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THE SEASONAL, CYCLICAL, AND INTERMITTENT NATURE OF RECREATION ENTERPRISE

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ABSTRACT

Entrepreneurship is a difficult undertaking because of the season, the cyclical, and the intermittent nature of the leisure industry. This article examines management strategies to help cope with these problems. Success is directly linked to controlling these factors to reduce risk.

THE SEASONAL, CYCLICAL, AND INTERMITTENT NATURE OF RECREATION ENTERPRISE

The entrepreneur who desires to start a new venture in recreation will find that there are numerous problems to overcome before success is realized. Typical problems include: identification of best target markets, product/service design, acquisition of start-up capital, government regulations, labor supply, differentiation from competitors, etc. Even if all of these problems are overcome, there are three other major obstacles that are inherent in the nature of almost every form of recreation. The enterprise must deal successfully with the seasonal, cyclical, and intermittent nature of leisure participation and behavior. This paper will examine each of these problem areas and suggest several strategies for coping with each. Every recreation entrepreneur needs to understand the seasonal, cyclical, and intermittent nature of their particular enterprise. Failure to do so will diminish the likelihood of success.

SEASONAL NATURE OF RECREATION

Many commercial recreation businesses have a seasonal orientation. This is particularly true if the business is natural resource oriented, such as a golf course, beach resort, ski resort, or river rafting company. Seasonal orientations also occur if a business sells retail products such as sporting goods, toys, or tourist gifts. Some businesses such as amusement parks, beach resorts, and summer camps are affected by

the seasonal nature of the public school system. When school is in session, young families do not vacation, and teens are less available for employment. Even business which do not have climate restrictions have peak seasons and off-seasons. For example, movie theaters do well at Christmas and in summer. On the other hand, health clubs often have strong winter seasons as substitution activity for things people cannot do outside. The accompanying figure (1, 2) illustrates some of the high and low seasons in the recreation industry.

There are numerous problems created by a seasonal fluctuation in business. The greatest problem of course, is the lack of customers in the off-season. It is very expensive to keep a facility open, and expenses such as utilities and labor may not be balanced by off-season revenue. Food and beverage products may spoil, and retail goods may become dated. Even if a facility closes for the off-season, there are probably fixed expenses for rent or mortgage, insurance, and administrative overhead. Management therefore, becomes a question of cash flow. If the revenue drops below expenses, is there enough revenue from previous operations to carry the business through the off-season? If not, the alternative may be to take out a short-term loan.

Operation of a seasonal business has its problems even during the busy season. There may not be enough local labor available for peak periods, so employees may have to be imported from other areas and provided with housing. Transportation into the area during periods of bad weather must be reliable enough so that employees and customers can get in and out. Amenities related to a visitor's comfort, such as air conditioning, heating, and entertainment must function flawlessly. This can be more difficult for a business that is continually starting-up and closing-down for seasonal trade than for a business that operates continuously.

Increasingly, recreation businesses are attempting to create a year-round market for their product/service. This may be achieved by carrying different product lines (example: tennis apparel in summer and ski apparel in winter), reducing prices, conducting major special events, or by expanding facilities for different purposes. One resort, Stratton Mountain, Vermont, invested \$60 million to make its facilities attractive for year-round use, especially for the convention and business meeting trade.(3) Recent research shows that tourists surveyed at different times and seasons of the year desire different combinations of amenities, benefits, and services.(4) This means that off-season strategies may have to reach a variety of different target markets.

Attracting off-season clientele can, however, do more harm than good, especially if the advertising is misleading. If expectations are unfulfilled, the customers do not usually come back, but they DO tell their friends of the unsatisfactory experience. For example, Palm Springs, California advertises to attract summer visitors, but many tourist facilities are actually closed. Many hotels renovate their public facilities in the off-season, further reducing the attractiveness for the tourists.(5)

CYCLICAL NATURE AND UNPREDICTABLE VARIATIONS

Recreational businesses, whether seasonal or not, have cycles of business activity in which participation increases or decreases over time. In some cases, these cycles occur very gradually. It is relatively easy to manage a business over a long period of sustained growth, or to diversify a business during a long and gradual decline. The problem comes when the cycles occur rapidly and/or unexpectedly, or when unpredictable variations occur. Cycles can be related to weather, or public interest.

Weather, in some locales, occurs in multi-year cycles which can play havoc with recreation. Eastern ski resorts have been hurt several times by lack of snowfall, but artificial snowmaking has helped neutralize this problem. Droughts, hurricanes, rains, jellyfish, grasshoppers and other cyclical natural phenomena periodically hurt various types of tourism and recreation.

The public's interest also runs in cycles and it can be tricky to predict. Some recreation products such as superballs and Rubic's cubes were relatively short-lived fads, while frisbee's and skateboards have had multi-year success. Sports apparel styles can also have short or long term cycles. Businesses can be hurt if they are too heavily committed to a product or service during a period of rapid decline.

For whatever reason they occur, cycles of activity can catch the recreation manager off-guard. This compounds the difficulty of achieving success.

INTERMITTENT NATURE

Even during peak season, a recreation business is likely to have intermittent periods of heavy and light participation. These periods coincide with certain days of the month, days of the week, and hours of the day.

Paydays in blue collar communities, and in towns with military bases, are often followed by a flurry of discretionary spending. Similarly, money is more available in urban core cities and in retirement communities following the receipt of monthly welfare and social security checks.

Weekends account for more than half of the volume of some recreation businesses. This is mostly due to the participation pattern of families with parents who work and children who attend school during the standard Monday through Friday work/school week. Holidays can be peak periods of activity for resorts, but can also be days when some retail stores, restaurants, and local attractions are closed.

Many recreation businesses have busy periods and slow periods during

each day. Racquetball and sports clubs for example, typically have good business in the early morning, at lunch time, and during prime time hours, 5:00 PM till 10:00 PM. On the other hand, movie theaters seldom even bother to open until mid or late afternoon, except for special Saturday matinees.

The intermittent nature of recreation participation can cause management difficulties. If the busy and slack periods alternate throughout the day, most facilities will have to keep utilities operating constantly. A constant level of staff however, could be wasted in slow hours, or overwhelmed in busy hours. On the other hand, it could be a major problem to bring in several "short shifts" of staff throughout the day. Some businesses simply forsake the slack period and open only for the peak times. This strategy could backfire by giving a new competitor the opportunity to gain a foothold in the business by catering to the off-peak periods.

MANAGEMENT STRATEGIES

If a manager understands the seasonal, cyclical, and intermittent nature of their particular recreation enterprise, then they have a chance to implement strategies to combat the problem. The strategies suggested below are each POSSIBILITIES that could work. Caution must be exercised however, because a list of strategies is like a medicine cabinet full of pills, ointments, and tonics. If the right medicine is selected, a cure may result, but a bad choice could worsen the situation. Note also that some strategies are more applicable to certain problems and situations than others.

1. Year Round Facilities air supported bubbles, artificial surfaces, snow making, indoor stadiums, etc.

2. Facility Diversification complimentary facilities for the off-season.

3. Program Diversification different programs for different seasons or time slots.

4. Special Events - to stimulate off peak participation.

5. Market Segment Diversification attract new markets by promoting different product/service benefits.

6. Differential Pricing Discounts reduce prices for off-peak periods to attract new participants.

7. Reduce Hours of Operation - in low volume time

8. Close In The Off-Season to eliminate non-cost effective operating costs.

9. Increase Prices in Prime Time or Peak Season - to build cash reserves to buffer slow periods.

10. Take Out Short-Term Loans - to carry through the off-season.
11. Sell-Off Unused Space or Assets - to reduce operating costs.
12. Lease Out Unused Space - To reduce operating costs AND generate revenue.
13. Diversification of Retail Product Line - Sell complementary products in the off-season.
14. Provide Employee Housing - to attract seasonal labor when there is a shortage of local labor.
15. Provide Employee Transportation From Nearby Communities - to increase labor supply for seasonal peaks.
16. Cooperative Programs With Outside Groups - work with existing groups (YMCA, Municipal Recreation, Public Schools, etc.) to utilize your facilities/programs in non-peak periods.
17. Credit Arrangements - allow people who are between pay days to use credit cards, make installment purchases, have delayed billing, etc.
18. Promote facilities/program to vacation segment of year round schools year round school schedules create recreation participation opportunities for youth and families.
19. Close Portions of Facilities - Reduce operating expenses by closing non-used areas of your facilities.
20. Staff Scheduling Optimization stagger employee hours to reduce overstaffing in slack periods.

CONCLUSION

An optimal combination of the above strategies can help reduce operating expenses and increase revenues. This of course is easier said than done! The recreation manager must however, realize that most leisure behavior does not occur in a consistent steady pattern. Rather, there are significant seasonal fluctuations, cyclical trends, and intermittent variations in participation; most of which can be rationally analyzed and explained. The recreation manager MUST find a way to cope with these problems in order to be successful.

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FIGURE 1

EXAMPLES OF SEASONALITY IN THE RECREATION INDUSTRY

TYPE FACILITY	HIGH SEASON	LOW SEASON
Campground/Trailer Parks	May-August	November-December
Multi-purpose Health and Athletic Clubs	October-March	July-August
Racquet/Tennis Clubs (Indoor)	November-March	May
Public Golf Course (Non-municipal)	May-September	November-February
Resort Hotel/Motel	June-August	November-January
Theme/Amusement Parks	May-August	November-March
Private Golf/Country Club	April-September	January-February
Sport/Recreation Camps	June-August	November-March
Zoos	April-September	November-February

Adapted from (Anderson, 1985; 1986) Managed Recreation Report.