market in order to determine if the segment may contribute to the overall sustainable financial welfare of the destination.

The objectives of this study are three-fold. First, the current study intends to estimate the amount of LGBTQ tourists visiting a Caribbean destination – San Juan, Puerto Rico. Second, the study will empirically determine the sociodemographic profile of LGBTQ tourists visiting San Juan, Puerto Rico. Finally, while some destination marketers assume that the LGBTQ market is a value added segment for destinations, the current study will facilitate a systematic forecasting tool with which to estimate the economic impact of the pink dollar in San Juan, Puerto Rico.

Literature Review

Over the last decade, the emerging LGBTQ tourist market and its global visibility has increased (UNWTO, 2012). According to UNWTO (2017), LGBTQ tourism refers to the development and marketing of tourism products and services to lesbian, gay, bisexual, transgender, or queer people. This may include some products that are designed specifically with LGBTQ tourists in mind or an effort to ensure that LGBTQ tourists feel welcomed and accepted while visiting the destination.

Tourism literature has examined LGBTQ travel from several primary focuses including: social impacts (Hughes et al., 2010; Want, 2002; Hughes et al., 2010); trends in LGBTQ tourism; vacation motivations (Clift & Forrest, 1999); destination and travel product selection (Luongo, 2000; Pritchard et al., 2000); best marketing strategies (Gonzalez et al., 2011; Pritchard et al., 1998); and gay tourist spaces. Some industry reports document LGBTQ travelers as affluent, well-educated professionals that travel more frequently and spend more than other segments (UNWTO, 2017). Yet, there is scant empirical research that would confirm such findings. Despite the knowledge provided by previous research, little is known about LGBTQ travel consumption patterns and spending behaviors. This remains an important issue for destinations, as financial feasibility is needed to support the commitment of resources (financial, social, or environmental) for the successful acquisition of this market.

The extant tourism literature does not forward an understanding of the potential economic impact that the LGBTQ segment could make for destinations. Scholarly research is also seemingly devoid of a sociodemographic profile for the LGBTQ market segment. The empirical void in tourism literature regarding the economic impact analysis and the sociodemographic profile of the LGBTQ market segment presents two main problems for destination marketing managers. First, the managers do not have a means with which to determine whether the market is economically viable

to justify its acquisition costs. Second, if the market is economically viable the absence of a sociodemographic profile makes it difficult for marketers to reach and promote the destination to the LGBTQ tourist segment. Therefore, this study attempts to contribute to the literature by providing insights into the consumption patterns, travel characteristics, and by forwarding a methodological framework that may appropriately assess the economic potential of the pink dollar in San Juan, Puerto Rico.

Methodology

In order to estimate the economic impact of the pink dollar in San Juan, Puerto Rico's tourism industry, a survey instrument was used to gather information regarding LGBTQ tourists' purchasing preferences. Understanding the potential challenges of researching a sensitive issue related to sexuality, the researchers used a snowball technique to collect questionnaires. Such technique entails participants to suggest subsequent participants. This technique was proven suitable, given that the researchers could not identify or estimate the base LGBTQ population from which a representative sample could be drawn.

The survey questions aimed at developing a general profile for LGBTQ tourists as well as gathering information with regards to the average length of stay, the average party size of each tourist group, sources of information used to research and book the trip, preferred distribution channels, and preferred places to stay. The second section of the survey included questions related to the tourists' spending characteristics by using eleven different spending categories that were included in an Input Output Model. The third part of the survey was used to develop an understanding of LGBTQ tourist's demographic profile in terms of age, education, income, nationality, and ethnicity.

The Puerto Rico Hotel and Tourism Association assisted with the distribution of the survey by contacting and disseminating the instrument to 65 hotel properties in the San Juan Metropolitan area. San Juan is a well-known LGBTQ destination made popular for its beaches and large concentration of hotels and restaurants. The room share of the participating hotels was 7,000 rooms located in San Juan. In order to determine the economic impact of the LGBTQ tourist segment it was necessary to first estimate the size of the market. The following equation was used for this estimate.

$$\# \text{ of LGBTQ Tourists} = \sum (H\%_n \times \#R_n) \times LGBTQR\%_n \div LOS_n \times PS_n$$

Where H% is the hotel occupancy for hotel_n; #R is the number of rooms at hotel_n; LGBTQR% is the share of LGBTQ reservations for hotel_n; LOS represents the average length for LGBTQ tourists at hotel_n; and PS is the average party size of LGBTQ tourists at hotel_n. The sample reflected 7,000 rooms in San Juan areas with an average occupancy rate of 68.41%. The average party size was 2. The tourists tended to stay 3.08 days during their visit. The LGBTQ hotel share was estimated to be approximately 10.41%. Thus, it was estimated that annually 154,058 LGBTQ tourists visit San Juan area.

The Input Output Model used in this study was based on a model prepared by the Puerto Rico Planning Board. The data for the IO/SAM was extracted from IMPLAN into Excel and further manipulated to reduce the 104 x 104 matrix into a 24 x 24 matrix where tourism related sectors were disaggregated, and the other sectors were aggregated into Agriculture, Mining, Construction, Manufacturing, and Services. The rearrangement of the sectors attempts to analyze specific

economic activity more completely and integrate information about the flows of commodities that are related to travel and tourism activities. In this study, the Social Accounting Matrix (SAM) is used to measure the economic impact of the LGBTQ tourism industry in San Juan, Puerto Rico.

Results

The total sample size was 250 LGBTQ tourists (173 gay men (69%) and 77 lesbian women (31%)) staying in the San Juan area. Most of the respondents were educated, as 64% of the respondents had at least a four year college degree. The majority of respondents traveled from mainland United States (76%) and most of them were either Caucasians (43%) or Hispanics (41%). As for age, 78% of respondents belonged to Generation X and Y while the remaining 28% represented the Baby Boomers. Respondents were relatively affluent as almost four out of every ten respondents' (38%) income was \$50,000 or more. The majority of the respondents (55%) indicated that this was their first time visiting San Juan, Puerto Rico. General internet travel searches (40%) and hotel websites (39%) were the preferred methods for booking their accommodations and 25% used the hotel contact phone number. The majority of the respondents visited the island for leisure activities (74%) and on average stayed 5.1 days on the island. For lodging preferences, the majority of respondents stayed at hotels either independent or chain (51%), followed by guest houses (24%), friends and relatives (13%), and apartment rentals (7%).

The study reveals that on average tourists spend \$US1,039.35 per trip. Hotel spending is the largest spending category representing 25.7% of the total spending. This is followed by nightlife, entertainment, and foods and beverage. With a calculated population of 154,058 LGBTQ tourists, the direct impact was estimated at US\$103,064,776. The influx of revenues from this sector has a significant effect on the local economy. The indirect impact of the pink dollar represents an additional US\$92,540,707 to the local economy. The total economic impact of LGBTQ tourism was estimated at \$289,936,768.

Conclusion and Discussion

It is estimated that for every dollar spent by LGBTQ tourists staying in San Juan, Puerto Rico a total of \$0.58 are generated in wages to the employees in the labor force. This demonstrates the potential of LGBTQ tourism to help sustain jobs and contribute to the formal sector. More interesting is the fact that the visit from every LGBTQ tourist contributes \$825 to the average local household. This particular figure might appear high; however, this could be attributed to the significant induced effects that trickle through the economy. This demonstrates the potential of not only leisure tourism, but more specifically LGBTQ tourism in San Juan, Puerto Rico.

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