

EVENT TRAVEL PACKAGES AND SPORTS TOURISM

CHAPTER 10

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What is sports tourism? The first guess most people make is that it has something to do with putting together groups of people to watch sporting events. Although, that is a part of sports tourism it is just a small part. Cities, counties, and states around the United States and globally employ people specifically to bring sports tourism to their destination to help drive economic impact.

In the 1990s, communities started to realize that sporting events other than the Super Bowl, NCAA Final Four, and Olympics were generating money back to the host city when hundreds of families would stay overnight to participate in soccer, hockey, baseball, softball, and basketball tournaments. These families needed to stay in hotels, eat in local restaurants, buy gas, purchase souvenirs, and might even enjoy a local attraction between games.

Sports tourism is important to destinations for many reasons. Imagine a hotel located in a community that is strong with corporate industry. The hotels are filled Monday through Friday with business people coming from around the world for business meetings. What happens to the hotel over the weekend? Unless the hotel is lucky enough to be in a popular tourist destination or host a lot of family reunions or wedding parties, the chances are that most hotels are at a very low occupancy. Then one weekend, the hotel is sold out, the local restaurants, that usually just service locals, are now filled with athletes and their families. The community takes notice and wants to know "How do we get more of these here?" Sports tourism is born!

Convention and Visitors Bureaus and Sports Commissions

A convention and visitor bureau (CVB) is a nonprofit organization that attracts various events, tourism, and business to the local area. It is typically funded through a bed or business improvement tax. A **room tax** is a tax on hotel rooms levied by the state government. A **bed tax** is an additional

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tax levied on hotel rooms by the local municipality. These taxes are common because it is out of town guests who pay and not local residents. For a long time, CVBs employed staff that focused on corporate, association, SMERF (social, military, educational, religious, and fraternal), international, and tour groups (e.g., bus tours). When sports travel started to be recognized, CVBs were the natural organization to lead this charge for the destination. Over the last 20 years, the number of CVBs that employ a full time sports tourism professional has grown to over 500 in the United States alone.

As the idea of utilizing sports to bring money to the local economy became popular, cities began to add sports commissions. **Sports commissions** exist specifically to attract sports events to the area and assist in hosting the events. Unlike CVBs, there are many different ways sports commissions are funded and many different purposes under which they operate. Sports commissions are generally funded through differing combinations of tax dollars, memberships, fundraising, grants, CVB support, and sponsorship. Typically, a city forms a sports commission when one of the following occurs: (1) the destination is hosting a sports event that requires a local organizing committee; (2) a sports event is coming to the destination that requires fundraising beyond the dollar amount the CVB is willing to contribute; (3) the destination has started hosting enough sports events that it warrants the dedication of multiple staff; or (4) the city is following a trend of the industry. Many rights holders like the fact that they are dealing with an organization that is solely dedicated to sports. Some planners feel that these organizations understand their business and their needs better.

Other than how they are funded and that sports commissions' are dedicated to the sports industry, the most common difference between CVBs and sports commissions is the size. A CVB will typically have one to two staffs dedicated on the sports tourism efforts and a sports commission could have anywhere from 3 to more than 10 depending on the size of the market and number of annual events. There is also a trend that sports commissions are starting to create their own events. This saves on bid fees, dependence on rights holders and others, branding, and is a source of self-funding. In most cases, if an event requires a local organizing committee, the sports commission will take the lead. There are many cities across the United States that have both a dedicated CVB staff for the sports market and a sports commission. The strength of the formal and informal partnership between the CVB and sports commission can impact the success of event in the area.

Securing Events

Recruiting sporting events to a destination, as in most instances of business, has a lot to do with relationships. The people who make the decision of where to take their event want to be confident that their event will be successful and the commitment that was made by the destination will be met. Rights holders will talk to other events if they are considering to go to a destination where they have never been and if the event is a success, it is a safe bet that the next time there is an opportunity to come back, that city will be at the top of the list. When one sits back and thinks about the size of the sports event industry, it is small compared with some other industries, but it is a fast growing area of sports where it is common to be connected to another person by only two degree of separation or less. Reputation is key, and once it is damaged, it is hard to regain that trust.

Conferences

Rights holders and destinations will also attend several conferences throughout the year. These tradeshows bring CVBs, sports commissions, and rights holders together to facilitate discussion about what events are up for bid, the hosting requirements, and what cities can offer to potential events.

The biggest mistake that is repeatedly made is cities wasting their time and money bidding on events that they have no real possibility of attracting. For example, the NCAA is not going to consider holding the men's basketball Final Four in Panama City, FL. At the tradeshow, destinations/cities should do their homework prior to any meetings to make sure they have the capability to host the event. If they don't, they should not plan the meeting so the rights holder can meet with cities that meet the bid and hosting requirements.

There are currently three main tradeshow throughout the year with several other midsize to smaller conferences plus two international conferences. The first large tradeshow is hosted by the National Association of Sports Commissions (NASC, www.sportscommissions.org) and is usually in March or April. It is followed by the CONNECT (www.connectsports.com) conference in August and the TEAMS Conference (www.teamsconference.com) in November. Additionally, Sports Travel magazine and the websites of the above conferences provide up to date information on the sport tourism industry.

Each city/destination will have its own method of determining what events to attempt to secure, but the most important factors for a city to consider are:

1. **Venue Availability**—Does the destination have the required space to meet the events' needs during the time frame requested?
2. **Housing Availability**—Does the destination have the required number of overnight accommodations (hotel rooms/motel rooms/camp sites) to host the event?
3. **Philosophical Fit**—Does the event match with the mission and vision of the organization?
4. **ROI**—Does financial and time investment give the sports commission and community the return on the investment?

Contemporary rights holders have become business savvy and they understand their events have substantial value. But, some rights holders overestimate the value of the event. This can occur because a previous host destination over compensated to bring an event to their area (e.g., the event filled down time, a local influencer wanted the event brought in, the destination wants to build brand awareness, etc.). Because of this over compensation by one locale, the rights holder may have the expectation that every year any city will give them the same as the previous one.

The opposite could also be true, just because one destination is willing to pay a lot more, their event may not be better off. If the rights holders choose a destination that their participants are not excited about, or has a history of poorly hosting event, then they could see a significant reduction in revenue. For example, registrations will be lower which will reduce entry fee revenue, merchandise revenue, room rebate revenue, gate revenue, and so on. It might also cost more than anticipated to travel staff to the destination. These reduced revenue items in addition to increased expenses may negate any additional revenue picked up on the front end, such as from room rebates.

Housing Packages/Travel Packages

Housing packages, or travel packages, generate revenue for an event in a couple of different possible ways. Housing packages are based on the number of hotel room nights and/or rental car days booked by participants and spectators. Travel packages are based on a fee in the package that goes to the event. At one time, airline tickets were included as a revenue item in travel packages. In the past two decades, airlines have stopped paying a commission for ticket sales. Most events are not going to have their own travel department. They will often contract with a travel partner to perform the booking functions, even with online booking. The travel partner will negotiate with hotels and reserve a block

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of rooms around the event date(s). The travel partner will negotiate rates with the hotels, airlines, and car rental companies and will be responsible for the block of hotel rooms reserved for the event. The travel partner will have deadlines in their contracts that allow them to drop a certain percentage of rooms from the block by specified dates if they are not selling as anticipated. Depending on the terms of the contract, they may have to pay a penalty. This is called **attrition**.

How do the event and the travel partner make money from these packages? The travel partner negotiates rates with various hotels, choosing hotels in different price ranges and star rating ranges to appeal to a variety of budgets. The travel partner makes its commission from the room rate they have negotiated with the hotel, usually 10% of the event's published room rate. The travel partner and rights holder will negotiate the amount of the commission that each group receives. The 10% commission may be split 50/50 or 60/40 (in favor of the travel partner). Another way to look at a 50/50 split of the commission is to say that the rights holder is earning 5% of the commission.

Event managers work with the travel partner to assist the travel partner in determining how many people the event managers think will be attending the event. This is one of the reasons it is important to track attendance and bookings for events. This number may come from past data or from booking numbers taken from a comparable event. CVBs and sports commissions can be helpful in obtaining this data from past host sites for the event organizers. For a first year event that will be repeated, a rights holder may want to pay for a survey that will provide data on the attendees and determine how many are "booking around" the travel packages, or making travel arrangements on their own. This information can also be collected at the event registration/check-in.

Event organizers may package the entry fee to the event with tickets to local attractions (depending on location), hotel room nights, or special events tickets and require that an individual or team purchase the package in order to enter the event. This is known as **package-to-compete** or **stay-to-play**. Forcing participants to purchase a package may seem like an easy revenue stream, but it can cause ill will and may backfire.

Another way to build a package involves simply inserting a fee that reverts back to the rights holder and the travel partner receives the commission for the rooms and/or they may also build in their own fee. Payments from the travel partner to the rights holder are made at various stages throughout the booking period (monthly or quarterly) or after the event, depending on what was negotiated between the parties.

Room Nights

There is a difference between rooms booked or sold and room nights. Simply using the term rooms will tell how many rooms have been sold or are occupied, but not for how long. The term **room nights** refers to how many total nights' stay were sold for an event. This is an important figure to know because it affects economic impact in the area and can provide leverage for event managers in securing free rooms, discounted rooms, commissions, hotel sponsorships, and/or additional services from the hotel based on the number of anticipated room nights. Room rebates to an event and/or sports commission are based on room nights. A **room rebate** is a dollar amount per room night booked at host properties that is given back to the event rights holder as part of an agreement for bringing their event to a host city.

Let's use the example of a basketball tournament for girls in Miami that will bring in teams from around the Southeast. The tournament will begin on Thursday evening and continue with games on Friday, Saturday, and Sunday. The championship game will be held on Sunday afternoon at 4:30 pm. For simplicity's sake, assume there are 40 teams in the tournament, that each team has two coaches and twelve players on its roster, and that each coach and player/family on the team will book one room each.

$$40 \text{ teams} \times 14 \text{ people} (12 \text{ players/families and } 2 \text{ coaches}) = 560 \text{ rooms sold}$$

When teams travel, though, they are going to have different travel schedules. A team driving from Orlando may choose to arrive the day the tournament starts and leave Sunday night, even if they make it to the championship game. A team driving from Charlotte, however, may drive to Miami on Wednesday and would then need a hotel room that night. For the return trip, they may decide to stay overnight on Sunday and drive back to Charlotte on Monday. Let's look at an example for each of these teams and assume for the example that all of the teams, players, and coaches behave the same.

Orlando team: arrives Thursday and checks out of the hotel on Sunday, which amounts to a three-night stay (Thursday, Friday, and Saturday).

$$14 \text{ people (rooms)} \times 3 \text{ nights} = 42 \text{ room nights}$$

Charlotte team: arrives Wednesday and checks out of the hotel on Monday, which amounts to a five-night stay (Wednesday, Thursday, Friday, Saturday, and Sunday).

$$14 \text{ people (rooms)} \times 5 \text{ nights} = 70 \text{ room nights}$$

In this basic example, assumptions about the number of rooms, length of stay, and uniform behavior patterns of the team members were made. For real events, these numbers and behaviors are going to vary even among individual teams. Some are going to arrive early or stay extra days for vacation, some families will need more than one room, and some athletes may travel with another athlete's parents, and so on.

To show the difference between rooms and room nights at the macro level, let's take our example showing the static total number of rooms booked and make an assumption that every team will stay three nights.

$$40 \text{ teams} \times 14 \text{ people} = 560 \text{ rooms booked/sold}$$

$$40 \text{ teams} \times 14 \text{ people} \times 3 \text{ nights} = 1,680 \text{ room nights}$$

While the event participants may only occupy 560 hotel rooms in the Miami area, the event has booked 1,680 hotel room nights. As demonstrated, slight alterations in the team travel can significantly alter room nights. The event schedule can help increase room nights, but event managers should be cautious about creating a schedule that puts an undue hardship on traveling teams. The critical concept with room nights is that event managers must be aware of how many room nights the event is generating within the community and at each local hotel.

Adding a room rate to these formulas would also show the revenue that the hotels are making from the event. Using a room rate of \$140/night, the hotel would have revenues of \$5,880 from the Orlando team and \$9,800 from the Charlotte team. If the average room rate for all of the hotels with packages is \$120/night, local area hotels would make \$201,600 for this event (1,680 room nights, \$120/night). Numbers like these provide a strong selling point for communities to host sports events, especially during times that are slow for hotel bookings.

Measuring the Success of Events

Just as events became more aware of their value, destinations have also become smarter about how to choose and measure an event. Historically, destinations measured the success of an event on the total room nights the event generated, and many destinations still use this method. It seems very

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logical—a destination wants to invest in an event that brings the most people to stay overnight in its hotels and spend lots of money while they are in town. The problem, though, is how does a destination know where they are all staying? Event organizers will typically secure hotel room blocks with various properties and direct their participants to stay at these locations. In exchange, the planner would get back a rebate, usually in the \$5–\$15 range per night per room. With the boom of the internet and travel sites, participants have become smarter about how to find the cheapest place to stay. Now the rights holder doesn't get a rebate, the destination doesn't know where they are staying or how many actual room nights have been used. Many cities will only meet the planners' requirements if they meet the room nights that are stated on the RFP.

Many events have gone to a new model using one of the following three types: stay-to-play, call-to-save, or incentive-to-stay model. The stay-to-play model, as noted earlier, requires participants to stay at the hotels blocked by the planner if they want to compete in the event. With this model, the registration fee is built into the hotel package price and it is the *only* way to register for the event. The call-to-save model requires participants to call either the rights holder or a third party housing agency prior to arrival to confirm where the participants are staying. The opportunity here is to offer a great deal that participants will want to purchase. At the very least, the event can hopefully determine where participants are staying. The incentive-to-stay model offers a different entry fee for participants who stay in host properties or a higher entry fee for participants who don't stay in host properties. This way, participants who want to use points to book a hotel or are loyal customers of a certain hotel chain that isn't offered in event packages can stay where they like and still register. The idea is that the additional registration amount will cover the amount the sports commission and rights holder would lose by the participant staying somewhere other than a host property. Cities have also started measuring the success by the number of participants. They require the event to provide not only the number of participants, but also the numbers of participants that live within a certain mile radius that could drive to the destination. Then cities plug those numbers into an economic impact calculator to generate a number indicating the event's relative success.

Economic Impact

Currently, there are two main organizations sports commissions use for sports economic impact calculations—the NASC, mentioned earlier, and Destination Marketing Association International (DMAI, www.destinationmarketing.org). Economic impact is the new money entering a region resulting in a change in regional output, earnings, and employment (Humphreys & Plummer, 1995). An economic impact calculator will ask questions related to the event and based on hours and hours of research and surveys, it will calculate a number. The real question is what do these numbers mean? It depends on who one asks and how good the data is that was entered. These calculators also apply an economic impact multiplier. An **economic impact multiplier** is a certain number that is entered in economic impact calculations because it assumes the money generated from the event will be circulated throughout the community several times. The theory is that family "X" comes into town and buys dinner at the local restaurant. The waiter or waitress who received the tip from that family uses that money at the local bar, the bartender then buys a pizza after work, and the pizza delivery guy buys groceries. So that \$10 tip is suddenly calculated as \$50 in an economic impact calculator that uses a multiplier.

Some destinations prefer not to use any calculator and use a direct impact formula instead. A direct impact formula is usually calculated by a local university or third party company that will do hundreds of surveys of visitors to the destination. They find out how much money visitors spent on food, hotel, gas, rental car, souvenirs, attractions, tips, and so on. and determine the average amount spent per

night per person. Although this method seems the most logical, there are still drawbacks. How does a destination know exactly how many people are coming with every participant? Also, the spending habits vary among sports, age groups, and even by gender. It is well understood, for example, that amateur young girls (~8–12 years old) bring the most spectators while men's softball may not bring many people with them at all. It is also documented that certain sports spend more money than others.

There is no right and no wrong answer to the question of whether to use economic impact or direct impact calculations. Whatever method the organization decides to use and feels comfortable presenting to the public and media, is the method best for that destination.

Sports tourism has seen a big boom with the increase in travel sports. According to a 2001 NASC/Ohio University Study, the sports travel industry has grown 6.5% since 2010 and event growth has increased 10.5% since 2010. The same study found that visitor spending in 2011 alone was over \$7.68 billion. Sports tourism has also been determined to be generally recession proof. Few parents will tell their 12-year-old daughter they can't go to the National Championships when there is no guarantee of qualifying next year. Families usually find a way to make it to the event. Every year rights holders and destinations are becoming smarter and more aware of the impact this industry has on tourism dollars and there is no decline in sight.

SUMMARY

Sports travel and tourism are booming areas of the sports industry. As students begin internships and jobs, it is important to be aware of the basic philosophy behind sports commissions. Travel/housing packages are essential aspects to understand because they financially impact both event rights holders and sports commissions. Having knowledge of these areas will be valuable for students working in any area of event management.