The authors would like to dedicate this text to family members who made sacrifices that allowed us time to concentrate on our writing:

For John Crossley, wife Leanilyn and son Tyler
For Lynn Jamieson, husband Stephen Wolter
For Russell Brayley, wife René
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ABOUT THE AUTHORS

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This text is a revision and update of the fifth edition of *Introduction to Commercial and Entrepreneurial Recreation and Tourism*, and it continues the themes of that edition. As in all the previous editions, the entrepreneurship theme is a very key orientation of this text. We view this industry to have three major components: the travel industry, the hospitality industry, and the local commercial recreation industry, and we will continue to use the term commercial recreation and tourism to refer to the entire industry.

The purpose of this edition remains the same as the first five editions—to provide an introduction to the scope, characteristics, and management aspects of the commercial recreation and tourism industry. It is intended that the book offer a blend of conceptual and practical material to achieve a basic understanding of this diverse industry. While some of the content is oriented toward large and established businesses, the text also has an entrepreneurial orientation that is particularly applicable to smaller businesses and organizations. Hopefully, many future commercial recreation and tourism entrepreneurs will gain some useful ideas in these pages.

As with earlier editions, this text will avoid coverage of content that is usually included in other texts such as recreation philosophy, leisure behavior theory, activity leadership, generic recreation programming, management theory, staff supervision, facility planning/design, legal liability, accounting principles, and so forth. However, we will cover several topics that have received little attention in other commercial recreation and tourism texts. These topics include entrepreneurial strategies, applied economic concepts, business start-ups, steps of the feasibility study, operations management, and several specific types of programs in commercial recreation and tourism. Finally, the content is presented in a way that parallels a logical course sequence. That is, from general to specific as explained below.

A new theme that appears throughout this sixth edition relates to the economic crisis that hit the U.S. very hard in 2009. Many commercial recreation and tourism industries saw declines in customers and/or revenue of eight percent or more in 2009. For some industries the decline started late in 2008 and continued through 2011. Because of this significant economic event, we have included, throughout the text, many examples about how to survive in such an economic crisis. Hopefully these strategies will be useful ideas if another economic crisis cycles through again.
The first three chapters provide an introduction to the overall commercial recreation and tourism industry including history, definitions, economic impacts, profile of the entrepreneur, entrepreneurial strategies, economic concepts, challenges and general strategies to overcome barriers.

Chapters 4 through 8 present content about the initiation and management of the commercial recreation and tourism enterprise. The information is intended to have general application to the overall industry, even though there are some differences between the diverse sub-industries. Content includes business start-up strategies, feasibility studies, financing sources, financial management, marketing, operations management, and some specific types of programming.

Chapters 9 through 11 narrow the focus to three categories of the industry: travel, hospitality, and local commercial recreation. Each chapter examines the status, operations, trends, and opportunities in numerous specific types of industries. Another reason to hold this content until the end is to “buy time” to allow students to investigate these industries on their own as part of a major class project. An industry report is a good idea for a project or term paper, particularly if the student relates the text content to examples found in the student’s desired area of career employment.

The final chapter examines the future of the commercial recreation and tourism industry and suggests some strategies for students who seek careers in this area.

The authors updated much of the content, particularly the content that related to specific industry data. On the other hand, conceptual content that remains relevant, was changed little. Many new references were used for the new material.

This text was developed for a variety of uses. The primary purpose is, of course, as a textbook for an introductory course in commercial recreation and tourism. The text could also function as an introduction to the overall commercial recreation and tourism industry for majors in travel/tourism or hotel management. Whatever the academic use, the course instructor should try to supplement the text concepts with local examples.

It is hoped that this text may also be of value to investors and practitioners in specific industries who seek an overview of the entire commercial recreation and tourism industry. Although there are many separate sub-industries, it is very common for success in one industry to be related to events in another industry. For example, hotels, restaurants, and shops in a ski destination probably won’t fill up if the ski mountain itself is not updated with modern high-speed lifts or snowmaking equipment to guarantee a good base for the Christmas season. Similarly, all these businesses may be very dependent on a single airline company to fly tourists in for their ski vacation.

It should also be pointed out that the choice of gender nouns “he” or “she” throughout the text was made by random selections. As the commercial recreation and tourism industry matures, males and females seem to be less relegated to stereotypical roles either as staff, managers, or owners.
part one

INTRODUCTION TO
COMMERCIAL RECREATION
AND TOURISM

An Entrepreneurial Approach
A Brief History of Commercial Recreation and Tourism

The commercial recreation and tourism field has a phenomenal economic, social, cultural, and personal impact. As of 2010, the direct and indirect impact of world travel and tourism accounted for almost 235 million jobs (8.1% of all employment), and $5.75 trillion (U.S.) in spending, which is 9.2% of the world’s gross domestic product (World Travel and Tourism Council, 2010). Of course, expenditures for local commercial recreation, including restaurants, add additional billions of dollars of direct economic impact. Let’s see how this huge and complex mega-industry started thousands of years ago.

Early Travel and Commercial Recreation

While family and community recreation activities have existed in one form or another since prehistoric times, the same cannot be said for commercial recreation and tourism. The invention of money by the Sumerians in Babylonia and their development of trade are probably the beginnings of the modern era of travel. Early travel, however, was primarily for war or business purposes. Few recreation seekers would put up with the discomforts and dangers of travel in those days.

In the Egyptian, Assyrian, and Babylonian civilizations, recreation included hunting, horse racing, wrestling, boxing, archery, music, dancing, and drama. To provide these opportunities, the ruling classes employed free men or forced slaves to work. Similarly, the affluent people of the early Greek civilization sponsored paid athletes to compete in a variety of sports events. The Romans
also used slaves and professionals to provide music, drama, and dance. Their Coliseum in Rome was the site of 100 day-long sport spectacles each year.

Eventually, the Greeks and Romans improved roads and naval travel in order to control their empires. With these improvements, tourism became safer and more comfortable. This theme of military technology literally paving the way for tourism has been repeated throughout history.

As early as 334 B.C., Alexander the Great attracted 700,000 tourists in a single season to Turkey, where they were entertained by acrobats, animal acts, jugglers, magicians, and circus performances. The ancient Greeks traveled to the Olympic Games, to spas, to festivals, and to the pyramids in Egypt. These and other events provided an early stimulation for travel other than for commerce or defense (About.Com, 2005). Romans also traveled extensively, having 175 holidays for leisure and recreation. It was possible to cover up to 100 miles per day on the paved roads and even more by ship. Roman tourists were much like today’s tourists, using guidebooks, employing guides, visiting the pyramids, shopping for souvenirs, and leaving graffiti behind (Goeldner, Ritchie, & McIntosh, 2000). Early tourists stayed in guest rooms that were part of private dwellings or in commercial inns. Housing, feeding, and entertaining the travelers became an important industry. About this time, seaside resorts and spas with medicinal waters became popular destinations.

Middle Ages and the Renaissance

With the decline of the great empires, tourism also declined. The wealthy class declined in population, roads deteriorated, and the countryside became overrun with bandits and thieves.

In the Middle Ages, tourism-related travel came to a virtual standstill. Similarly, the emphasis on religion and abstinence resulted in a dry spell for many of the recreational pursuits of the classical period. Nevertheless, some forms of commercially oriented recreation did exist. The nobility engaged in tournaments, gambling, feasting, and watching entertainers.

During the Renaissance, a revival of learning, cultural arts, and travel occurred. Fairs, exhibitions, operas, theater, and beer gardens were popular. The working class played soccer and attended prizefights, cockfights, and bear baiting. The affluent participated in ballroom dance, tennis, and games. “Travel for Education” was introduced and was exemplified by the “Grand Tour.” It became fashionable for young aristocrats, as well as members of the rising middle class, to travel and study throughout Europe, Egypt, and the Holy Lands. Sometimes these grand tours took up to three years and included indulgence in recreation and revelry.

The roots of the amusement park industry occurred in Europe, where pleasure gardens developed outside major cities. One such park remains, known as Bakken, near Copenhagen, which began in 1583 and is still open.

Travel for health also became important during the Renaissance. At first, only the infirm went to the hot springs or spas to drink or bathe in mineral
waters. Later, people began to go in order to dry out from alcoholism and other urban leisure vices. Next, entertainment, recreation activities, and gambling were added to the spas. Dozens of spas grew to become high-quality resorts. Switzerland, for example, had over 100 spa-resorts.

It is important to note that there was no clear distinction between private/commercial recreation and government-sponsored recreation throughout history to this point. Many of the trips taken by nobility were actually financed by government funds. Similarly, feudal kingdoms sponsored some of the festivals, contests, and mass entertainment events provided for the working class and peasants. Church involvement in local and national governments further complicated the separation of church/state/private enterprise.

Early Travel and Consumerism

In 1841, Englishman Thomas Cook chartered a train to carry 540 people to a temperance convention. Although Cook made no profit for himself on that trip, he saw the potential in arranging travel for others. By 1845, Thomas Cook had become the first full-time travel excursion organizer. In 1846, he took 500 people on a tour of Scotland and later arranged for over 165,000 people to attend the Great Exhibition in Hyde Park, London. A “Cook’s Tour” was likely to turn up anywhere. Switzerland, the Nile, the Holy Lands, Mount Everest, India, Norway, and Yellowstone Park were a few of the destinations. Cook was dedicated to making his tours as interesting and convenient as possible. One of his greatest achievements was to conduct a 212 day Round the World tour involving steamship travel across the Atlantic, a stagecoach from the east to west coast of America, a paddle steamer to Japan, and an overland journey from China to India (Spartacus Educational Homepage, 2005). To allow access to cash while away from home, he invented “circular notes,” which later became known as traveler’s checks.

19th Century Commercial Recreation and Tourism

It is well known that during colonial times, Americans hunted, fished, held shooting contests and horse races, held dances and theater events, and went to taverns for cockfights, boxing, and gambling. All this occurred in spite of prohibitions by Puritan-based laws. The Southern colonies were less Puritan, but most recreation was a privilege of the wealthy. By the 1800s, the energy of America was still being spent primarily to build the new nation. Travel was not easy, but as stagecoach lines developed, taverns and inns were built along the routes. The inns provided food, drink, and sleeping accommodations. Soon, enterprising innkeepers learned to see the value of providing recreation and entertainment in the form of festivals, contests, and cultural events. That in turn served to attract more visitors and increase profit from lodging, drink and food. In urban areas, people began to arrange competition in tennis, boxing, cockfighting, drinking, and other activities. By the late 1800s, dance halls, shooting galleries, bowling alleys, billiard parlors, beer gardens, and
saloons flourished. Professional sports teams were formed. Many cities had red light districts offering prostitution, gambling, and other vices. In such an environment, commercial recreation deservedly gained an unsavory reputation. In response, city councils passed restrictive ordinances, including “Blue Laws,” which closed recreation enterprises on Sundays. It was also in this environment that public parks and recreation became a major social movement.

The amusement park industry grew significantly in America, where amusements were built at the ends of trolley lines in order to generate more riders, especially on weekends. These amusements attractions included picnic areas, dance halls, food service, games, and some rides. In the late 1800s, the first Ferris Wheel was introduced at the 1893 World’s Fair in Chicago.

By the early 1900s, science had led to the invention of the phonograph player and silent motion pictures. There were over 10,000 motion picture theaters in the U.S. by 1910, and 10 million people a week attended (Chubb & Chubb, 1981).

Travel and commercial recreation were uplifted by improvements in transportation, specifically the railroad and later the automobile and airplane. Railroads carried urban residents to amusement parks on the outskirts of town and to major resorts across the country. In many cases, the amusement parks and resorts were built by the railroads to stimulate travel volume. For example, Sun Valley, Idaho, was built by Averell Harriman and the Union Pacific Railroad. Many resorts along the southeastern coast of the United States were similarly filled by tourists traveling by rail. Also, the new development of a series of national parks became a tremendous attraction for tourists.

The automobile provided additional mobility and independence for American tourists. Vacationing by auto became the great American middle-class tradition. The auto also opened a whole range of local recreation opportunities. Urban and rural residents alike could drive to movie theaters, sporting events, and many other commercial recreation attractions.

**Commercial Recreation and Tourism in the Last Half Century**

A healthy economy plus technological innovations continued to fuel growth in commercial recreation after World War II. The average work week decreased, while discretionary income increased, thus providing opportunity and means to enjoy new forms of recreation.

Perhaps the greatest technological advances again involved travel. Construction of the U.S. interstate highway system greatly expanded the area accessible to American tourists, and airlines enabled even more distant destinations to be reached easily. Some areas, such as Las Vegas, Los Angeles, Central Florida, and the Colorado mountains experienced tremendous growth due to improved accessibility and the development of recreation/tourism attractions.

Other technological advances also had huge impacts on commercial recreation. Electronic innovations generated a huge home entertainment industry of television, stereo equipment, video recorders, and computers.
Synthetic materials improved the performance and durability of ski equipment, golf clubs, skateboards, and sport balls of all types. Theme parks and water theme parks capitalized on a variety of innovations. Service innovations, such as timesharing, have also had significant impact. Undoubtedly, the future holds a continuing variety of new facilities, products, and services.

**Post 9/11 and Influence of Terrorism, War, and Economic Crisis**

Along with many other aspects of modern life, commercial recreation and tourism was impacted greatly when the two towers of New York’s World Trade Center were demolished by Arab Muslim terrorists on September 11, 2001. Almost immediately, the world of travel changed. Air travel plummeted 10% that year, being replaced by driving vacations and increases in RV sales. Travelers became more cautious about where to travel and placed the greatest amount of importance on feeling safe. New York City rebounded one year later, although an overall decline was still felt.

The impact of 9/11 and the war against terrorism caused increased security measures, changes in travel destinations, and most importantly, changes in perception about travel, safety, and many other aspects of our society. In fact, international air travel to the U.S. did not return to pre-9/11 levels until 2005 (Neff, 2005; Adams, 2005). To combat terrorism, the U.S. government spent about $704 billion through February 2010 for the wars in Iraq and Afghanistan (Wikipedia, 2010). In addition, the government spent almost $1.5 trillion for various bailouts, rescues, and economic stimulus programs due to the sub-prime mortgage crisis and the failure of banks, financial institutions, auto makers, and other businesses (Christie, 2010; Pew Economic Policy Group, 2010).

During these financial crises, the average American family lost about $100,000 in wealth and income when losses from real estate, stocks, unemployment, and lower earnings are combined. As a result, most Americans cut back on spending, including recreation and travel. Some areas were hit harder than others. For example, Las Vegas had a 27% reduction in the number of people attending conventions and meetings in 2009 (Parmley, 2009).

**Common Themes Throughout History**

Several themes appeared throughout the preceding section about the history of commercial recreation and tourism. These themes include the following:

- Commercial recreation and tourism have existed when people have free time, discretionary income, and access to leisure products and services.
- Many of the technological innovations for travel and for recreation products were first developed for military purposes and then adapted for commercial use.
- The fortunes of certain industries such as restaurants, lodging, and entertainment are closely linked to travel and tourism.
• When economic conditions sour, when travel is inconvenient or unsafe, or when services are inadequate, there are declines in many types of commercial recreation and tourism.
• Some people have been willing to pay for leisure services regardless of inflation or recession.

The significance of the above themes is related to the nature of history. Scholars tell us that history tends to repeat itself. Therefore, we should expect to see those themes repeated in the future of commercial recreation and tourism.

Definitions

The previous section mentioned how the provision of recreation throughout history has been an undefined mix of governmental (public) and private efforts. Figure 1.1 illustrates a continuum depicting the traditional difference between public agency recreation and private/commercial recreation. It must be realized that few public park and recreation agencies exist in the pure/traditional form at the left of the continuum. Most have evolved a little or a lot toward the middle and include some quasi-government agencies that have characteristics of both the public and private sectors. A similar pattern of moving toward the middle has emerged in the private sector, because a greater service orientation now exists for many businesses. Also, some large commercial recreation and tourism developments are given tax incentives and/or government-funded infrastructure improvements as enticements to locate in a given area. Further, federally mandated disability initiatives have caused many businesses to view their market segments in broader context. The characteristics analyzed here include philosophic orientation, service origin, financial base, originating authority, and service focus.

**Philosophic orientation.** Public recreation is based on the value of recreation as a necessary service for society. Private sector recreation is provided to make a profit for a business.

**Service and ethics origin.** Public recreation began as a social welfare movement, and public parks had roots in conservation ethics. Private recreation originated as a business response to people who desired to travel and/or purchase leisure products and services.

**Financial base.** Taxes have traditionally provided the bulk of public recreation finances. On the other hand, private recreation is funded by private capital and operated through fees revenue.

**Originating authority.** City councils, county commissions, citizen boards, and other legislative bodies create public park and recreation departments. Individual initiative is the source of private recreation business.

**Service focus.** Public recreation must be open to the collective interest of its community. On the other hand, private recreation can focus on any market interest that it chooses.
What is Commercial Recreation and Tourism?

Based upon this continuum, a definition of commercial recreation may be developed that differentiates it from public recreation. Definitions for commercialized public recreation, entrepreneurial recreation, and tourism are also included in this section.

**Commercial Recreation**

Obviously, commercial recreation is the provision of leisure experiences with the intent of making a profit. While this definition covers the basic revenue orientation, it does not really differentiate between public and private provision of the service. This is a distinction that must be made, since private enterprise must overcome barriers that do not similarly affect government-sponsored recreation.

While most government agencies charge fees for recreation, such fees seldom cover capital development and full overhead costs. These are major cost factors that private enterprises cannot escape. Government also has the advantage of using tax revenues to subsidize its revenue-generating activities. Similarly, nonprofit organizations such as YMCAs often have community fundraising campaigns and other charitable donations as revenue sources. Another important difference is that public recreation agencies and nonprofit organizations do not

---

**Figure 1.1. Public-Private Recreation Continuum**

<table>
<thead>
<tr>
<th>Public Recreation</th>
<th>Private Recreation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Free and Necessary Service for Society</td>
<td>Philosophic Orientation</td>
</tr>
<tr>
<td>Social Welfare Movement and Conservation Movement</td>
<td>Service and Ethics Origin</td>
</tr>
<tr>
<td>Tax Revenue</td>
<td>Financial Base</td>
</tr>
<tr>
<td>Governmental Bodies and Citizen Boards</td>
<td>Originating Authority</td>
</tr>
<tr>
<td>Should be Open to Collective Community Interest</td>
<td>Service Focus</td>
</tr>
<tr>
<td></td>
<td>Can Focus on Any Market Segments</td>
</tr>
</tbody>
</table>

have to pay property taxes and income taxes. Private enterprise, however, is often taxed a substantial amount to conduct business.

To account for the differences between public and private orientations, the following is offered as a definition for commercial recreation:

*The provision of recreation-related products or services by private enterprise for a fee, with the long-term intent of being profitable.*

In addition to the aforementioned public/private distinction, this definition offers two other key points. First, “recreation related” may be interpreted very broadly and may include any product or service that either directly or indirectly supports a leisure pursuit. This interpretation means that leisure-related aspects of the travel industry and hospitality industries (including hotels and restaurants) can be included within the broad framework of commercial recreation. Of course, a significant part of both the travel and hospitality industries serves the business traveler, and much of the restaurant industry (part of the hospitality industry) serves a fundamental nutrition purpose. However, it must be recognized that there is an extremely large leisure component of these industries.

The second key point is that the “long-term intent” is to be profitable. This recognizes the fact that commercial recreation is not always profitable; it may fail. It may also take a company many years to become profitable, because it may have to overcome very high start-up costs. Some companies may never be profitable on a day-to-day operational basis, but may yield large profits through the long-term appreciation of their land and facilities.

**Commercialized Public Recreation**

What can we call governmental and nonprofit recreation organizations that are operated in a commercial manner? Commercialized public recreation is the term suggested for this concept defined below:

*The provision of selected recreation-related products or services by a governmental or nonprofit organization in a commercial manner, with much or all of the costs covered by fees, charges, or other non-tax revenues.*

A key point of this definition is that the overall agency may operate under traditional funding sources, but that “selected” aspects may be operated in a commercial manner. An example of this would be a city parks and recreation department that funds its parks through tax revenues but expects its recreation programs to be self-supporting through fees. Further evidence of commercialized public recreation exists when selected recreation functional units are separately operated under “enterprise funds.” These can include golf courses, driving ranges, water parks, stadiums, arenas, marinas, and many other facilities.
Entrepreneurial Recreation

It is a premise of this book that private, public, and nonprofit organizations can all operate in an entrepreneurial manner. The term “entrepreneur” is commonly used in reference to a person who starts a small business. This definition, however, can exclude government and nonprofit organizations that initiate recreation services by utilizing entrepreneurial strategies. Key identifiers of entrepreneurial approaches can include environmental scanning for trends and changes that present opportunity. The entrepreneur then utilizes common managerial functions to exploit those opportunities for profit or financial self-sufficiency. Therefore, the following definition is offered for entrepreneurial recreation:

The actions of a recreation-related organization that searches for trends and changes in its environment, then brings together and manages resources to exploit those changes as an opportunity.

It is a premise of this book that entrepreneurial activity can exist within a governmental organization as well as within a private enterprise structure.

Tourism

As explained in greater detail in Chapter 9, tourism is:

The activities of persons traveling to and staying in places outside their usual environment, for leisure, business, or other purposes.

In most cases, a person’s usual environment is their area of residence. It is important to note that this definition is not limited to leisure travel. The person traveling for business, education, religion, or other purposes is just as likely, perhaps more so, to spend money on transportation, lodging, food, and beverage as the leisure traveler does. Further, the travelers for business and other purposes often include significant leisure time and expenditure on their trips.

The tourism industry is defined as the broad industry comprised of a loose network of businesses and other organizations that serve tourists. These other organizations can include government agencies that serve tourists directly or serve the overall interests of the tourism destination. Examples would be convention and visitor bureaus, national parks, regional airports, etc. The hospitality industry is often considered to be part of the tourism industry, but sometimes it is considered a unique and separate industry.

This text will use the term commercial recreation and tourism to refer to the entire overlapping collection of businesses and other organizations that serve the recreation and/or tourism purposes of individuals.
Types of Commercial Recreation and Tourism

According to the definitions presented in the previous section, commercial recreation and tourism may include such diverse businesses as resort hotels, movie theaters, sporting goods stores, airlines, racquet sport clubs, dance studios, craft shops, restaurants, travel agencies, casinos, campgrounds, theme parks, and stadiums and arenas (if privately operated). Obviously there are commonalities and interrelationships between some of these enterprises. On the other hand, some have little or no relationship to the other types listed. This diversity makes it very difficult to grasp the breadth of the industry and understand its components. What is needed is some structure or logical classification system into which the many industries can be grouped. Such a system allows a better organized study of commercial recreation and tourism, because similar industries often have similar problems, trends, and management practices.

An Industry Classification System

The following classification system demonstrates the overlapping nature of many of the categories suggested previously. This is essential if one is to gain a realistic grasp of a complex, diverse, and interrelated industry. Consider for example: Is a ski resort in the hotel, travel, entertainment, restaurant, retail, or recreation program business? It could be all of those and serve local residents as well as tourists. Our classification system has three main components: travel/transportation, hospitality, and local commercial recreation. Each of the components has its “purist” aspects, and each has sub-industries that overlap with the other component classifications (see Figure 1.2). The key to the classification system is that each major industry has certain common characteristics, but that some components of an industry overlap with another. Furthermore, some business categories have relevance to all three industry components. These industries are located in the middle overlapping area of the three industry circles.

Travel industry. The Travel Industry has as its primary function the movement of people and the provision of travel-related services. The purist forms of this industry are the airlines, rental cars, bus lines, and railroads that move tourists as well as business travelers. This industry overlaps with local commercial recreation when retail products and recreation activities are provided for tourists. Examples are heli-ski services, river guide trips, souvenir shops, and RV dealers. The travel industry overlaps with hospitality when lodging, food, or other amenities are provided for tourists. Examples are cruise ships, campgrounds, and historical attractions. It is important to note that the term “tourism industry” is not used for this industry segment. That is because the tourism industry is broader in nature than just travel and hospitality. As mentioned previously, “tourism” could also include many of the industry “facilitators” and even part of the “local commercial recreation” industry that serves tourists.
Introduction to Commercial Recreation and Tourism

What is Commercial Recreation and Tourism?

The Hospitality Industry has as its primary function the provision of accommodations, food and beverage, and related amenities. The purist forms of this industry are hotels and motels, restaurants, resort condominiums, taverns, recreation vehicle parks, campgrounds, and recreation communities. Hospitality can overlap with the travel industry as previously mentioned. It also overlaps with local commercial recreation when recreation

Figure 1.2. The Commercial Recreation and Tourism Industry

Hospitality industry. The Hospitality Industry has as its primary function the provision of accommodations, food and beverage, and related amenities. The purist forms of this industry are hotels and motels, restaurants, resort condominiums, taverns, recreation vehicle parks, campgrounds, and recreation communities. Hospitality can overlap with the travel industry as previously mentioned. It also overlaps with local commercial recreation when recreation

activities are provided at restaurants, camps, or other hospitality settings that predominantly serve local residents. Examples are leisure theme restaurants, sports day camps, and hunting day lodges.

**Local commercial recreation industry.** Its primary function is the provision of retail products, entertainment, and recreation programs for people in their home communities. The purist forms of this industry include fitness centers, dance studios, sporting goods stores, movie theaters, and small amusement parks. As previously mentioned, local commercial recreation can overlap with the travel and hospitality industries as these activities can also occur as part of tourism businesses.

**Facilitators.** Facilitators of many types support the three main industries. Some facilitators, such as travel agencies, travel schools, and time-share trade services, support the hospitality and travel/transportation industries. Other facilitators, such as equipment wholesalers, publishers of leisure-oriented magazines, and writers of “how to do it” craft books, support the local commercial recreation industry. Further, facilitators that chiefly support hospitality and local commercial recreation include convention and visitor bureaus and chambers of commerce. Facilitators are covered within the chapters of this text according to the type of industry they support most.

All of these industries overlap when accommodations, food, activities, retail shops, and entertainment are provided for both tourists and local residents. This occurs in many types of resorts, at major entertainment events such as an NFL Superbowl, and at large theme parks.

**Expenditures in the Recreation/Leisure/Tourism Industry**

Depending upon which organization collects the data, the terms recreation industry, leisure industry, or tourism industry may be used. For this text, we will simply refer to it collectively as the recreation, leisure, and tourism industry. Data regarding expenditures in this large and complex industry are important in order to assess the present and to make projections for the future. Such data is used in:

- feasibility studies for new or expanded facilities or programs;
- operational decisions involving demand estimates, pricing, marketing, employment of seasonal staff, etc.;
- projections by government for sales taxes, hotel occupancy taxes, etc.;
- policy decisions by governmental agencies; and
- lobbying efforts of industry/trade associations.

Unfortunately, the data produced through measurement of the recreation, leisure, and tourism industry are often inconsistent and there are problems in measuring expenditures. For example, different definitions are used for recreation, leisure, travel, and other categories, and those definitions can change.
over the years. Also, some agencies have a bias regarding the topics they survey and the methodology used. Finally, it is difficult to separate leisure-related expenditures from business expenditures for topics such as hotels, restaurants, airlines, gardening, etc.

Even though there are problems in measurement, it is possible to gain a general idea of expenditure levels for major categories of recreation in the United States.

Public parks such as Yosemite National Park stimulate billions of dollars of spending for commercial recreation products and tourism services. (Photo: J. Crossley)

Perhaps the most comprehensive source of data is the Economic Census conducted by the U.S. Census Bureau (2009 and 2004). Table 1.1 presents the expenditure levels, number of businesses, and number of employees (both full-time and part-time) in most of the major categories of recreation, leisure, and tourism.

The $1.47 trillion total in Table 1.1 represents a huge segment of the U.S. economy. It is, however, a figure that is not necessarily accurate and is certainly not complete. Those figures do not include the leisure-related portion of the $448 billion that Americans spent at gasoline stations, or the leisure-related portion of $578 billion spent at department stores and discount stores. Added to that would be the leisure-related portion of over $266 billion of expenditures for home computers and software, online and mail order shopping, Internet services, and other products and services (U.S. Census Bureau, 2009). If just
Table 1.1

Recreation, Leisure, and Tourism Expenditures

<table>
<thead>
<tr>
<th>Category</th>
<th>Sales ($ Billions)</th>
<th>Establishments (thousands)</th>
<th>Employees (thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food services and drinking places</td>
<td>433.4</td>
<td>566.0</td>
<td>9,618</td>
</tr>
<tr>
<td>Hotels/traveler accommodations</td>
<td>175.1</td>
<td>53.0</td>
<td>1,919</td>
</tr>
<tr>
<td>Air transportation</td>
<td>146.5</td>
<td>5.7</td>
<td>490</td>
</tr>
<tr>
<td>Motion picture production and theaters</td>
<td>79.8</td>
<td>19.9</td>
<td>304</td>
</tr>
<tr>
<td>TV, radio, and other electronics retail</td>
<td>67.6</td>
<td>28.8</td>
<td>309</td>
</tr>
<tr>
<td>Lawn and garden stores</td>
<td>36.9</td>
<td>20.3</td>
<td>168</td>
</tr>
<tr>
<td>Liquor stores</td>
<td>36.2</td>
<td>31.1</td>
<td>141</td>
</tr>
<tr>
<td>Sporting goods retail</td>
<td>34.3</td>
<td>22.0</td>
<td>226</td>
</tr>
<tr>
<td>Spectator sports</td>
<td>30.0</td>
<td>4.3</td>
<td>120</td>
</tr>
<tr>
<td>Gambling industries except casino hotels</td>
<td>26.4</td>
<td>2.5</td>
<td>173</td>
</tr>
<tr>
<td>Auto rental</td>
<td>22.5</td>
<td>6.3</td>
<td>131</td>
</tr>
<tr>
<td>Fitness and sports centers</td>
<td>21.6</td>
<td>31.6</td>
<td>581</td>
</tr>
<tr>
<td>Book and music stores</td>
<td>21.2</td>
<td>15.4</td>
<td>177</td>
</tr>
<tr>
<td>Golf courses/Country clubs</td>
<td>21.2</td>
<td>12.1</td>
<td>327</td>
</tr>
<tr>
<td>Travel agencies</td>
<td>19.3</td>
<td>15.6</td>
<td>125</td>
</tr>
<tr>
<td>R.V. dealers</td>
<td>19.2</td>
<td>3.1</td>
<td>43</td>
</tr>
<tr>
<td>Other travel services</td>
<td>17.7</td>
<td>3.8</td>
<td>106</td>
</tr>
<tr>
<td>Gift, novelty, and souvenir stores</td>
<td>16.1</td>
<td>30.9</td>
<td>192</td>
</tr>
<tr>
<td>Hobby, toy, and game</td>
<td>15.6</td>
<td>9.3</td>
<td>136</td>
</tr>
<tr>
<td>Promoters of performing arts and sports</td>
<td>16.1</td>
<td>6.5</td>
<td>121</td>
</tr>
<tr>
<td>Performing arts companies</td>
<td>13.8</td>
<td>9.1</td>
<td>134</td>
</tr>
<tr>
<td>Museums, historic sites, zoos, nature parks</td>
<td>13.0</td>
<td>7.1</td>
<td>130</td>
</tr>
<tr>
<td>Independent artists, writers, and performers</td>
<td>12.7</td>
<td>20.3</td>
<td>48</td>
</tr>
<tr>
<td>Cruise and ocean passenger transportation</td>
<td>12.6</td>
<td>0.1</td>
<td>18</td>
</tr>
<tr>
<td>*Boat dealers</td>
<td>12.4</td>
<td>5.5</td>
<td>40</td>
</tr>
<tr>
<td>Amusement and theme parks</td>
<td>11.8</td>
<td>.5</td>
<td>108</td>
</tr>
<tr>
<td>Pet shops</td>
<td>11.4</td>
<td>8.7</td>
<td>101</td>
</tr>
<tr>
<td>Video/DVD rental</td>
<td>9.2</td>
<td>16.1</td>
<td>129</td>
</tr>
<tr>
<td>Art dealers</td>
<td>8.4</td>
<td>6.6</td>
<td>23</td>
</tr>
<tr>
<td>Other amusement and recreation</td>
<td>7.4</td>
<td>14.8</td>
<td>98</td>
</tr>
<tr>
<td>*Athletic footwear stores</td>
<td>7.3</td>
<td>6.1</td>
<td>64</td>
</tr>
<tr>
<td>Theater companies and dinner theaters</td>
<td>7.1</td>
<td>3.6</td>
<td>71</td>
</tr>
<tr>
<td>Airport operations</td>
<td>6.7</td>
<td>2.1</td>
<td>89</td>
</tr>
<tr>
<td>Musical instrument stores</td>
<td>5.6</td>
<td>4.5</td>
<td>34</td>
</tr>
<tr>
<td>Musical groups and artists</td>
<td>5.1</td>
<td>4.5</td>
<td>44</td>
</tr>
<tr>
<td>Arts and sports agents/managers</td>
<td>5.1</td>
<td>3.5</td>
<td>19</td>
</tr>
<tr>
<td>Photographic studios</td>
<td>5.0</td>
<td>15.3</td>
<td>79</td>
</tr>
<tr>
<td>R.V. parks and recreational camps</td>
<td>4.4</td>
<td>7.5</td>
<td>40</td>
</tr>
<tr>
<td>Tour operators</td>
<td>4.3</td>
<td>3.0</td>
<td>31</td>
</tr>
</tbody>
</table>
one third of these expenses were leisure related, the grand total would be $1.9 trillion a year! Considering that government census data has a two-year lag time from initial research to publication, the above figures would usually be up about 5% per year due to monetary inflation and minimal growth from the 2007 census. However, due to the 2007-2010 economic crises, we will estimate just 5% growth since the 2007 census. Therefore, a reasonable estimate of the overall recreation, leisure, and tourism industry in the United States is $2 trillion! This is a tremendous figure that illustrates the size of this huge and diverse industry.
Economic, Social, and Environmental Impacts of Commercial Recreation and Tourism

As mentioned at the beginning of this chapter, recreation and tourism, including its direct and indirect activity, accounts for over $5.7 trillion in Gross Domestic Product, and is the world’s largest industry. According to the World Travel and Tourism Council, tourism employs 235 million people and accounts for 9.2% of the world’s gross domestic product (World Travel and Tourism Council, 2010).

Within the U.S., impacts are similar in importance. Commercial recreation and tourism is one of the top three industries in every state. Tax revenues generated from tourism alone are about $113 billion. International tourism to the U.S. has a foreign trade surplus of about $22 billion, thus helping to ease the overall U.S. trade deficit (U.S. Travel Association, 2010).

Within this huge industry, most expenditures occur in the private sector. Only about 2% to 5% of the industry expenditures occur through local, state, or federal government agencies. However, the importance of the role of government in the economics of the industry is much greater. Consider that government lands are often leased to commercial enterprise as the sites for many types of resorts and tourist attractions. Federal agencies regulate international travel and provide security services at airports. Further, governmental agencies build most of the nation’s highway infrastructure. At the local level, many expenditures at retail sporting goods stores and arts and crafts shops are for equipment used in sports leagues and crafts classes sponsored by city park and recreation departments.

Positive Impacts—Commercial recreation and tourism has many positive impacts on a given community. These include the following:

- Employment opportunities increase.
- Local economy is stimulated through increased commerce.
- Outside capital (new businesses, new investors for existing businesses) is attracted.
- Property values often increase.
- Tax revenues: property, sales, and hotel room taxes increase.
- Recreation opportunity for local residents increase.
- The economic multiplier improves when locals stay in their community for their own recreation.

Negative Impacts—Commercial recreation and tourism can also have negative impacts:
Many types of commercial recreation and tourism have high failure rates and/or short life cycles, thus resulting in unemployment and decreased economic contribution to the local community. The local infrastructure (roads, sewers, utilities, etc.) can become overburdened, thus requiring capital improvements that cost huge sums of money. Crime can increase since tourists can be easy prey, and transient-type employees may be more crime prone. Increased land values can backfire on young residents wishing to buy property for the first time. Natural resources can be overused to the point of ruining the attraction that is the center of the commercial recreation and tourism industry. Undesirable types of commercial recreation may appear, trying to capitalize on increased traffic to the prime commercial attraction. Lack of authenticity of tourism attractions, and/or unattractive aesthetics diminish and cheapen the experience. Local culture in rural or remote areas can be harmed. Residents may become disenchanted with their own community. Some tourist attractions and support services are basically tourist traps selling inauthentic, cheap products in a nonaesthetic environment. (Photo: J. Crossley)
Ultimately, each community must assess both the pros and cons of commercial recreation and tourism development. Zoning regulations, pricing of business permits and licenses, and other local government regulations can encourage or discourage a commercial recreation and tourism enterprise.

Additional content regarding economic impact is covered in Chapter 3, and additional content regarding social and environmental impacts of tourism are covered in Chapter 9.

The Role of Government in Commercial Recreation and Tourism

As mentioned in the previous section, government is concerned with the success of commercial recreation and tourism because of its economic impact on the community. In addition to assessing property taxes, sales taxes, and fees for licenses and permits, government at all levels is involved in the regulation of private enterprise. Government has a duty to protect the public interests and therefore establishes standards and regulations for many aspects of business operation. This topic of government regulation is addressed in greater depth in Chapter 4.

While taxes and regulations are necessary evils for commercial recreation and tourism, there are many positive relationships possible between government and private enterprise. These relationships could be grouped into three categories: complementary relationships, cooperative arrangements, and planning relationships.

Complementary Relationships

Government has occasionally expanded its scope of service into traditional areas of private enterprise. In some cases where local government has offered commercial-quality bus tours, fishing trips, and fitness facilities, lawsuits have been filed charging government with unfair competition. Government is not structured to meet all the recreation needs of all people. Also, the resources of government are stretched too thin, and economic conditions are not getting better. Therefore, government has acted to complement the efforts of private enterprise in order to provide the maximum recreation opportunity for its residents. Specific complementary actions by government can include the following:

- Provide, maintain, and/or regulate the infrastructure (roads, waterways, utilities, etc.) that supports commercial recreation and tourism.
- Promote tourism and commercial development.
- Provide public facilities where residents can use recreation equipment purchased from retail outlets.
- Provide low-cost introductory programs; advanced levels can be offered by commercial enterprises.
- Refer people to commercial recreation opportunities.
Cooperative Arrangements

There are many types of cooperative arrangements where government and private enterprise can interact directly to provide recreation facilities or programs. Examples include the following:

- public agency programs conducted at commercial facilities;
- private enterprise contracted to operate certain programs at public agency facilities;
- co-sponsorship of promotional events and special events;
- loaning or sharing of equipment, supplies, or staff expertise;
- leasing concessions for food, beverage, or other amenities;
- contracted management of entire facilities or entire programs;
- cooperative facility development;
- financial assistance provided, such as low-cost loans or property tax abatements; and
- leasing of public land for commercial recreation and tourism development.

Planning Relationships

Long-range planning for recreation and tourism is best served when government and private enterprise work together. Unfortunately, this does not always happen. Nevertheless, the following guidelines indicate areas where mutual planning efforts can be beneficial:

- Commercial recreation and tourism business representatives should be involved in public hearings concerning recreation and natural resources.
- Commercial recreation and tourism representatives should be active in the community, serving on advisory boards, planning commissions, etc.
- Comprehensive plans at the local and state level should include the input of commercial recreation and tourism owners and managers.
- Commercial recreation and tourism industry representatives should be active in providing input for national policy level decisions that affect the industry.

Key Trends in the Recreation and Tourism Industry

Government, private enterprise, society, and environmental factors all interact constantly to create an ever-changing environment for the commercial recreation and tourism enterprise. Events of the past set the stage for the future, whether we choose to pay attention or not. Throughout this text, several trends and themes will appear constantly. Chapter 12 focuses specifically on trends and opportunities for the future. Some of these trends are introduced here to alert the reader to them:
• International, national, regional, and local economic conditions affect the ability of people to spend for recreation and tourism.
• Demographic changes underlie significant changes in the market for recreation and tourism.
• Resource availability will affect almost all forms of commercial recreation and tourism.
• Sustainability of natural resources and culture needs to gain equal importance with long-term financial sustainability as goals of recreation and tourism development.
• Foreign policy, war, crime, terrorist activity, and natural resource disasters will alter tourists’ choices of destinations.
• New technology will continually revolutionize travel and recreation, and entirely new concepts/products will emerge.
• Entrepreneurial managers who are proactive in the way they address problems and take advantage of opportunities will have greater prospects for success than their lesser competitors.
• Emphasis on multicultural and diverse opportunity will increase as we become a more globally aware planet.

Obviously, these are not earthshaking revelations. They are, however, trends and themes that will arise constantly and affect the commercial recreation and tourism manager’s efforts to develop a profitable enterprise. If a manager does not deal with these trends, dramatic problems and business failure can result.

The Commercial Recreation and Tourism Experience

Ultimately, the objective of a commercial recreation and tourism enterprise is to become profitable. Some managers, however, may limit their opportunities for profit by defining their business too narrowly. For example, a mountain bike tour operator is missing his full potential if he sees his business only as leading high-quality bike tours. There are additional revenue opportunities available. What managers should do is look at their company in light of the total recreation and tourism experience.

There are five major steps or components of the recreation and tourism experience: 1) anticipation, preparation, and planning; 2) travel to; 3) on-site participation and/or purchase; 4) travel from; and 5) recollection. These steps may all be defined further to reflect an understanding of what motivating factors encourage one’s pursuit/choice of a leisure experience.

Continuing with the mountain bike tour example, the traditional manager would concentrate only on the third step, on-site participation. On the other hand, the resourceful manager would see the potential to serve the consumer at each step of the recreation experience. Examples of this aggressive approach are given below for each component.
The anticipation, preparation, and planning stage would include the manager selling products or services that help the consumer prepare for a recreation/tourism experience. This could include:

- instructional classes to show people how to maintain and repair their bikes;
- “how to do it” books and tapes to instruct and prepare the participant;
- guide books showing trails, natural history, etc.; and
- equipment tune-up and repair services.

The travel to and travel from stages would suggest an opportunity to sell an entire vacation package that includes airfare and/or van transportation to the bike tour departure site, plus hotel accommodations prior to departure. A mountain bike tour operator could accomplish this through a cooperative arrangement with a local travel agency. If the bike tour business was large enough, it might even include a travel agent on staff.

Sales for the on-site participation stage are the mainstay of the mountain bike tour operator’s business, but revenues could be boosted by selling related products. For example, bikes and camping equipment could be rented or sold. Also, the business could sell sunscreen, sunglasses, snacks, etc.

The recollection stage suggests opportunities for the business to sell products or services that help the consumer relive the enjoyable experience. Ideas for the bike tour company could include:

- digital cameras, memory cards, and photography accessories;
- photo CDs and DVDs of the trip;
- T-shirts, caps, and other souvenirs of the trip; and
- membership in a club or bike association.

All commercial recreation and tourism enterprises should analyze the potential for products and services that target each of the five steps of the recreation and tourism experience. Sometimes this extra effort can have a significant impact on the overall profitability of the business. Prime examples of this in other businesses include: 1) commercial photographers at resorts and on cruise ships; 2) souvenir shops at resorts; 3) instructional classes at crafts and fabric shops; 4) travel agencies sponsoring travel clubs and travel classes, and selling passport photos, guidebooks, maps, travel games, and travel DVDs.

**Summary**

Commercial recreation and tourism is the provision of recreation- and/or tourism-related products or services by private enterprise for a fee, with the long-term intent of being profitable. Public and nonprofit organizations can also provide recreation and tourism in a commercialized manner. Whether serving public, private, or nonprofit organizations, the entrepreneurial manager
can exploit changes in the environment to create new opportunities for business. Throughout history, the provision of commercial recreation and tourism has paralleled the availability of free time, discretionary income, and transportation. Technological advancements such as railroads, autos, airplanes, plastics, and microchips have created huge industries. In the process, recreation and tourism has grown to become one of the nation’s largest industries. Annual expenditures in the U.S. probably exceed $2 trillion, but differences in definition and methodology make it difficult to assess how big the industry actually is. It is certain, however, that recreation and tourism is one of the top three industries in every state.

The development of commercial recreation and tourism can have very positive impacts on a community, including attraction of outside capital, increase of the tax base, creation of new jobs, and the improvement of the local infrastructure. Negative impacts can also occur, including failure of businesses, overburdening of the infrastructure, and abuse of the environment. In order to protect public interests, the government regulates and taxes commercial recreation and tourism businesses. Government should also interact with commercial recreation and tourism by providing complementary services, by establishing cooperative ventures, and by including private sector representation in the planning process.

Most commercial recreation and tourism businesses tend to focus their efforts on only one aspect of the leisure experience: on-site participation and/or purchase. The aggressive manager will exploit revenue opportunities by providing products or services at many stages of the experience, including preparation, travel to/from, and recollection stages, as well as at the traditional on-site stage.
SPOTLIGHT ON:

Michelle Kelthy, Executive Spa Director

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Founded in 1983, the Ritz-Carlton Hotel Company has grown from one hotel to over 50 luxury hotels and resorts worldwide. The Ritz-Carlton properties are best known for their magnificent surroundings and unbeatable quality service. The Ritz-Carlton Resort in Naples, Florida, is consistently honored as one of the finest resorts in the world and has had the distinct honor of having received both the prestigious Exxon Mobil Five Star and AAA Five Star Awards for over 15 years.

In 2000, the Ritz-Carlton, Naples resort expanded its facility to include a state-of-the-art spa. Encompassing more than 51,000 square feet and three floors, The Spa offers a full spectrum of services including hot and cold plunge pools, steam and sauna rooms, tiled spa tubs with waterfalls, a sun deck and mineral pool, fitness center, mind and body studio, 33 treatment rooms (offering over 90 treatments), salon, retail space, locker facilities, and H2O, the spa café. Shortly after opening its doors, The Spa was winning its own awards, including in 2001 being named the “#1 Best Hotel Spa in the United States” by Travel & Leisure Magazine.

At The Spa at the Ritz-Carlton, Naples, a guest will experience highly skilled therapists and staff; there is even a spa concierge to assist guests in choosing the perfect treatment or combination of treatments to best suit their needs. The treatment rooms are appointed with Frette linens, down comforters, and other luxurious touches to further enhance the experience. The individual responsible for the operation of The Ritz-Carlton Spa, Naples, is Executive Spa Director Michelle Kelthy. Michelle has a management staff of eight and operation staff of over 100 to help keep The Spa running smoothly. It is Michelle’s goal to ensure that each Spa experience is a “vacation for your mind, body, and soul.”

Michelle Kelthy has spent 20 years in the spa industry. Originally from the U.K., Michelle started her career working and managing a hair salon outside Liverpool, England. She then entered the cruise industry, managing salon and spa facilities on board ships. Michelle completed a 10-year career in the cruise industry as regional manager of onboard spa facilities working out of cities such as Vancouver, San Juan, and Miami. In 2000, Michelle moved to Bangkok, Thailand, where she worked for Starwood Hotels and after one year moved to start the first Elemis Day Spa in Hong Kong’s business district. It was this time that Michelle immersed herself in learning Asian therapies and, along
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with the spa industry, began to move away from aesthetic treatments to more holistic treatments. Michelle joined the Ritz-Carlton Hotel Company in 2003, operating The Spa at the Ritz-Carlton, San Juan Hotel, Spa & Casino in Puerto Rico and in 2005 she took the position in Naples.

It is certainly an exciting time to work in the spa industry. According to Aesthetics Medical, Inc., in 2000, the size of the United States spa industry was estimated at over 12,000 locations. That number increased to over 20,000 by 2009. According to Michelle, the best part of her role as executive spa director is the opportunity to help and heal people. “Starting out as a therapist, I’ve learned how much I love to help people achieve their goals.” Michelle said she feels lucky to be around her staff that she describes as “people that are passionate about helping others.” She states that passion is essential for anyone interested in working in the spa industry.

This spotlight on Michelle Kelthy illustrates the benefits of working in this distinct area of the commercial recreation and tourism industry. A career in the spa industry takes a desire to help people, great attention to detail, dedication to expanding your knowledge of this quickly growing industry, and as always, a passion to please the customer.

References


