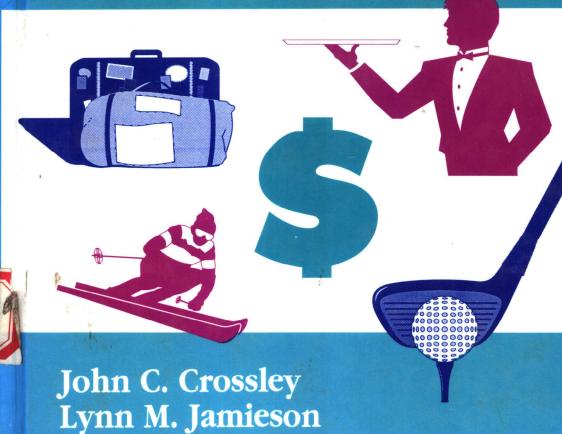
Introduction to COMMERCIAL and ENTREPRENEURIAL RECREATION

Second Edition



INTRODUCTION TO COMMERCIAL AND ENTREPRENEURIAL RECREATION

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John C. Crossley and Lynn M. Jamieson



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Individuals who contributed "Spotlights" at the end of the chapters include Dr. Russell Brayley, Dr. John Crotts, Dr. Catherine DeLeo, Dr. Peter Diffenderfer, Dr. Roger Guthrie, Dr. Susan Hubble, Dr. Lynn Masterson, Dr. Norma Nickerson, and Dr. Emilyn Sheffield. Their "Spotlights" are definitely highlights of the second edition, particularly since many of them illustrate the success of students from commercial recreation academic programs. Special credit is due to Dr. John Crotts who authored the new chapter "Commercial Recreation Marketing" as well as two "Spotlights."

The authors would also like to credit Dr. Joseph Bannon and the staff of Sagamore Publishing for their great support in developing both editions of this text. In particular, Brian J. Moore did a great job piecing together the hundreds of changes and additions throughout the second edition.

This is the second edition of Introduction To Commercial and Entrepreneurial Recreation. The authors updated a lot of the content, particularly the content related to specific industry trends. On the other hand, conceptual content that remains relevant, was changed little. In addition, there was much new information that was added. Most importantly, an entire new chapter about commercial recreation and tourism marketing was written by Dr. John Crotts. International examples, particularly from Canada, were also added throughout this edition.

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

It is the absolute goal of this text to be different from all others in this field. Several strategies were employed in pursuit of this goal. First, it was decided to avoid coverage of content that is usually included in other courses: recreation philosophy, leisure behavior theory, activity leadership, generic recreation programming, management theory, staff supervision, facility planning/design, legal liability, and accounting principles. Second, it was decided to give substantial coverage to several topics that have received little attention in other commercial recreation texts: entrepreneurial strategies, economic concepts applied to commercial recreation, steps of the feasibility study, operations management, and several specific types of commercial programs. Finally, it was decided to present the content in a way that parallels a logical course sequence. That is, from general to specific as explained below.

The first three chapters provide an introduction to the overall commercial recreation industry including history, definitions, economic impacts, profile of the entrepreneur, entrepreneurial strategies, economic concepts and challenges and general strategies to overcome barriers.

Chapters 4 through 8 present content about the initiation and management of a commercial recreation enterprise. The information is intended to have general application to the overall commercial recreation industry, even though there are some differences between the diverse sub-industries. Content includes feasibility studies, financing sources, financial management, marketing, operations management, and commercial recreation 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 commercial recreation. Another reason to hold this content until the end is to "buy time" to allow students to investigate these industries on their own. 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 industry and suggests some strategies for students who seek careers in this area.

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. The text could also function as an introduction to the recreation industry for majors in travel/tourism or hotel management. Whatever the academic use, a course instructor should try to supplement the text concepts with local examples.

Hopefully, the text may also be of value to practitioners in specific recreation industries who seek an overview of the entire commercial recreation industry. Similarly, investors and entrepreneurs may find useful content that may help them direct their resources more produc-

tively.

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 industry matures, males and females seem to be less relegated to stereotypical roles either as staff, managers, or owners.

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PART I

INTRODUCTION TO COMMERCIAL AND ENTREPRENEURIAL RECREATION

CHAPTER 1

WHAT IS COMMERCIAL RECREATION?

A BRIEF HISTORY OF COMMERCIAL RECREATION

Early Travel and Commercial Recreation

While family and community recreation activities in one form or another have existed since prehistoric times, the same cannot be said for tourism and commercial recreation. The invention of money by the Sumerians in Babylonia and their development of trade probably mark the beginning of the modern era of travel (McIntosh and Goeldner, 1984). 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 Colosseum in Rome was the site of about 100 day-long sport spectacles each year (Chubb and Chubb, 1981).

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. 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, visiting the pyramids, shopping for souvenirs, and carving their names on the monuments (McIntosh and Goeldner, 1984).

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 number, roads deteriorated, and the countryside became overrun with bandits and thieves. Throughout history, tourists tend to reduce their travel when economic conditions sour or when travel becomes unsafe.

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. Peasants enjoyed fairs, pageants, racing, cockfighting, and gambling (MacLean, Peterson, and Martin, 1985).

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 (Chubb and Chubb, 1981). "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.

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. Dozens of spas grew to become high-quality resorts. Switzerland, for example, had over 100 spa-resorts (Lundberg, 1976).

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.

The First Travel Agent

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. A "Cooks 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. To allow access to cash while away from home, he invented "circular notes," which later became known as travelers checks (Lundberg, 1976).

Early Commercial Recreation in the United States

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 (Chubb and Chubb, 1981). 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 recreation. Shooting matches, contests, and festivals were organized, and tidy profits were made from food, beverage, and lodging for those who came to participate (Epperson, 1986).

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.

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 and Chubb, 1981).

Travel and commercial recreation were uplifted by improvements in transportation, specifically the railroad and later the automobile. 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 Amercian 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, sports events, and many other commercial recreation attractions.

Postwar Commercial Recreation in the United States

A healthy economy and 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 resort areas such as Las Vegas, Central Florida, and Colorado experienced tremendous growth

due to improved accessibility.

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.

Common Themes Throughout History

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

- Commercial recreation 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.
- 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.

The significance of the above themes is related to the nature of history. Scholars always tell us that history tends to repeat itself.

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. The characteristics analyzed include philosophic orientation, service origin, financial base, originating authority, and service focus.

Figure 1-1
Public-Private Recreation Continuum

Public Recreation ———		Private Recreation
Free, Necessary Service for Society	Philosophic Orientation	Profit-Making Business
Social Welfare Movement Conservation Ethics	Service Origin	Consumer Desire for Travel Willingness to Pay
Tax Revenue	Financial Base	Private Capital Fees Revenue
Governmental Bodies ————————————————————————————————————	— Originating —— Authority	Individual Initiative
Nonrestrictive Open to Collective Community Interest	Service Focus	Can Focus on Any Special Market Segments

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 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 and grants 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. <u>Individual initiative</u> is the source of <u>private recreation</u> 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 special market interest that it chooses.

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 intrapreneurism are also included in this section.

Commercial Recreation

Authors of a popular recreation text define commercial recreation as "recreation for which the consumer pays and for which the supplier expects to make a profit" (MacLean, Peterson, and Martin, 1985, p. 220). 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 face government-sponsored recreation.

While some government agencies may charge a fee for recreation and claim that it is self-supporting, 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 United Way and other charitable donations as revenue sources. Another important difference is that public recreation agencies and nonprofit organizations do not have to pay property taxes and income taxes. Private enterprise, however, often pays substantial amounts of money for taxes.

To account for the differences between public and private orientations, the following definition for <u>commercial recreation</u> is offered:

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 include any product or service that supports a leisure pursuit. Such an interpretation would mean that leisure-related aspects of the travel industry and hospitality industry (including hotels and restaurants) are included within the broad framework of commercial recreation.

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? <u>Commercialized Public Recreation</u> 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 nontax 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.

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. According to authorities on entrepreneurism (Drucker, 1985, and Van Voorhis, 1980), key strategies include searching the environment for trends and changes that present opportunity. The entrepreneur then locates, acquires, and manages resources (money, facilities, people, etc.) to exploit those opportunities. 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.

Intrapreneurism

Some organizations may conduct commercial recreation (or commercialized public recreation) and not necessarily be entrepreneurial. This is because those organizations are not oriented toward exploiting change. They just continue to repeat proven and traditional concepts. It is more likely, however, that recreation organizations operate many of their facilities and programs in a traditional way, but are innovative and entrepreneurial in certain areas. The aspect within an organization that is innovative and entrepreneurial may be called "intrapreneurial." Pinchot (1985) defines the *intrapreneur* as:



One who takes responsibility for creating innovation of any kind within an organization.

The topics of entrepreneurism and intrapreneurism will be covered in greater depth in Chapter 2. Throughout the remainder of this text, most of the concepts may be applied to some degree by public and nonprofit organizations as well as by private enterprise. Therefore, for simplicity, the term commercial recreation will be used interchangeably for both commercial recreation and commercialized public recreation as previously defined.

TYPES OF COMMERCIAL RECREATION

According to the definitions presented in the previous section, commercial recreation can include such diverse businesses as resort hotels, movie theaters, sporting goods stores, airlines, racquet sport clubs, dance studios, craft shops, restaurants, travel agencies, casinos, and campgrounds. 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 would allow a better organized study of commercial recreation because similar industries often have similar problems, trends, and management practices.

Bullaro and Edginton (1986) suggested a classification system using the following types of commercial leisure service organizations: (a) travel and tourism, (b) entertainment services, (c) leisure services in the natural environment, (d) hospitality/food services, and (e) retail activities. Similarly, McIntosh and Goeldner (1984) have suggested the following basic parts of tourism: (a) transportation, (b) accommodations, (c) shopping, and (d) activities.

A New Classification System

Proposed here is a classification system that recognizes 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.

The classification system proposed here 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 recreation industry.

The Travel/Transportation Industry has as its primary function the movement of people, and the provision of travel-related services. The