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THE CONVENTION BUREAU AND
THE LEISURE BUSINESS

BY

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ABSTRACT

The viability of the convention bureau and the nature of clientele it competes for constitute a unique part of the overall travel, tourism and leisure markets. To effectively participate in this market requires a basic understanding of the characteristics of the industry that make it viable. This includes a socio-economic analysis of the area served by the convention bureau and the characteristics of the convention attendee. The interface of these variables can indicate the potential of different markets. This paper is purposed with detailing a specific case study incorporating these analyses.

THE CONVENTION BUREAU AND
THE LEISURE BUSINESS

INTRODUCTION

The role of conventions and convention bureaus in the overall travel, tourism and leisure business is a unique one. It is the purpose of this analysis to indicate specific characteristics of this industry as it relates to market analysis, suggest an overview method for approximating the viability of such business for a particular market, and finally, to review possible socio-political interfaces that should be considered in such research.

TRENDS IN CONVENTION BUSINESS

One does not have to perform extensive research to document the merits and relative importance of convention business to the travel or leisure industry. According to Laventhol and Horwath the percentage of motel-hotel guests who are conventioners increased from 15 to 22 percent between 1976 and 1977 (2, p. 15). It is also a generally accepted fact that the average daily expenditure of the convention delegate exceeds that of the pleasure/vacation traveler. For example, it was estimated that in 1975 conventioners represented six percent of the total room nights, but accounted for over 10 percent of the industry's total revenue (2, p. 15). In 1978 World Convention Dates estimated an attendance of over 20 million at meetings and conventions scheduled. Over six years ago, Meetings and Conventions estimated

that this market was about \$10 billion. In short, convention business is a significant and increasing share of the travel market.

The potential of this lucrative market has not gone unnoticed by the tourist industry. As early as 1967 Business Week noted the apparent growing competition for convention business as evidenced by the construction of support facilities such as coliseums and exhibition centers across the country (5, p. 158). Memberships in the National Association of Convention and Visitor Bureaus numbered 76 at that time. Today, this number is in excess of 120 cities. Entry into this market by many cities stems from some key characteristics of this type of business. These are reviewed in the following analysis which stems from a recent feasibility study conducted by the Bureau of Business Research at the University of Southern Mississippi (1).

THE BUSINESS /CONVENTION

TRIP CHARACTERISTICS

According to the U.S. Travel Data Center, 19 percent of all trips taken in 1980 were for purposes of business or convention travel (4, p. 14).¹ Most of these trips, or 57 percent, were to small SMSA's or to a smaller town or city not considered an SMSA (4, p. 14) and more than one-third were for distances under 400 miles (4, p. 59).² Only eight percent of the trips included children with 65 percent being only a single adult (4, p. 67). Length of stay indicated that 40 percent of these trips were for two to three nights with 68 percent being two or more nights (4, p. 62). Ten percent of the business/convention trips were considered as a vacation trip as well (4, p. 68). Over half, 56 percent, of these trips were taken by auto, truck or RV while 42 percent were by air transportation (4, p. 69). These data provide a general profile of the trip characteristics of the business and convention traveler and thus, establish the nature of this market.

CHARACTERISTICS OF THE CONVENTION MARKET

Growth in the number of convention bureaus suggests that many areas are discovering they can compete effectively in this market. During the course of a preliminary feasibility study conducted by the Bureau of Business Research for a bureau in Jackson, Mississippi, some of the reasons for this marked growth became clearer. Specifically, findings from a study conducted by World Convention Dates showed that 84 percent of the conventions consisted of less than 1,000 delegates while 60 percent have less than 500 delegates. As seen in Table 1, any area with at least 500 to 1,000 first class hotel-motel rooms with adequate and reasonably accessible support facilities can probably compete for from 60 to 84 percent of the existing market. A similar study conducted by the International Association of Convention and Visitor Bureaus (IACVB) revealed comparable results as seen in Table 2. In this case over 71 percent of the conventions had delegates of 1,000 or less. Needless to say, there are other criteria which need to be present to make a local area viable and competitive as a convention site; however, to satisfy lodging needs is an essential prerequisite. Many communities do meet this first criterion and would probably be well advised to extend their analysis further to evaluate what else they have to offer as a convention site.

Also worthy to note in Table 2 is the number of regional conventions. Of those conventions of 1,000 or less, which represented 71 percent of the total, approximately one-third were regional conventions versus national in scope. Thus, smaller areas with good market proximity within a particular region benefit from this segment of the market.

CHARACTERISTICS OF IACVB MEMBER
CITIES AND THEIR CONVENTION
BUREAUS

Population

According to the 1977 Statistical Abstract of the U.S., there were 157 cities with an estimated 1975 population of 100,000 or more. As of 1979 the IACVB reported a membership of approximately 120 within the U.S., approximately 88 percent of this membership had convention bureaus domiciled in cities of 100,000 or more. Thus, about 60 percent of U.S. cities with 100,000 or more have convention bureaus (limited to IACVB membership). Significant to the smaller communities, however, is the fact that about 22 percent of the IACVB membership was cities with less than 100,000 population. In fact, half of those cities under 100,000 were 50,000 population or less. Again, the data suggest that while most of the convention bureau cities are 100,000+, this is not necessarily the prime determinant of a successful bureau operation. The subject city in this case study had a population estimated at 167,000 in 1975, which appeared relatively favorable based on this analysis.

Budgets

Budgeting levels of convention bureaus vary markedly stemming from the type and source of funding provided, competition in the designated market segment, etc. To contrast budget levels, IACVB members with populations comparable to Jackson were reviewed as seen in Table 3. Fifteen cities of ±20,000 of Jackson fell in this range with budgets from \$90,000 to \$13.7 million, the latter being Las Vegas. Two others had budgets of over \$1 million, Salt Lake City at about \$1.3 million and Kansas City at \$1.02 million. The remaining sites ranged from \$90,000 to \$420,000.

Most of the funds used for the operation of convention bureaus come from room sales taxes. This source represented almost 58 percent of the IACVB member budgets in 1979. Membership dues and general sales taxes were the next largest sources at 11.6 and 11.2 percent, respectively. All others were less than four percent as seen in Table 4.

Analysis of the Room Tax

Taking the pragmatic approach the feasibility analysis was made on the basis of funding the proposed convention bureau with a hotel-motel sales tax. Based on a one-percent levy it was estimated that this tax would yield over \$290,000 in 1980. This level of funding would be approximately equal to or exceed half of the sixteen cities of comparable population to Jackson as presented in Table 3. It was also discovered that of the 112 IACVB member cities reporting a room tax, 65 percent exceeded a total room tax (all taxes) of six percent (the rate that would be applicable to Jackson with a one percent room sales tax). Thus, the proposed tax would be very competitive with other convention sites on this basis.

Use of the room tax also appeared to be the most acceptable option based on economic arguments. Specifically, those benefiting from the services of the local bureau, the convention attendee, would bear the expense of the service via the room tax. It was also estimated that a majority of convention attendees came from out-of-state. Thus, the tax would represent new money from outside the local area or state versus a tax on residents of the local area. To the extent this was true, it would put no pressures on the existing tax

bases for operating funds or necessitate any redistribution of existing tax funds."

Still further, the room tax was not considered regressive (i.e., it would not put burden on lower income groups in the area) since most attendees, whether from out-of-state or not, were typically middle or upper income groups. Although the room tax was proportional in its levy (i.e., one percent per dollar), it would be disproportionately borne by middle and upper income groups and for the most part by out-of-state convention attendees.

Hotel-motel sales demonstrated a stable and consistent growth pattern over the past decade, and there was little evidence to suggest that they would decline in the future. Thus, for these reasons, hotel-motel sales as a tax base were considered to be a highly desirable source to fund the proposed convention bureau. Analysis of vacancy ratios also showed the relatively large conventions could be accommodated at certain times of the year based on the inventory of about 4,800 rooms.

EXISTING SUPPORT FACILITIES

It is beyond the scope of this analysis to detail the various support facilities offered by the subject city. Suffice it to say, they were deemed to be more than adequate. Almost contiguous to the central business district and the major convention hotel properties were a coliseum with a permanent seating capacity of over 6,500, a 43,000 square foot exhibition building, a modern auditorium to seat 2,500, etc. Local bus and shuttle services were rated as good along with accessibility by air travel and highway networks.

THE RESULTS

Based on the findings from the feasibility analysis, which has been dealt with here very cursorily, and the endorsements of several area groups related to the travel industry, a bill was introduced in the state legislature to authorize the local area to levy the tax. The bill as finally offered called for a one percent tax on hotel-motel room sales and one percent on food and liquor sales at restaurants. It failed. In fact, this effort represented the third attempt at passing a bill of this type since 1976.

The value of examining a case study of this nature lies in exploring possible reasons why positive actions were not taken despite the fact that the feasibility analysis showed very favorable findings. Trying to arrive at a consensus of opinion was difficult; however, certain factors appeared to be noteworthy as an outgrowth of the research.

One of the major items noted by individuals associated with convention business as having an impact on Jackson's competitiveness as a convention center was current laws defining limited hours in which sales of alcoholic beverages were permitted. Impacts of these regulations on the convention market were difficult to quantify and even harder to deal with in terms of the benefits of relaxed hours versus additional public costs that may be incurred. It was generally conceded that these laws would have to be changed to provide a completely competitive convention site. On the other hand, there has been local opposition from certain groups to relaxing such laws. While the role of this item in killing the bill was most difficult to determine (in fact, it apparently did not surface during the bill's consideration), the potential ramifications of this issue were no doubt present.

Political interfaces also seemed to be involved in this bill's demise. It was the opinion of some advocates of the bill that it was stymied due to existing intrastate competition for convention business. Creation and funding of such a bureau were claimed to disturb the existing competitive structure in the state. Ironically, a similar bill was

passed for the Gulf Coast area of the state, the generally recognized tourist center.

Other evaluations laid the blame for the bill's failure to the local delegation of representatives. Lack of effective lobby and support from those in the travel industry were also mentioned. Whatever the primary reasons, the bill never came to a vote due to its failure to move out of the appropriate committees by the required deadlines (3).

The lessons of this case study seem clear. Although feasibility studies may provide valuable input in identifying the merits of a proposal, they cannot overcome the socio-political interface that must also be conquered. When funding is tied to taxing schemes that need be approved by legislative procedures, many things can go astray and for reasons not always completely understood.

This analysis is not intended as a rejoinder due to a negative response to a feasibility analysis. Rather, it illustrates that one method of analysis is a comparative analysis of the market under consideration with other similar markets. It also vividly points out that proposed tourist and travel organizations requesting public funding must always consider the impacts of specific local factors affecting proposals and be willing to deal with the socio-political realities of seeing their proposals through.

¹ A "trip" is defined a travel to a place 100 miles or more away from home and return, whether or not an overnight stay was involved.

² Standard Metropolitan Statistical Area.

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3. The Clarion Ledger, Jackson, Mississippi, p. 18, May 23, 1980.
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5. When Conventioneers Hit Town, Business Week, p. 158, January 14, 1967.

TABLE 1
DISTRIBUTION OF CONVENTIONS BY SIZE: 1968

| Number of Delegates | Number of Conventions | Percentage of Total Conventions |
|---------------------|-----------------------|---------------------------------|
| Less than 500 | 4,546 | 60% |
| 500-999 | 1,801 | 24 |
| 1,000-1,999 | 620 | 7 |
| 2,000-2,999 | 221 | 3 |
| 3,000 and over | <u>460</u> | <u>6</u> |
| Total | 7,648 | 100% |

Source: World Convention Dates, 1968.

Table 2. DISTRIBUTION OF CONVENTIONS BY SIZE
AND GEOGRAPHICAL COVERAGE: 1967

| Size of Convention | National | Regional | Total | Percentage |
|--------------------|-----------|-----------|------------|-------------|
| Under 250 | 550 | 345 | 895 | 20.15 |
| 250-400 | 480 | 252 | 732 | 16.48 |
| 400-600 | 539 | 231 | 770 | 17.34 |
| 600-800 | 261 | 91 | 352 | 7.92 |
| 800-1000 | 337 | 82 | 419 | 9.43 |
| 1000-1500 | 405 | 82 | 487 | 10.96 |
| 1500-2000 | 190 | 56 | 246 | 5.54 |
| 2000-3000 | 165 | 37 | 202 | 4.55 |
| 3000-5000 | 120 | 18 | 138 | 3.11 |
| 5000-7000 | 45 | 9 | 54 | 1.21 |
| 7000-10,000 | 37 | 4 | 41 | .92 |
| Over 10,000 | <u>93</u> | <u>13</u> | <u>106</u> | <u>2.39</u> |
| | 3,222 | 1,220 | 4,442 | 100.00 |

Source: Conventions by Size. International Association of Convention Bureaus, 1967.

Table 3. CONVENTION BUREAU BUDGETS OF IACVB
CITIES OF COMPARABLE^a POPULATION TO JACKSON

| City | Population (000) | Budgets (\$000) |
|------------------|------------------|-----------------|
| JACKSON | 167 | \$ 0 |
| Amarillo | 139 | 291 |
| Anchorage | 161 | 420 |
| Arlington | 174 | 320 |
| Colorado Springs | 180 | 375 |
| Kansas City | 168 | 1,022 |
| Las Vegas | 146 | 13,769 |
| Lexington | 186 | 240 |
| Lubbock | 164 | 151 |
| Madison | 168 | 219 |
| Montgomery | 153 | 218 |
| Providence | 168 | 90 |
| Salt Lake City | 170 | 1,264 |
| Shreveport | 186 | 302 |
| Spokane | 174 | 161 |
| Syracuse | 183 | 202 |

^aIncluded cities that were ± 20,000 of Jackson's 1975 population.

Source: U.S. Department of Commerce, Bureau of the Census, Statistical Abstract of the U.S., pp. 22-24, 1977, and 1979 Bureau Funding Survey, International Association of Convention and Visitor Bureaus.

Table 4. DISTRIBUTION OF TOTAL BUDGETS BY REVENUE SOURCE
IN 1979 FOR 120 IACVB MEMBERS

| Item | Total Budgets By Source (\$Millions) | Percent of Total |
|--|---|---------------------|
| Room Sales Tax | \$46.61 | 57.6 |
| Membership Dues | 9.42 | 11.6 |
| General Sales Tax | 9.04 | 11.2 |
| Other Income (book Sales, adv., etc.) | 3.01 | 3.7 |
| General State Prov. Tax | 2.97 | 3.7 |
| Chamber of Commerce | 2.04 | 2.5 |
| Other Taxes | 1.83 | 2.3 |
| Grants or Matching Funds | 1.81 | 2.2 |
| Other Funds | 1.49 | 1.8 |
| General County Tax | 1.41 | 1.7 |
| Restaurant Sales Tax | 1.19 | 1.5 |
| Donations | .09 | 0.1 |
| Total | \$80.91 | 100.0 |

Source: 1979 Bureau Funding Survey, International Association of Convention
and Visitor Bureaus.