

# Introduction to Commercial Recreation and Tourism

*An Entrepreneurial Approach*

7<sup>th</sup> Edition



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Introduction to

# **Commercial Recreation and Tourism**

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**John Crossley, Scott Rood, Russell Brayley,  
Kate Price-Howard, Andrew Holdnak**

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# Introduction

This text is a revision and updating of the sixth edition of *Introduction to Commercial Recreation and Tourism*, and it continues the themes of that edition. As in all the previous editions, the “entrepreneurism” theme is a 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 six editions: to provide an introduction to the scope, characteristics, management aspects, and trends of the commercial recreation and tourism industry. We intend this book to offer a blend of conceptual and practical material for the reader to achieve a basic understanding of this huge and diverse industry. Although 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 useful ideas in these pages.

As with earlier editions, this text will avoid coverage of content that is usually included in other texts. This includes content such as recreation philosophy, leisure behavior theory, activity leadership, generic recreation programming, management theory, staff supervision, facility planning and design, legal liability, and accounting principles, among others. 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 types of programs in commercial recreation and tourism. Finally, we present the content in a way that parallels a logical course sequence, that is, from general to specific, as explained below.

Chapters 1 to 3 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 strategies to overcome barriers.

Chapters 4 to 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 specific differences between the diverse subindustries. Content includes business start-up strategies, feasibility studies, financing sources, financial management, marketing, operations management, and specific types of programming.

Chapters 9 to 11 narrow the focus to the three major categories of the industry: travel, hospitality, and local commercial recreation. Each chapter examines the status, operations, trends, and opportunities in a number of 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 major project or term paper, particularly if the student relates the text content to examples found in the student’s desired area of career employment.

We decided to delete the 12th chapter that concluded previous texts. We did this because we decided to include industry trends within each of the three prior chapters. We also decided that the section of the previous text that focused on academic preparation for students was better left to the faculty members who teach the course. Much of the text content was updated, particularly the content related to specific industry data. On the other hand, we changed little of the conceptual content that remains relevant. We used many new references for the new material.

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

Hopefully, the book 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 subindustries, it is 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 will not fill up if the ski mountain operation is not updated with modern high-speed lifts or snowmaking equipment to guarantee a good base for the Christmas season. Similarly, all of these businesses may be dependent on airline companies to fly in tourists 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 selection. 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.

With great enthusiasm, three new coauthors have joined our team to write this seventh edition. They are Prof. Scott Rood, Dr. Kate Price-Howard, and Dr. Andrew Holdnak. All three bring in exceptional and practical knowledge about the commercial recreation and tourism industry.

Finally, Dr. Lynn Jamieson has decided to retire from her many years as one of the two founding authors of this text. We will miss her great attitude, professionalism, and knowledge.

# PART

# 1

*An Entrepreneurial  
Approach*



# Chapter

# 1

## What Is Commercial Recreation and Tourism?

### **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 2016, the direct and indirect impact of world travel and tourism accounted for almost 284 million jobs (9.5% of all employment). By 2026, an estimated 11.0% of jobs worldwide jobs will be tied to travel and tourism either directly or indirectly. In 2015, the total economic contribution was \$7.170 trillion (USD) in spending, which is 9.8% of the world's gross domestic product (GDP). By 2026, the percentage is expected to change to 10.8% of GDP (World Travel and Tourism Council, 2016). 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**

Family and community recreation activities have existed in one form or another since prehistoric times, but 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 athletes to compete in a variety of sports events. The Romans also used slaves and professionals to provide music, drama, and dance. The Coliseum in Rome was the site of sports spectacles that last 100 days.

Eventually, the Greeks and Romans improved roads and naval travel 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 BC, 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 (“Ancient History,” 2005). Wealthy Romans also traveled extensively, having 175 holidays for leisure and recreation. They could 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. The Roman city of Pompeii, where wealthy citizens went to escape the summer heat in Rome, had numerous holiday villas (Philipson, 2015).

## **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 existed. 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.” From the mid-17<sup>th</sup> to mid-18<sup>th</sup> century, 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 3 years and included indulgence in recreation and revelry.

The roots of the amusement park industry occurred in Europe, where pleasure gardens were developed outside of major cities. One such park, known as Bakken, remains near Copenhagen; it began in 1583 and is still open. Travel for health also became important during the Renaissance. The word *spa* comes from the town of Spa in Belgium, where in Roman times its waters were known as a place to socialize as well as to bathe (Brown, 2016). At first, only the infirm went to the hot springs or spas to drink or bathe in mineral waters. Later, people began to go to dry out from alcoholism and other urban leisure vices. Next, entertainment, recreational 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 financed with 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, and 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, 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, 2005). To allow travelers access to cash while they were away from home, he invented “circular notes,” which later became known as traveler’s checks.

## 19<sup>th</sup> and Early 20<sup>th</sup> Century Commercial Recreation and Tourism

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 of 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 American people were primarily spending their energy 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 saw 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 competitions in tennis, boxing, cockfighting, drinking, and other activities. By the late 1800s, dance halls, shooting galleries, bowling alleys, billiard parlors, beer gardens, and saloons were flourishing. 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 to generate more riders, especially on weekends. These 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. Coney Island, in New York, was considered the largest amusement area in America in the late 1800s. In its heyday, 1880s to World War II, it attracted millions of visitors annually. It was busier than Walt Disney World is today (“Coney Island,” n.d.).

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

Travel and commercial recreation were uplifted by improvements in transportation, specifically trains and later the automobile and airplane. Trains carried urban residents to amusement parks on the outskirts of town and to major resorts across the country. In many cases, railroad companies built amusement parks and resorts to stimulate travel volume. For example, Averell Harriman and the Union Pacific Railroad built Sun Valley, Idaho. Many resorts along the southeastern coast of the United States were similarly filled by tourists traveling by rail. Particularly important in the southeast, Henry Flagler developed the Florida East Coast Railroad from near Jacksonville, Florida, all the way to Key West, in the late 1800s. He catered to economically elite guests and his hotels were considered some of the largest and finest in country. 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 range of local recreational opportunities. Urban and rural residents alike drove to movie theaters, sports events, and other commercial recreation attractions.

## **Commercial Recreation and Tourism in the Late 20<sup>th</sup> Century**

A healthy economy, plus technological innovations, continued to fuel growth in commercial recreation after World War II. The average workweek decreased and discretionary income increased, thus providing people the opportunity and means to enjoy new forms of recreation. At the same time, the baby boomer generation was coming of age. This population bulge helped drive the development of vacation destinations and second family homes in resort areas.

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 them to reach distant destinations easily. Areas such as Las

Vegas, Los Angeles, Central Florida, and the Colorado ski areas experienced tremendous growth because of this improved accessibility and the development of recreation and tourism attractions.

Other technological advances also affected commercial recreation. Electronic innovations generated a huge home entertainment industry of television, stereo equipment, video recorders, and computers. Television exposed consumers to new activities and new destinations. Synthetic materials improved the performance and durability of ski equipment, golf clubs, skateboards, and sport balls of all types. Theme parks and water parks capitalized on a variety of innovations. Lodging innovations such as vacation condominiums and time-sharing have also had a significant effect. According to the Vacation Rental Management Association (VRMA, 2015), over 22% of visitors stayed in rental homes in 2011. VRMA reported that over 50% of the visitors to the state of Florida stayed in vacation rentals in 2014. Undoubtedly, the future holds a continuing variety of new facilities, products, and services.

## Commercial Recreation in the Early 21<sup>st</sup> Century

Along with many other aspects of modern life, commercial recreation and tourism was affected greatly when Arab Muslim terrorists demolished the two towers of New York's World Trade Center 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 1 year later, although an overall decline was still felt. The effect of 9/11 and the war against terrorism caused increased security measures, changes in travel destinations, and most important, changes in perception about travel, safety, and other aspects of society. In fact, international air travel to the United States did not return to pre-9/11 levels until 2005 (Adams, 2005).

The Great Recession started about 2007 and officially lasted into 2009 (Fieldhouse, 2014); however, the recovery continued slowly into 2016 (Gillespie, 2016). During the financial crises, most Americans cut back on spending, including on 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).

By early 2017, however, most economic indicators had returned to prerecession levels. In terms of tourism, domestic and international travel expenditures in the United States from 2010 to 2015 grew 26% from \$747 billion to \$940 billion (U.S. Travel Association, 2015a). In the accommodations and food services industry, sales grew 15%, and in the arts, entertainment, and recreation segment, sales grew 6.2%.

## Common Themes Throughout History

Several themes appeared throughout the preceding section about the history of commercial recreation and tourism:

- Commercial recreation and tourism has 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, for example, jet planes.

- 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, many types of commercial recreation and tourism experience declines.
- Some people have been willing to pay for leisure services regardless of inflation or recession.

The significance of these themes relates to the nature of history. Scholars tell us that history tends to repeat itself. Therefore, we should expect to see these 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 government (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, including some quasi-government agencies that have characteristics of 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 a broader context. The characteristics analyzed here include philosophical orientation, service origin, financial base, originating authority, and service focus.

<b>Public Recreation</b>		<b>Private Recreation</b>
Free & Necessary Service for Society	Philosophical Orientation	Profit-Making
Social Welfare Movement and Conservation Movement	Service and Ethics Origin	Consumer Desire and Willingness to Pay
Tax Revenue	Financial Base	Private Capital Plus Fees Revenue
Government Bodies and Citizen Boards	Originating Authority	Individual Initiative
Should Be Open to Collective Community Interest	Service Focus	Can Focus on Any Market Segments

**Figure 1.1.** Public–private recreation continuum.

- **Philosophical 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.

Based upon this continuum, a definition of commercial recreation that differentiates it from public recreation can be developed. This section also includes definitions for commercialized public recreation, entrepreneurial recreation, and tourism.

## Commercial Recreation

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

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

The following definition for *commercial recreation* accounts for the differences between public and private orientations:

*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* can be interpreted broadly and includes any product or service that either directly or indirectly supports a leisure pursuit. This interpretation means that leisure-related aspects of the travel and hospitality industries (including hotels and restaurants) are included within the broad framework of commercial recreation. Of course, a significant part of 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 these industries have an extremely large leisure component.

Second, the *long-term intent* is to be profitable. This recognizes 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 high start-up costs. Some companies are never profitable on a day-to-day operational basis, but yield large profits through the long-term appreciation of their land and facilities.

## Commercialized Public Recreation

What can we call government and nonprofit recreation organizations that are operated in a commercial manner? *Commercialized public recreation*, the term suggested for this concept, is

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

A key point of this definition is that the overall agency can operate under traditional funding sources, but operate selected aspects in a commercial manner. An example of this is 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 include units such as golf courses, driving ranges, water parks, stadiums, arenas, marinas, and other facilities.

## Entrepreneurial Recreation

A premise of this book is that all private, public, and nonprofit organizations can 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 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 and then brings together and manages resources to exploit those changes as an opportunity.*

A premise of this book is that entrepreneurial activity can exist within a government organization and within a private enterprise structure.

## Tourism

As explained in greater detail in Chapter 9, tourism is

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



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

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In most cases, a person's usual environment is her 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 as likely, perhaps more so, as the leisure traveler to spend money on transportation, lodging, food, and beverage. Further, travelers for business and other purposes often include significant leisure time and expenditure on their trips.

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

This book uses the term *commercial recreation and tourism* to refer to the entire overlapping collection of businesses and other organizations that serve the recreation and tourism purposes of individuals.

## Types of Commercial Recreation and Tourism

Based on the aforementioned definitions, commercial recreation and tourism includes diverse businesses such 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, these enterprises share some commonalities and interrelationships. On the other hand, some have little or no relationship to the other types. This diversity makes it difficult to grasp the breadth of the industry and understand its components. What is needed is some structure or logical classification system in which to group the many industries. Such a system would allow a better organized study of commercial recreation and tourism, with similar industries often having similar problems, trends, and management practices.

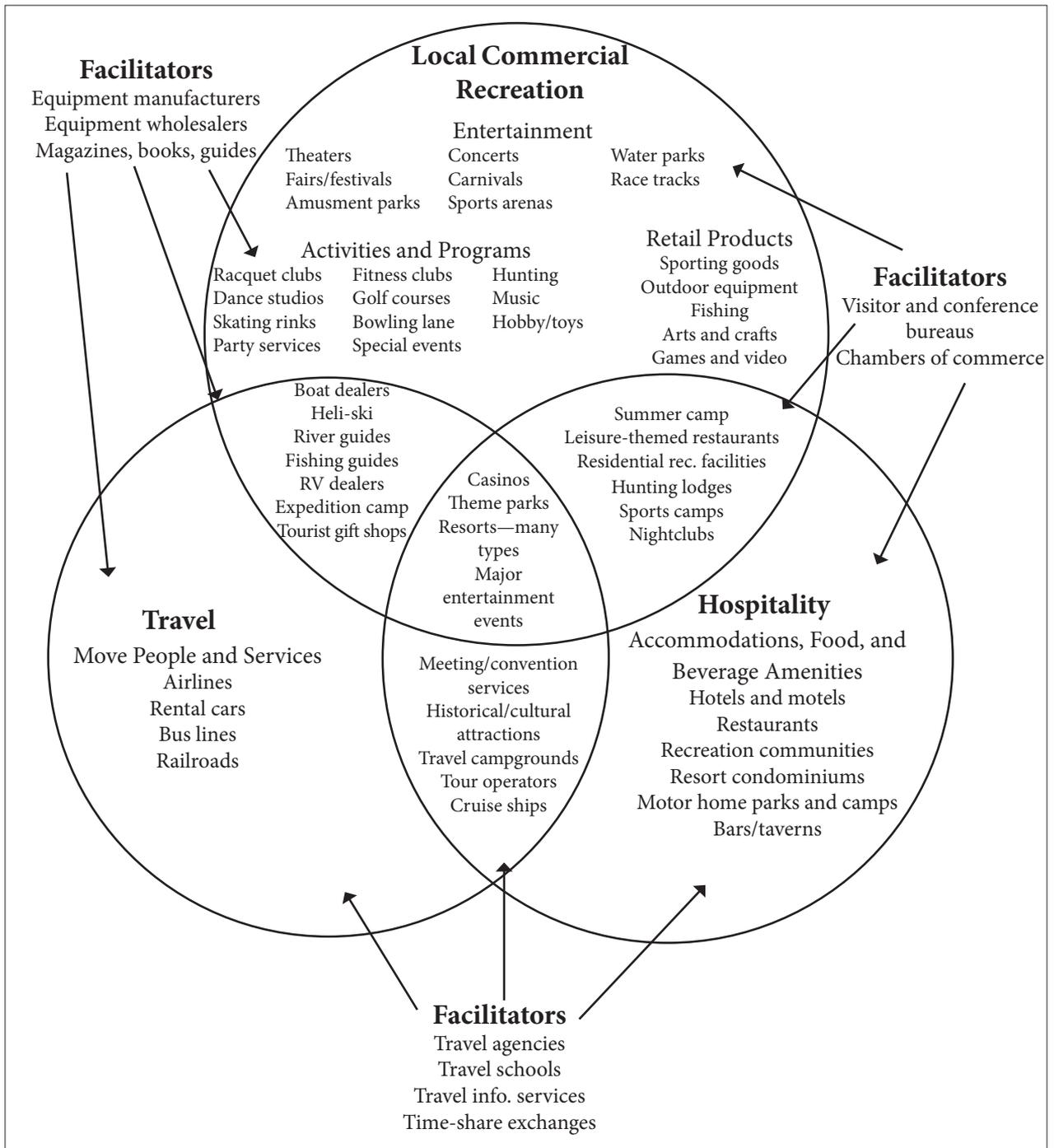
## An Industry Classification System

The classification system in Figure 1.2 demonstrates the overlapping nature of many of the suggested categories. This concept is essential for a person to gain a realistic grasp of a complex, diverse, and interrelated industry. 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 and tourists. This classification system has three main components: travel/transportation, hospitality, and local commercial recreation. Each component has “purist” aspects and subindustries 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 some components that overlap with another. Furthermore, some business categories are relevant to all three industry components. These industries are located in the middle overlapping area of the three industry circles.

The primary function of the *travel industry* is the movement of people and the provision of travel-related services. The purist forms of this industry are 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 recreational 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 such amenities are provided for tourists. Examples are cruise ships, campgrounds, and historic attractions. It is important to note that the term *tourism industry* is not used for this industry segment; the tourism industry is broader in nature than travel and hospitality. Tourism also includes many of the industry facilitators and even part of the local commercial recreation industry that serves tourists.

The primary function of the *hospitality industry* is the provision of accommodations, food and beverage, and related amenities. The purist forms of this industry are hotels and motels, restaurants, resort condominiums, taverns, RV parks, campgrounds, and recreation communities. Hospitality can overlap with the travel industry. It also overlaps with local commercial recreation when recreational activities are provided at restaurants, camps, or other hospitality settings that predominantly serve local residents. Examples are leisure-themed restaurants, sports day camps, and hunting day lodges.

The primary function of the *local commercial recreation industry* 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,



**Figure 1.2.** The commercial recreation and tourism industry.

sporting goods stores, movie theaters, and small amusement parks. Local commercial recreation also overlap with the travel and hospitality industries, with these activities also occurring as part of tourism businesses.

*Facilitators* of many types support the three main industries. Facilitators such as travel agencies, travel schools, and time-share trade services support the hospitality and travel/transportation industries. Facilitators such as equipment wholesalers, publishers of leisure-oriented magazines, and writers of how-to craft books support the local commercial recreation industry. Further, facilitators such as convention and visitor bureaus and chambers of commerce chiefly support hospitality and local commercial recreation. This book covers facilitators 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 tourists and for local residents. This occurs in many types of resorts, at major entertainment events such as the Super Bowl, and at large theme parks.

## Expenditures in the Recreation/Leisure/Tourism Industry

Depending upon which organization collects the data, the term *recreation industry*, *leisure industry*, or *tourism industry* may be used. This text simply refers to it collectively as the *recreation, leisure, and tourism industry*. Data regarding expenditures in this large and complex industry are important for assessing the present and making projections for the future. Such data is used in many ways:

- Feasibility studies for new or expanded facilities or programs.
- Operational decisions such as demand estimates, pricing, marketing, and employment of seasonal staff.
- Projections by government for sales taxes, hotel occupancy taxes, and so forth.
- Policy decisions by government agencies.
- Lobbying efforts of industry and trade associations.

Unfortunately, the data produced through measurement of the recreation, leisure, and tourism industry are often inconsistent. Different definitions may be used for recreation, leisure, travel, and other categories, and those definitions may change over time. Also, some agencies have a bias regarding the topics they survey and the methodology they use to do so. Finally, it is difficult to separate leisure-related expenditures from business expenditures for topics such as hotels, restaurants, airlines, and gardening.

Even though there are problems in measuring expenditures, it is possible to gain a general idea of expenditure levels for major categories of recreation and tourism in the United States. Table 1.1 shows data about most of the major commercial recreation and tourism industries. The data are presented in the order of largest sales revenue to smaller levels of sales. The number of separate establishments are shown, although the number of companies is smaller because some large companies have numerous establishments. The table also shows the number of employees in that industry. In some industries, the number of subcategories is too large to show. For example, “hotel/traveler accommodations” includes businesses such as hotels, motels, and bed and breakfasts.

**Table 1.1***Recreation, Leisure, and Tourism Expenditures*

<b>Category</b>	<b>Sales (\$ billion)</b>	<b>Establishments (thousands)</b>	<b>Employees (thousands)</b>
Food services and drinking places	516.5	598	10,049
Hotel/traveler accommodations	189.6	55	1,984
Air transportation	169.6	4	428
Motion picture production and theaters	96.9	25	315
Electronics retail	89.2	4	89
Liquor stores	43.1	32	150
Sporting goods retail	40.6	22	259
Lawn and garden stores	38.2	18	143
Spectator sports	34.3	4	123
Gambling industries except casino hotels	26.3	3	156
Auto rental	25.7	8	NA
Fitness and sports centers	23.8	30	581
Golf courses/country clubs	20.9	12	307
Promoters of performing arts and sports	18.7	7	140
Travel agencies	17.3	13	97
Other travel services	16.4	4	101
Hobby, toy, and game	15.6	8	123
Gift, novelty, and souvenir stores	15.2	26	152
Independent artists, writers, and performers	15.0	22	42
RV dealers	14.4	2	33
Pet shops	14.4	9	101
Performing arts companies	13.8	9	117
Museums, historic sites, zoos, nature parks	13.8	7	137
Amusement parks, theme parks, and arcades	12.7	.5	126
Book and music stores	12.4	8	94
Convention and trade-show organizers	11.8	5	75
Boat dealers	11.2	5	31
Other amusement and recreation	8.5	26	101
Race tracks	8.5	.7	47
Airport operations	7.6	2	85
Theater companies and dinner theaters	7.0	3	66
Art dealers	6.8	5	17
Tour operators	5.9	3	26

**Table 1.1 (cont.)**

<b>Category</b>	<b>Sales (\$ billion)</b>	<b>Establishments (thousands)</b>	<b>Employees (thousands)</b>
Arts and sports agents/managers	5.8	4	18
Musical groups and artists	4.9	4	37
RV parks and recreational camps	4.8	7	40
Video/DVD rental	4.5	5	NA
Musical instrument stores	4.3	4	28
Photographic studios	3.9	14	56
Marinas	3.8	4	26
Fine arts schools	4.1	12	84
Sewing and needlework stores	4.1	5	42
Limousine service	4.2	5	40
Pet-care services, except vet	3.4	14	72
Bowling centers	3.0	4	70
Scenic and sightseeing transportation	3.0	2.5	23
Charter bus service	2.9	1.4	31
Luggage/leather stores	2.6	1.0	6
Recreation and vacation camps	2.5	3.0	21
Skiing facilities	2.2	.4	74
Photo finishing labs	1.8	.9	10
Consumer electronics repair	1.7	1.9	15
Convention and visitor bureaus	1.6	1.0	9
Other performing arts companies	1.2	.4	6
Recreation goods rental	1.0	2	8
<b>Totals</b>	<b>1509.8</b>	<b>1,190</b>	<b>17,001</b>

Source: U.S. Census Bureau (2014).

Although these industry segments contribute over \$1.5 trillion in direct sales, this figure is not necessarily accurate and certainly not complete. The figures do not include the leisure-related portion of the travel expenditures such as gasoline. Added to that is the leisure-related portion of expenditures for online and mail order shopping, Internet services, and other products and services. If just one fourth of these expenses were leisure related, the grand total would be over \$2 trillion per year.

Considering that government census data have a 2-year lag time from initial research to publication, the figures in Table 1.1 would usually be up about 2% per year due to monetary inflation from the last census. Therefore, a reasonable estimate of the overall recreation, leisure, and tourism industry in the United States would probably be about \$2.2 trillion per year! This tremendous figure illustrates the size of this huge and diverse industry.

# Economical, Social, and Environmental Impacts of Commercial Recreation and Tourism

Tourism, including its direct and indirect activity, accounts for over \$7.1 trillion worldwide in GDP and is the world's largest industry. According to the World Travel and Tourism Council (2016), in 2015 the tourism industry employed 284 million people and accounted for 9.8% of the world's GDP.

Within the United States, the effects of tourism are similar in importance. Commercial recreation and tourism is one of the top three industries in every state. Direct tourism spending is over \$947 billion, and tax revenues generated just from tourism are about \$148 billion. International tourism to the United States has a foreign trade surplus of about \$23 billion, thus helping to ease the overall U.S. trade deficit (U.S. Travel Association, 2015b).

Within this huge industry, most expenditures occur in the private sector. Only about 2% to 5% of industry expenditures occur through local, state, or federal 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 enterprises as the sites for many types of resorts and tourist attractions. Federal agencies regulate international travel and provide security services at airports. In 2015, the National Park Service hosted over 305 million visitors, which makes national parks one of the top tourist destinations in the United States (National Park Service, 2016). Further, government 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 community park and recreation departments.

Commercial recreation and tourism has many positive effects on a given community, including the following:

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

Commercial recreation and tourism can also have negative effects:

- Many types of commercial recreation and tourism have high failure rates and/or short life cycles, which thus results in unemployment and decreased economic contribution to the local community. Some of this is due to the overdependence on tourism in highly seasonal destinations.
- The local infrastructure (roads, sewers, utilities, etc.) can become overburdened, thus requiring capital improvements that cost huge sums of money.



A positive benefit of commercial recreation and tourism: Many individual entrepreneurs, such as this potter, gain employment and economic benefits (Photo: J. Crossley).

- Crime can increase, with tourists being easy prey and transient-type employees being 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 try to capitalize on increased traffic to the prime commercial attraction.
- Local culture in rural or remote areas can be harmed.
- Residents can become disenchanted with their own community.

Ultimately, each community must assess 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.

# The Role of Government in Commercial Recreation and Tourism

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 regulates private enterprise. Government has a duty to protect the public interests and therefore establishes standards and regulations for many aspects of business operation. Chapter 4 addresses government regulation in greater depth.

Although taxes and regulations are necessary evils for commercial recreation and tourism, many positive relationships are possible between government and private enterprises. These relationships fall 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 when local government has offered commercial-quality bus tours, fishing trips, and fitness facilities, lawsuits charging government with unfair competition have been filed. Government is not structured to meet all the recreational needs of all people. Also, the resources of government are stretched too thin, and economic conditions are not improving. Therefore, government has acted to complement the efforts of private enterprise to provide the maximum recreation opportunity for its residents. Specific complementary actions by government 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 (commercial enterprises can offer advanced levels).
- Refer people to commercial recreation opportunities.

## Cooperative Arrangements

In many types of cooperative arrangements, government and private enterprises 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.
- Cosponsorship 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.

- Provision of financial assistance, such as low-cost loans or property tax abatements.
- 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 in which mutual planning efforts may 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, and so forth.
- Comprehensive plans at local and state levels 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-level policy decisions that affect the industry.
- Commercial recreation and tourism industry representatives should be active in providing input about local and state regulatory decisions.

## The Rise of “Disruptive Technologies”

In 1995, Dr. Clayton Christensen and Joseph L. Bower started talking about “disruptive technologies,” that is, products and services that significantly change the marketplace. These innovations often displace existing industry leaders and challenge the status quo. Christensen and Bower described how Walmart changed the marketplace for companies such as Sears. Now, Amazon is changing the retail marketplace for Walmart. Similar changes came in the computer industry as it moved from mainframe computers to desktops, laptops, tablets, and smartphones.

Disruptors are often fairly simple and tend to work their way up from the bottom, Christensen suggests. They tend to change the way that business is done. Disruptors currently affecting the hospitality and tourism industry are businesses such as Airbnb and Uber. In addition, other technologies are being developed that will reduce the need for hotel front-desk operations to check in guests. Theme parks and cruise lines are using encoded wristbands that act as admission tickets, room keys, charge cards, and so forth, to simplify guest experiences.

Because of the nature of disruptors, it is difficult to project what direction industry disruptors will take. Bower and Christensen suggest that managers be aware of changes in their industry even if they see no immediate effect. At the same time, opportunities for disruptive changes in commercial recreation abound. Entrepreneurship and innovation are important parts of the industry (Bower & Christensen, 1995).

## Key Trends in the Recreation and Tourism Industry

Government, private enterprise, society, and environmental factors 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 pay attention or not. Throughout this book, several trends and themes appear constantly:

- 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 affects almost all forms of commercial recreation and tourism.
- Sustainability of natural resources and culture needs to gain equal importance to long-term financial sustainability as a goal of recreation and tourism development.
- Foreign policy, war, crime, terrorist activity, and natural resource disasters alter tourists' choices of destinations.
- New technology will continually revolutionize travel and recreation, and entirely new concepts and products will emerge.
- Emphasis on multicultural and diverse opportunity will increase as people become more globally aware.
- 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.

Obviously, these are not earthshaking revelations. They are, however, trends and themes that 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, 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. Additional revenue opportunities are available. Managers should look at their company in light of the total recreation and tourism experience.

Clawson and Knetsch (1966) proposed five major steps or components in the outdoor recreation experience. Since then, other authors have recognized that these steps are common throughout the recreation and tourism industry (Clawson & Knetch, 1966). They are (1) anticipation, preparation, and planning; (2) travel to; (3) on-site participation and/or purchase; (4) travel from; and (5) recollection. This section defines these steps further to reflect an understanding of what motivating factors encourage a person's pursuit and choice of a leisure experience.

For the mountain-bike tour example, the traditional manager concentrates only on the third step, on-site participation. On the other hand, the resourceful manager sees the potential to serve the consumer at each step of the recreation experience.

In the *anticipation, preparation, and planning stage*, the manager sells products or services that help the consumer prepare for a recreation or tourism experience. This could include the following:

- Instructional classes to show people how to maintain and repair their bikes.
- How-to books and tapes to instruct and prepare the participant.
- Guidebooks showing trails and natural history.
- Equipment tune-up and repair services.

The *travel to and travel from stages* 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 can 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 he can boost revenues by selling related products. For example, he can rent or sell bikes and camping equipment as well as sell sunscreen, sunglasses, and snacks.

The *recollection stage* suggests opportunities for the operator to sell products or services that help consumers relive their enjoyable experience. Ideas for the bike tour company include the following:

- Digital cameras, memory cards, and photography accessories.
- Photo CDs and DVDs of the trip.
- T-shirts, caps, and other souvenirs of the trip.
- Membership in a club or bike association.

All commercial recreation and tourism enterprises should analyze the potential for products and services to target each of the five steps of the recreation and tourism experience. Sometimes, this extra effort can significantly affect 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 commercialized recreation and tourism. Whether serving public, private, or nonprofit organizations, entrepreneurial managers can exploit changes in their 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. Technolog-

ical advancements such as trains, 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 United States probably exceed \$2 trillion, but differences in definition and methodology make it difficult to assess the actual size of the industry. 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 positively affect a community, including attraction of outside capital, increase of the tax base, creation of new jobs, and improvement of the local infrastructure. Negative effects can also occur, including failure of businesses, overburdening of the infrastructure, and abuse of the environment. To protect public interests, the government regulates and taxes commercial recreation and tourism businesses. Government also interacts with commercial recreation and tourism by providing complementary services, establishing cooperative ventures, and 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 exploits revenue opportunities by providing products or services at many stages of the experience including preparation, travel to and from, and recollection, in addition to the traditional on-site stage.

## Spotlight on: Lisa Linden

In 2006, Dos Equis Beer began a successful ad campaign featuring “the most interesting man in the world.” If they had chosen to feature “the most interesting woman in the world,” a strong model would have to be Lisa Linden. She is, at least, one of the most interesting commercial recreation and tourism professionals. Her career has taken her to visit places ranging from the Bahamas and Anguilla to Dubai and Mauritius. She has been a youth program leader on cruise ships, an activity director at major resorts, the executive director for the Resort and Commercial Recreation Association, a resort consultant, and a special events coordinator for a major experiential marketing company.

Lisa, an Illinois native, started her career with a degree in parks and recreation from Illinois State University. When she was young, she enjoyed watching the TV series *The Love Boat*, so when the opportunity presented itself, she signed on to work in the activities department on cruise ships. She credits the 5 years she spent working in activities on cruise ships as some of the most influential years of her life. She learned the importance of leadership skills as well as flexibility. She also developed lifelong friendships and a strong professional network that continues to this day.

After the cruise industry, Lisa worked in the special events industry in central Florida and eventually started her own consulting business. As part of her business, she helped develop the recreation operations for the Atlantis Resort in the Bahamas and helped open the Atlantis Resort in Dubai. She continues to consult with resorts from the Caribbean to the Indian Ocean.

A career like Lisa's has pros and cons. On the positive side, she has amazing stories that range from visiting some of the most beautiful resorts to riding camels in Dubai. She has friends all over the world. On the flip side, although it looks like great fun, it is also hard work with long hours. Her clients have very high expectations. She also travels a lot, sometimes for months at a time. These times keep her away from home, family, and friends. Having the "traditional family" with Mom and Pop and the kids is very challenging for people with careers like Lisa's. Additionally, when she was a consultant, Lisa was self-employed, so there was not the stability of a salary.

Lisa suggests that students who are interested in a career like hers start in the cruise industry because of the variety of experiences it provides. It also reinforces the need for creativity, organization, and planning.

This spotlight shows that there are exciting jobs in the field of commercial recreation and tourism that include travel, exotic destinations, and unique experiences. It also points out that people who want this type of career must be self-driven, creative, flexible, and hardworking.

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