



The economic impact of on-screen tourism: The case of The Lord of the Rings and the Hobbit



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HIGHLIGHTS

- The study evaluates both overall and industry-level economic impacts of The Lord of the Rings (LoTR) and the Hobbit.
- A new approach that combines both econometric and computable general equilibrium modelling techniques is used in the impact assessment.
- The approach can be applied to much wider context of popular culture tourism.
- The Hobbit Trilogy brought a significant impact on tourist arrivals, but the effect of the LoTR on tourism demand is insignificant.
- The Hobbit Trilogy brought positive effects to the tertiary industry but negative impacts on primary and secondary industries.

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ABSTRACT

The economic impacts of on-screen tourism are particularly interesting, and research in this area can provide useful information to governments making decisions regarding subsidising film production and forming relevant marketing strategies. No reliable and systematic approach for measuring the economic impacts of on-screen tourism currently exists, and this study is the first to evaluate the overall economic impacts of on-screen tourism by comparing the impacts of two series of films, The Lord of the Rings and the Hobbit, both filmed in New Zealand. A new approach combining econometric and computable general equilibrium modelling techniques is used in the assessment. The results show that The Lord of the Rings did not significantly impact on the tourism and economy of New Zealand, while the Hobbit Trilogy had a significant positive impact, which may be due to effective marketing strategies and media convergence.

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1. Introduction

On-screen tourism (or screen or film tourism) refers to tourists travelling to a destination as a result of films or TV drama series (Hudson & Ritchie, 2006). Recognising the economic benefits these can bring, many governments support the development of film tourism in different ways. In 2014 the New Zealand Screen Production Grant provided a 20% baseline grant to international productions and a further 5% if the productions could generate

economic benefits to the country (Tourism New Zealand, 2015). Many local governments in South Korea provide significant investment (over US\$1 million in some cases) for building film sets, and by 2013, 34 film production towns had been built. However, facing financial difficulties, these towns are seeking more sustainable development (Kim, Kim, & Heo, 2015). Evaluating the economic impacts of films and TV dramas on tourism demand and the local economy is important in justifying investment, and by monitoring the effects of the investment supporting future investment strategies.

The media often claim that films and TV dramas have a positive impact on a specific destination, but there is often no method of calculating this effect. New Zealand, for example, has experienced a 50% increase in inbound tourism following the success of Lord of

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the Rings (LotR), which brought about NZ\$33 million a year, according to Tourism New Zealand (Forbes, 2012). The extent of the impact of films and TV dramas on tourist arrivals has been previously studied (Busby, Huang, & Jarman, 2013; Riley, Baker and Van Doren, 1998). Econometric models are used to evaluate the impact of films on tourism demand, in terms of tourist arrivals in a destination, but the total economic impact, in terms of the contribution to GDP and employment, has not been assessed (see Mitchell and Fergusson Stewart, 2012; Kim, Chen, & Su, 2009). The Computable General Equilibrium (CGE) modelling has been applied to evaluate the economic impact of on-screen tourism, but the crude estimates of the change in expenditure of tourism demand input into the model affects the reliability of the results (see Pratt, 2015).

This study aims to evaluate the overall economic impacts of film tourism, with a particular focus on the LotR and the Hobbit, on the New Zealand economy. This research makes several contributions. First, a new approach that combines both econometric and computable general equilibrium (CGE) modelling techniques is used in the impact assessment. This approach provides a more reliable, comprehensive and robust analysis of the economic contribution of on-screen tourism to the destination economy. It overcomes the weaknesses associated with individual modelling techniques and can be used to analyse the economic effect of popular culture tourism. This method can also be extended to assess the impact effect of other forms of popular culture tourism, such as literature and music tourism, that create products through creative industries (in popular culture) (Lundberg, Lexhagen, & Mattsson, 2012). Second, this is the first study to evaluate and compare the different economic effects of two films, the LotR and the Hobbit. The films have numerous similarities; they are based on novels written by the same author; both are set in 'Middle Earth', the former is the sequel to the latter and both were filmed in New Zealand by the same director. The comparison is therefore interesting, and can provide valuable policy suggestions for destinations that target on-screen tourism.

Tourism is the second largest export industry in New Zealand in terms of foreign exchange earnings, and is therefore extremely important to the economy (New Zealand Tourism, 2016). International tourist arrivals doubled over the last two decades, from 1,409,000 in 1995 to 2,854,000 in 2014 (Fig. 1). Major global events and crises affected these numbers, such as the 2003 SARS epidemic, the 2008 global financial crisis and the release of two series of films, the LotR and the Hobbit. These series each include three fantasy adventure films directed by Peter Jackson. The films received 38 nominations and won 18 Oscar awards; the most successful was The LotR: The Return of the Kings, which won 11 Oscars (Gunner, 2015). The LotR films have been ranked in the top 5 '100 films that defined the Noughties' (the Telegraph, 2009). The popularity of

the two film series is also reflected by their box office ticket sales, which reached US\$ 5896 million worldwide (Boxoffice Mojo, 2016). New Zealand, as the filming location of the two series, has been branded as '100% Middle Earth', linking it with the films (The Guardian, 2016). A number of themed package tours have been specifically designed for tourists who want to experience the filming locations. For example, Hobbit on Movie Set Guided Tours provides tourists with opportunities to discover where scenes were filmed, such as the featured Green Dragon Inn (<http://www.hobbitontours.com/OurTours/tabid/99/Default.aspx>). This study examines whether the success of the two films has generated on-screen tourism in New Zealand.

2. Literature review

2.1. On-screen tourism

On-screen tourism is the result of the popularity of film and TV shows. This modern phenomenon is of particular research interest as it is highly demand driven (Müller, 2006), and grows rapidly. It (generally) surprises the receiving destinations, and attracts very broad target groups (Hudson & Ritchie, 2006; Lundberg et al., 2012). Research within the field has developed from describing the phenomenon or calculating tourist flows (Riley, Baker and Van Doren, 1998; Riley & Van Doren, 1992; Tooke & Baker, 1996) to exploring more complex topics such as travel motivations (Beeton, 2005; Riley & Van Doren, 1992), host communities (Goh, 2014), national identity (Jones & Smith, 2005), power relationships (Peaslee, 2010), marketing strategy challenges (Croy, 2010), effects on the management of destinations (Mordue, 1999; 2001), post-modern interpretations of authenticity and hyper-reality (Beeton, 2010).

Research into on-screen tourism has primarily been in the form of case studies, focusing on specific films, TV shows and destinations. One of the earliest successful stories about on-screen tourism is the Disney on-screen production focused on its theme parks in six cities in the US, Europe and Asia (Frost, 2009; Lundberg et al., 2012; Marling, 1997). It is reported that the Disneyland theme park in California attracted 18.29 million visitors in 2015 and many of the visitors travelled to the park for the purpose of experiencing the Disney themed films (<https://www.statista.com/statistics/236154/attendance-at-the-disneyland-theme-park-california/>). LotR and New Zealand are well-explored example of the phenomenon, and the intersection between fiction and reality, authenticity and destination image have been researched (Buchmann, 2010; Buchmann, Moore, & Fisher, 2010; Carl, Kindon, & Smith, 2007; Croy, 2010; Jones & Smith, 2005; Peaslee, 2007; 2010; Tzannelli, 2004). Dracula tourism in Romania has also received a substantial amount of attention from researchers, who have explored the role of on-screen tourism in the transition of national identity and stereotypes post-Communism (Light, 2007, 2009; Shandley, Hamal, & Tanase, 2006; Tanasescu, 2006). Much research has been devoted to the effects of screen productions in the UK, where media representations and the reimagining of landscapes in the footsteps of the young wizard Harry Potter have been examined (Iwashita, 2006; Lee, 2012). In Asia, the effect of South Korean TV series and celebrities on tourist flows, intention to visit and destination image have also received substantial interest by researchers (Kim, Long, & Robinson, 2009; Kim & O'Connor, 2011; Kim, Agrusa, Lee, & Chon, 2007; Lee, Scott, & Kim, 2008; Lin & Huang, 2008).

The emotional ties that audiences create to characters, stories and places featured in screen productions have been identified as important motivations for travel. For some on-screen tourists, the screen productions are the primary travel reason, while others may engage in screen production activities (e.g., a film tour or theme

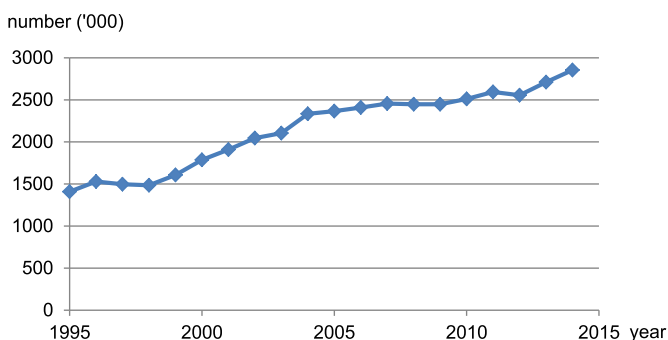


Fig. 1. Annual international tourist arrivals in New Zealand (1995–2014).

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