

1987

## Stock Prices in the Leisure Industry: Evidence from the Current Business Expansion

Charles N. Dennis  
*University of Southern Mississippi*

Follow this and additional works at: <https://scholarworks.bgsu.edu/visions>

---

### Recommended Citation

Dennis, Charles N. (1987) "Stock Prices in the Leisure Industry: Evidence from the Current Business Expansion," *Visions in Leisure and Business*: Vol. 6 : No. 3 , Article 3.  
Available at: <https://scholarworks.bgsu.edu/visions/vol6/iss3/3>

This Article is brought to you for free and open access by the Journals at ScholarWorks@BGSU. It has been accepted for inclusion in Visions in Leisure and Business by an authorized editor of ScholarWorks@BGSU.

STOCK PRICES IN THE LEISURE INDUSTRY: EVIDENCE  
FROM THE CURRENT BUSINESS EXPANSION

BY

Dr. CHARLES N. DENNIS, PROFESSOR

DEPARTMENT OF FINANCE  
UNIVERSITY OF SOUTHERN MISSISSIPPI  
HATTIESBURG, MISSISSIPPI 39406

ABSTRACT

The stock market is used by the business community as an indicator of the economy's condition. As a measure of the current status of leisure and the adoption of a leisure ethic by society, leisure stocks are a good indicator. Analysis of these stocks indicate that the society is moving rapidly toward a strong leisure ethic and an economy based upon leisure values.

STOCK PRICES IN THE LEISURE INDUSTRY: EVIDENCE  
FROM THE CURRENT BUSINESS EXPANSION

A record-setting business expansion is in progress. Since November, 1982 the United States economy has been in an expansionary phase of its business cycle. At this writing (June, 1987) there have been 55 months in the current upswing so far. The consensus of economists is that the expansion will continue through 1987. If that forecast is realized, a new record will be set for the longest peacetime expansion since the National Bureau of Economic Research and the United States Department of Commerce began gathering modern business cycle data in the mid-1800's.

To date, the longest peacetime expansion was 58 months from March, 1975 to January, 1980. Two longer business expansions can be found but both occurred in wartime: June, 1938 to February, 1945, an 80-month expansion; and February, 1961 to December, 1969, 106-month expansion.

If the business cycle is in an expansionary phase and if this expansionary period is historic, one would expect that investors and businesspersons would be making historic profits. It would follow that stock prices would be relatively high (and they are); however, not all sectors in the economy are enjoying "utter bliss." Farmers, bankers, real estate magnates, Texas oil barons, and international traders are among those who would not fully agree that the United States economy is approaching an historic business expansion.

## PURPOSE

The purpose of this article is to examine the Leisure Industry in this business expansion. The industry will be segmented into seven major areas which are presented in Table 1. These segments are consistent with my prior research reported in Visions in Leisure and Business (see reference one). Table 1 shows that while the segments of the Leisure Industry have not changed, the specific firms which comprise the Standard and Poor's Stock Indexes have changed in some cases. For example, the Marriott Corporation, which was classified as a restaurant, is now more correctly identified as in the Hotel/Motel Sector. In the Entertainment category, Columbia Pictures was purchased by Warner Communications. In the Leisure Time category, Questor Corporation has been replaced by the Coleman Company. The Restaurant area has had the most radical shake-up. In addition to Marriott Corporation's reclassification, Denny's Inc., Gino's Inc., and Howard Johnson have been dropped. Luby Cafeterias and Shoney's have been added.

The examination of these seven Leisure Industry segments will seek to determine the extent to which the general stock market movement can explain the movement in the specific sectors. In addition, the current upswing in the business cycle will be compared to the prior business cycles to test for changes in the general nature of the Leisure Industry from an investor point of view. In the past, the Leisure Industry outperformed the general stock market although the performance was not consistent for specific contractions or expansions. Recall that in the prior study of the Leisure Industry from November, 1973 to December, 1982 (a period which included three contractions and two expansions), each of the seven sectors outperformed the general market as measured by the Standard and Poor's 500 Stock Index.

## PERFORMANCE

Table 2 presents the raw data (stock indexes) used to measure the performance of the sectors of the Leisure Industry. The stock indexes for each sector are constructed from the firms listed in Table 1 in the second column. As noted in the footnote to table, the various sectors of the Leisure Industry have different base years for their respective indexes. Table 3 converts these variously based indexes into percentage changes.

Four of the sectors outperformed the market as measured by the S & P 500 Index: Broadcast Media, Leisure Time, Hotel/Motel and Restaurants. Entertainment, Gaming Companies, and Airlines underperformed the market; however, entertainment and Gaming Companies were very close to the market. The Airline segment is the poor performer in the Leisure Industry during the current expansion.

A closer examination of Table 3 reveals an interesting result. None of the seven sectors outperformed the S & P Index in all years:

Leisure Industry Segment	Outperformed	Underperformed
Broadcast Media	1984, 1985, 1986	1983

Leisure Time	1983, 1984, 1986	1985
Hotel/Motel	1983, 1985, 1986	1984
Restaurants	1983, 1984, 1985	1986
Entertainment	1984, 1985	1983, 1986
Gaming Companies	1983, 1985	1984, 1986
Airlines	1983	1984, 1985, 1986

Table 4 formally presents the relative performance of each sector for each year and for the 52-month period. The percent change for the sector is divided by the percent change in the S & P 500 index. Any cell in Table 4 which is under one therefore depicts underperformance for that sector relative to the market as measured by the S & P Index, e.g., 1983 for the Broadcast Media, 0.48.

Not only is no sector a constant performer relative to the market, but also four of the sectors show absolute declines. The market index had no absolute decline in any of the four years of the current expansion. Hotel/Motel's stock index fell by 9.64 percent in 1984 as shown in Table 3. The Entertainment Index fell 14.01 percent in 1983. Likewise, in 1984 both Gaming Companies and Airlines had absolute declines.

Table 4, which shows stock price relatives (i.e., relative to the S & P 500), shows considerable ranges of performance even when the 1984 data are ignored.

The seven sectors defined as the Leisure Industry appear to move with the market in general with periodic lapses. Was this type performance consistent with past expansionary phases in the business cycle?

#### PAST BUSINESS CYCLE EXPANSION

Table 5 combines a portion of Table 1 from the previous Leisure Industry study (see reference one). The three past expansionary phases of the United States business cycle since March, 1975 are presented. Only Gaming Companies show an absolute decline during the second expansion period. The Leisure Industry appears to move with the economy with that one exception.

Each sector index is compared relatively with the S & P 500 Index in Table 6. Airlines have underperformed the market in the first and third expansion phase of the business, and the Gaming Companies index has never equaled or outperformed the market. The other five sectors have equaled or outperformed the market in each of the three business cycle expansions. (However, Restaurant and Entertainment have very slightly underperformed in the first and third expansions, respectively).

It is obvious that a current expansion of 52 months (through March, 1987) is of lesser magnitude than the first expansion of 58 months. Only the Restaurant Index is higher than the first relative to the market in the current expansion.

The conclusion is clear--Broadcast Media, Leisure Time, Hotel/Motel, Restaurants, and Entertainment sectors of the Leisure Industry outperform

the market in expansion phases of the business cycle. Gaming Companies and Airlines have performed relatively poorly.

#### REFERENCES

1. C. N. Dennis, "Stock Price Changes in the Leisure Industry," Visions in Leisure and Business, Vol. 2(1), pp. 32-39, Spring 1983.
2. Standard and Poor's Statistical Service, Security Price Index Record, 1986.
3. Standard and Poor's Statistical Service, Current Statistics, April 1987.
4. U.S. Department of Commerce, Bureau of Economics, Business Conditions Digest, various issues, 1982-1987.

Table 1

The Leisure Industry, Its Segments, and Its Firms  
(Standard & Poor's Indexes)

Classification Used in  
Prior Study  
(See Reference One)  
(1)

Current Classification Used  
in this Study  
(2)

<p>I. AIR TRANSPORTATION</p> <ol style="list-style-type: none"> <li>1. AMR Corp.</li> <li>2. Delta Airlines</li> <li>3. Northwest Airlines</li> <li>4. Pan American World Airways</li> </ol> <p>Airways</p> <ol style="list-style-type: none"> <li>5. UAL Inc.</li> </ol>	<p>I. AIRLINES</p> <ol style="list-style-type: none"> <li>1. AMR Corp.</li> <li>2. Delta Airlines</li> <li>3. Northwest Airlines</li> <li>4. Pan American World</li> </ol> <ol style="list-style-type: none"> <li>5. UAL Inc.</li> </ol>
<p>II. ENTERTAINMENT</p> <ol style="list-style-type: none"> <li>1. Columbia Pictures</li> <li>2. Disney (Walt)</li> <li>3. MCA</li> </ol> <p>Co.</p> <ol style="list-style-type: none"> <li>4. MGM/UA Entertainment Co.</li> </ol> <p>Inc.</p> <ol style="list-style-type: none"> <li>5. Warner Communications, Inc.</li> </ol>	<p>II. ENTERTAINMENT</p> <ol style="list-style-type: none"> <li>1. Disney (Walt)</li> <li>2. MCA</li> <li>3. MGM/UA Entertainment</li> </ol> <ol style="list-style-type: none"> <li>4. Warner Communications,</li> </ol>
<p>III. GAMING COMPANIES</p> <ol style="list-style-type: none"> <li>1. Bally Manufacturing</li> <li>2. Caesar's World</li> <li>3. Resorts International</li> <li>4. Webb (Del E.)</li> </ol>	<p>III. GAMING COMPANIES</p> <ol style="list-style-type: none"> <li>1. Bally Manufacturing</li> <li>2. Caesar's World</li> <li>3. Resorts International</li> <li>4. Webb (Del E.)</li> </ol>
<p>IV. HOTEL/MOTEL</p> <ol style="list-style-type: none"> <li>1. Hilton Hotels</li> <li>2. Holiday Inns</li> <li>3. Ramada Inns</li> </ol>	<p>IV. HOTEL/MOTEL</p> <ol style="list-style-type: none"> <li>1. Hilton Hotels</li> <li>2. Holiday Inns</li> <li>3. Marriott Corp.</li> <li>4. Ramada Inns</li> </ol>
<p>V. LEISURE TIME</p> <ol style="list-style-type: none"> <li>1. AMF Inc.</li> <li>2. Brunswick Corp.</li> <li>3. Handleman Co.</li> <li>4. Outboard Marine</li> <li>5. Questor Corp.</li> </ol>	<p>V. LEISURE TIME</p> <ol style="list-style-type: none"> <li>1. AMF Inc.</li> <li>2. Brunswick Corp.</li> <li>3. Coleman Co.</li> <li>4. Handleman Co.</li> <li>5. Outboard Marine</li> </ol>
<p>VI. RADIO/TV</p> <ol style="list-style-type: none"> <li>1. American Broadcasting</li> <li>2. CBS Inc.</li> <li>3. Capital Cities Communications</li> </ol>	<p>VI. BROADCAST MEDIA</p> <ol style="list-style-type: none"> <li>1. American Broadcasting</li> <li>2. CBS Inc.</li> <li>3. Capital Cities</li> </ol>

Communications

4. Cox Broadcasting
5. Metromedia
6. Taft Broadcasting

4. Cox Broadcasting
5. Metromedia
6. Taft Broadcasting

VII. RESTAURANTS

1. Church's Fried Chicken
2. Denny's Inc.
3. Gino's Inc.
4. Howard Johnson
5. Marriott Corp.
6. McDonald's Corp.
7. Wendy's International

VII. RESTAURANTS

1. Church's Fried Chicken
2. Luby Cafeterias
3. Shoney's
4. McDonald's Corp.
5. Wendy's International

---

Source: Standard & Poor's Corporation

Table 2  
Stock Price Indexes

Leisure Industry's Segments	Nov. 82	Dec. 82	Dec. 83	Dec. 84	Dec. 85	Dec. 86	Mar. 87
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
S & P 500 Index	138.1	139.4	164.4	164.5	207.3	248.6	292.5
Broadcast Media	826.8	888.8	965.5	1,076.7	1,833.7	2,308.8	2,899.4
Leisure Time	77.80	77.21	117.3	120.3	145.4	187.1	219.3
35 Hotel/Motel	86.45	85.24	115.1	104.0	144.9	179.4	227.8
Restaurants	62.52	60.99	75.80	84.33	120.3	131.8	158.2
Entertainment	360.6	306.9	263.9	265.9	487.4	577.1	759.1
Gaming Companies	13.09	11.44	13.37	12.39	17.83	20.06	26.97
Airlines	122.0	141.4	169.0	159.4	187.4	216.5	235.5

Source: Standard & Poor's Corporation

Base for Stock Indexes:

Airlines	1982 = 100
Broadcast Media	1941-43 = 10
Entertainment	1941-43 = 10
Gaming Companies	1978 = 10
Hotel/Motel	1965 = 10
Leisure Time	1965 = 10
Restaurants	1965 = 10
S & P 500 Index	1941-43 = 10



Table 3  
Stock Price Changes  
(percent)

	Beginning Date:	Dec 82	Dec 83	Dec 84	Dec 85	Nov 82
	Ending Date:	Dec 83	Dec 84	Dec 85	Dec 86	Mar 87
Leisure Industry's Segments	Duration (months):	12	12	12	12	12
	(1)	(2)	(3)	(4)	(5)	(6)
S & P 500 Index	17.93%	0.06%	26.02%	19.93%	111.78%	
Broadcast Media	8.63%	11.52%	70.31%	25.91%	250.68%	
Leisure Time	51.92%	2.56%	20.86%	28.68%	181.88%	
Hotel/Motel	35.03%	-9.64%	39.33%	23.81%	163.50%	
Restaurants	24.28%	11.25%	42.65%	9.56%	153.04%	
Entertainment	-14.01%	0.76%	83.30%	18.40%	110.51%	
Gaming Companies	16.87%	-7.33%	43.91%	12.51%	106.04%	
Airlines	19.52%	-5.68%	17.57%	15.53%	93.03%	

Source: Table 1

Table 4  
Stock Price Relatives  
(percent)

Leisure Industry's Segments	Beginning Date:	Dec 82	Dec 83	Dec 84	Dec 85	Dec 86
	Ending Date:	Dec 83	Dec 84	Dec 85	Dec 86	Mar 87
	Duration (months):	12	12	12	12	52
(1)	(2)	(3)	(4)	(5)	(6)	
S & P 500 Index		1.00	1.00	1.00	1.00	1.00
Broadcast Media		0.48	189.35	2.70	1.30	2.24
Leisure Time		2.90	42.05	0.80	1.44	1.63
Hotel/Motel		1.95	-158.54	1.51	1.19	1.46
Restaurants		1.35	185.00	1.64	0.48	1.37
Entertainment		-0.78	12.46	3.20	0.92	0.99
Gaming Companies		0.94	-120.50	1.69	0.63	0.95
Airlines		1.09	-93.39	0.68	0.78	0.83

Source: Table 2

Table 5

Stock Price Changes During the Past Expansions  
(percent)

	Expansions		
	First	Second	Third
Beginning Date:	Mar 75	Jul 80	Nov 82
Ending Date:	Jan 80	Jul 81	Mar 87
Leisure Industry's Segments			
Duration (months):	58	12	52
(1)	(2)	(3)	(4)
S & P 500 Index	32.33%	7.76%	111.78%
Broadcast Media	105.56%	25.25%	250.68%
Leisure Time	93.20%	96.56%	181.88%
Hotel/Motel	171.12%	25.72%	163.50%
Restaurants	31.36%	36.24%	153.04%
Entertainment	142.53%	42.13%	110.51%
Gaming Companies	NA	-25.59%	106.04%
Airlines	12.83%	25.52%	93.03%

Sources: Table 3; Table 1 of reference one

Table 6

Stock Price Relatives During the Past Expansions  
(percent)

		Expansions		
		First	Second	Third
	Beginning Date:	Mar 75	Jul 80	Nov 82
	Ending Date:	Jan 80	Jul 81	Mar 87
Leisure Industry's	Duration (months):	58	12	52
(1)		(2)	(3)	(4)
S & P 500 Index		1.00	1.00	1.00
Broadcast Media		3.27	3.25	2.24
Leisure Time		2.88	12.44	1.63
Hotel/Motel		5.29	3.31	1.46
Restaurants		0.97	4.67	1.37
Entertainment		4.41	5.43	0.99
Gaming Companies		NA	-3.30	0.95
Airlines		0.40	3.29	0.83