

1988

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Recommended Citation

Teye, Victor B. and Diffenderfer, Pete (1988) "The Impact of a Convention Boycott on Metropolitan Arizona," *Visions in Leisure and Business*: Vol. 7 : No. 2 , Article 5.
Available at: <https://scholarworks.bgsu.edu/visions/vol7/iss2/5>

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THE IMPACT OF A CONVENTION BOYCOTT ON METROPOLITAN ARIZONA

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ABSTRACT

The convention industry has become an important component of tourism in the United States. It is a highly competitive industry which is susceptible to factors such as climate, economic conditions and political developments. The purpose of this paper is to examine the impact of recent political events in Arizona, particularly the Martin Luther King holiday controversy, on the convention business. The paper concludes that the detrimental effects of politics are not limited only to tourism industries in politically unstable countries outside industrial nations.

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INTRODUCTION

Political stability is critical to any economic activity, but it has special significance for tourism since a tourism product can only be marketed under stable conditions.(8) The adverse impact of political instability on tourism is more common in destinations in developing regions of the world such as Latin America, Africa and Asia. For example, several countries have recently experienced dramatic decline in tourism as a result of the advice given to tourists by governments and tour operators in tourist-generating countries. These countries whose tourist industries have been affected by instability include Chile, Peru, Suriname, Nicaragua, and Haiti in Latin America; South Africa, Zimbabwe,

Sudan, Ethiopia, Uganda and Libya in Africa; Syria, Lebanon, Iran, Iraq and Kuwait in the Middle East; and Sri Lanka, India, Fiji, Philippines and Thailand in Asia. Researchers are beginning to examine the types of political instability and their consequences on the tourist industry in developing regions. (9, 10)

Unlike Western Europe where waves of terrorist activities can suppress international travel demand, the tourism industry in the United States has been insulated from serious internal political strife. However, recent political developments in Arizona indicate that internal political instability can also have adverse impact on destinations in developed regions of the world.

The purpose of this paper is to examine the impact of the cancellation of the Dr. Martin Luther King, Jr. holiday on Arizona's convention industry. Special emphasis is given to the Phoenix Metropolitan area where the bulk of the convention activity occurs. The paper begins with a general overview of the size and significance of the convention industries of the United States and Arizona. Next, the infrastructure supporting the convention industry of the Phoenix metropolitan area are examined as a background to the main focus of the paper. After discussing the cause and nature of Arizona's recent political instability, the impact of the Martin Luther King holiday controversy on the convention industry is examined. The paper ends with concluding statements.

THE CONVENTION INDUSTRY

The convention industry in the United States has experienced sustained growth in the last 10 years. Convention expenditures more than doubled from about \$15 billion in 1976 to about \$34 billion in 1986 generated by 59.6 million convention delegates. (1, 3, 11) Table 1 shows that Arizona's two metropolitan centers (Phoenix and Tucson) are important convention destinations in the Western United States. They make significant economic contributions to the state's economy. However, the convention industry is still in its infancy. This is depicted by Table 2 which shows the situation in metropolitan Phoenix. The industry grew from about 201,000 convention delegates providing \$66 million in expenditures in 1976 to about 656,000 delegates generating an estimated \$400 million in 1987.

INFRASTRUCTURE DEVELOPMENT

The main catalyst for the growth of the convention industry in the Phoenix metropolitan area was the development of the Phoenix convention center (the Civic Plaza) in 1972. It reached its peak in 1981 when 45 conventions and 136,800 delegates to the city of Phoenix generated about \$68 million in revenue (3). In anticipation of future demand, the facility was expanded from 180,000 to 316,000 square feet of exhibition and meeting space. This development was also intended to make metro Phoenix "rank with the heavy hitters in the convention business-New York,

San Francisco, Las Vegas and Los Angeles".(5)

The lodging industry was also expanded to meet the demands of the growing convention market. Table 3 shows that resorts and first-class hotels increased from a total of 8,656 rooms in 1980 to 17,028 rooms in 1987 in metro Phoenix, while Tucson increased its capacity from 2,266 to 6,576 rooms during the same period. This infrastructural development is a very important component of the convention product. In addition to the sleeping rooms, restaurants and catering services, it provides such facilities as meeting rooms, equipment, indoor and outdoor recreational activities and other services required by the convention market.

THE POLITICAL ISSUE

For most of its recent history, Arizona has been politically stable. However, some of the policies and controversies generated by the new state government which took office in early 1987 created and sustained national and international media attention. Sixteen months of political instability culminated in the impeachment of the governor from office in May, 1988.

A few days after taking office in January, 1987, the governor rescinded an executive order issued the previous year that established a holiday for state executive branch workers in honor of the slain civil rights leader, Dr. Martin Luther King, Jr. This led to a major convention boycott against Arizona. We now examine the impact of this boycott on the convention industry of metropolitan Phoenix.

IMPACT OF CONVENTION BOYCOTT

By the end of the boycott's first year (end of January, 1988) a total of 48 conventions had been cancelled, amounting to an estimated loss of \$25.6 million. This figure is based on the estimated expenditure per person/per stay of \$609.(7) Table 4 shows the cancellation figures for conventions scheduled for 1987 to 1992. Out of the 48 cancelled conventions, 46 (86 percent) were scheduled for 1987-1989. With a new government since April, 1988, one could ask about the possibility of rescheduling some cancelled (1988-1992) conventions in Phoenix. Conventions are usually scheduled several years in advance to provide the association, its members and the destination entities ample time for planning. Therefore it is unlikely that any 1988 and 1989 conventions will be salvaged. The Convention and Visitors Bureau plans to "resell" some cancelled conventions.(6) Hence, the two conventions in 1990 and 1992 could be rescheduled in Phoenix, but they constitute only 6.3 percent or about \$1.6 million of the \$25.6 million total lost revenue.

The actual loss may be more than the figures noted above and in Table 4. It has been pointed out that:

What we can't put a price tag on are those groups that aren't considering us at the moment because of this issue.

In other words, people who are just saying it's easier not to deal with Phoenix at the moment, Arizona in general.(4)

The impact of lost revenue on the tourism sectors is provided in Table 5. The main sectors affected are resorts and hotels, food and beverage industries, retail, transportation, entertainment and dependent services.

DISCUSSION

Traditionally, the bulk of the convention business has been in downtown Phoenix. Hence, hotels in Phoenix, located near the convention center bore the brunt of the convention boycott, estimated at about 80 percent of total cancellations.(7) The impact on the Civic Plaza convention facility has not yet been assessed. However, it is bound to worsen its existing critical economic condition. Table 6 illustrates the magnitude of declining business of the Civic Plaza in terms of number of conventions, participants, and revenue since its peak in 1982. This situation can be attributed to external as well as local factors. Competition has been strong from cities in the Western United States such as Denver, Los Angeles, Anaheim, Las Vegas and the newly developed convention facilities in Palm Springs and San Diego. Locally, the unfulfilled promise of downtown revitalization accelerated the trend toward building more resorts and all-suite business hotels with convention facilities away from the Central Business District of Phoenix. These, to a large extent, explain the decline illustrated in Table 6. The convention boycott will certainly complicate any anticipated recovery in the late 1980's.

SUMMARY AND CONCLUSIONS

The purpose of this paper is to examine the impact of recent political controversy over the Dr. Martin Luther King, Jr. holiday on the convention industry of the Phoenix Metropolitan area. The analysis shows that the impact over a one-year period was significant. All the major sectors of the tourist industry were affected. Geographically, the city of Phoenix bore the brunt of the economic impact. Specifically, the hotels in the downtown area and the financially anemic Civic Plaza convention facility suffered the most.

Although the impact of the convention boycott represents serious economic losses for the state, metropolitan Phoenix, hotels and support services, the actual impact may be greater than discussed in this paper. First, it was pointed out that future conventions may have eliminated Arizona in favor of other destinations during the 16-month period of the controversy. Secondly, it has been reported that "only about 10 percent of conventions cancelled because of the King holiday controversy are reported" (2). The argument supporting this assertion is that when a hotel chain (such as the two major hotels in downtown Phoenix) loses a convention, they try to arrange with the client to move the convention to the chain's hotel in another state. The chain could be a franchise, a

management company or similar management operation. The transfer arrangements are usually kept confidential in order to prevent competing hotels from exploiting the situation. Once the convention is booked in a different property in another state, there is no reason to publicize since it might jeopardize the opportunity for future business.

This paper has shown that the tourist industry is highly sensitive to political developments even in politically stable countries like the United States. In fact, Arizona is one of 11 states without a Dr. Martin Luther King, Jr. holiday. Yet those other 10 states have not been boycotted by the convention market. The controversy grew out of rescinding an established holiday. It is an irony that much of the adverse impact was experienced by the city of Phoenix which observes that Dr. Martin Luther King, Jr. holiday. Finally, the source of the controversy was a government which had "pledged to double tourism in four years".(12) Unquestionably, governments play an important role in tourism development. Yet, tourism and politics can make odd bed-fellows!

ACKNOWLEDGEMENTS

The authors wish to thank Ms. Sally Cooper, Vice President of Public Relations, Phoenix and Valley of the Sun Convention and Visitors Bureau for providing some data for this paper. The authors also acknowledge the Auxiliary Resource Center, College of Public Programs, Arizona State University, for word processing this manuscript.

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NOTES

1. Metropolitan Phoenix includes the cities of Phoenix, Scottsdale, Mesa, Tempe, Chandler, Glendale, and Gilbert.

2. In addition to impeachment, Governor Evan Mecham also faced a recall election and a criminal trial relating to political activities. This made him the first governor in the U.S. history to face a recall, impeachment and criminal trial. He was later acquitted on the criminal charges.

TABLE 1

THE CONVENTION INDUSTRY IN SELECTED CITIES IN THE WESTERN
UNITED STATES (1986)

City	Delegates	Expenditures
Las Vegas	1,519,000	\$1,042,000,000
San Francisco	1,066,000	576,000,000
Anaheim	925,00	599,000,000
Los Angeles	669,000	334,000,000
Phoenix	601,000	366,000,000
San Diego	522,000	278,000,000
San Antonio	227,000	69,200,000
Reno	177,000	99,000,000
Tucson	162,000	91,000,000
Salt Lake City	114,000	21,000,000

Sources: Arizona Trend, November 1987, p. 73; Phoenix Gazette, June 18, 1987, p. D1.

TABLE 2

VOLUME OF CONVENTION BUSINESS FROM 1976 TO 1987 IN PHOENIX

Year Change	Number of Group	% Change	Participants (000)	% Change	Expenditure (\$ Million)	
1976	4,300		201		66	
1977	5,500	27.9	278	38.3	98	48.5
1978	7,300	32.7	350	25.9	133	35.7
1979	8,700	19.2	395	12.9	164	23.3
1980	9,500	9.2	418	5.8	188	14.6
1981	8,800	-7.4	447	6.9	222	18.1
1982	9,100	3.4	377	-15.7	187	-15.8
1983	9,200	1.1	415	10.1	221	18.2
1984	9,600	4.4	461	11.1	246	11.3
1985	10,100	5.2	468	1.5	268	8.9
1986	10,600	5.0	601	28.4	366	36.6
1987a	11,900	12.3	656	9.2	400	9.3

Preliminary figures

Source: Phoenix and the Valley of the Sun Convention and Visitors Bureau, 1986 Convention and Tourism Statistical Report. Phoenix: Phoenix and the Valley of the Sun Convention and Visitors Bureau, 1987.

TABLE 3

(a) METRO PHOENIX ACCOMMODATION CAPACITY, 1980-1987

Year	No.	Resorts Room	First Class No.	Hotels Rooms	No.	Total Rooms
1980	11	3,313	25	5,343	36	8,656
1981	11	3,313	27	5,818	38	9,131
1982	12	3,563	29	6,277	41	9,840
1983	13	3,884	28	6,276	41	10,160
1984	14	4,418	31	6,895	45	11,313
1985	16	4,922	36	7,829	52	12,751
1986	16	4,978	40	8,872	56	13,850
1987	19	6,442	46	10,586	65	17,028

(b) METRO TUCSON ACCOMMODATION CAPACITY, 1980-1987

Year	No.	Resorts Room	First Class No.	Hotels Rooms	No.	Total Rooms
1980	1	167	11	2,099	12	2,266
1981	1	167	11	2,099	12	2,266
1982	1	167	15	2,912	16	3,079
1983	2	607	15	2,912	17	3,519
1984	2	607	18	3,222	20	3,827
1985	3	1,084	20	3,549	23	4,633
1986	5	1,677	21	3,856	26	5,533
1987	5	1,746	26	4,830	31	6,576

Source: Laventhol and Horwath, 1987.

TABLE 4

METRO PHOENIX CONVENTION CANCELLATIONS 1987-1992

Year Percentage	Number of Cancelled Conventions*	Estimated Participants	Percentage	Expenditure (\$)
1987 9.2	22	3,885	9.2	2,365,965
1988 30.6	16	12,852	30.6	7,826,868
1989 53.9	8	22,650	53.9	13,793,850
1990 0.4	1	150	0.4	91,350
1991 ---	0	---	0.0	---
1992 5.9	1	2,500	5.9	1,522,500
Total 100.0	48	42,037	100.0	25,600,533

*A convention is defined as a group meeting occupying 10 or more hotel rooms.

Source: Phoenix and the Valley of the Sun Convention and Visitors Bureau.

TABLE 5

ESTIMATED LOST REVENUE BY EXPENDITURE CATEGORY

Year	Lodging	Food and Beverage	Retail	Transportation	Entertainment	Other	Total
1987	1,145,127	600,955	194,009	184,545	165,618	75,711	2,365,965
1988	3,788,204	1,988,024	641,803	610,496	547,881	250,460	7,826,868
1989	6,676,223	3,503,638	1,131,096	1,075,920	965,570	441,403	13,793,850
1990	44,213	23,203	7,491	7,125	6,395	2,923	91,350
1991	---	---	---	---	---	---	---
1992	736,890	386,715	124,845	118,755	106,575	48,720	1,522,500
Tot.	12,390,657	6,502,535	2,099,244	1,996,841	1,792,039	819,217	25,600,533

Using percentages provided by Phoenix and Valley of the Sun Convention and Visitors Bureau: lodging 48.4%, food and beverage 25.4%, retail 8.2%, transportation 7.8%, entertainment 7.0% and other 3.2%.

TABLE 6

PHOENIX CIVIC PLAZA CONVENTIONS, 1975-1986

Year	Number of Groups	% Change	Participants (000)	% Change	Expenditure (\$ Million)	% Change
1975	4	-	17.5	-	5.5	-
1976	12	200.0	19.6	12.0	6.4	16.4
1977	23	91.7	38.4	95.5	13.6	112.5
1978	34	47.8	68.6	78.6	26.0	91.2
1979	30	-11.8	53.6	-21.9	22.2	-14.6
1980	44	46.7	100.2	86.9	45.1	103.2
1981	45	2.3	136.8	36.5	68.0	50.8
1982	46	2.2	84.4	-38.3	42.0	-38.2
1983	41	-10.9	101.5	20.3	54.1	28.8
1984	43	4.9	111.3	9.7	59.3	9.6
1985	34	-20.9	82.0	-26.3	47.1	-20.6
1986	29	-14.7	70.2	-14.4	42.8	- 9.1

Source: Phoenix and the Valley of the Sun Convention and Visitors Bureau, 1986 Convention and Tourism Statistical Report. Phoenix and the Valley of the Sun Convention and Visitors Bureau, 1987.