Editorial: Leisure markets — Issues of predicting the unpredictable

THE NATURE OF LEISURE MARKETS: WHERE CHANGE IS THE ONLY CONSTANT

One of the most interesting aspects of the leisure industry is the excitement it engenders by its inherent search for the new and different. Perhaps more than any other industry it is dominated by operators restlessly researching new formats both to lead consumer demand and to respond to changes in demand. Critically for success, operators need not only to understand the market in which they are operating but also to be able to interpret trends so that they can fulfil their ambition to be 'first in the field' and provide a supply — even before the customer realises the need for the product. Accurate reading of the economic 'runes' is essential to successful leisure operations. There is a strong link between economic stability and growth and leisure spending as Cox points out quite clearly in this issue in her analysis of the UK scenario. But economic analysis is insufficient in itself. There is also a need to understand social change. For leisure is about aspirations and social mores, the analysis of which is far harder as trends can only be measured over longer time spans and with the aid of less 'hard-edged' statistics.

The combination of the need to understand both social and economic change and drivers makes leisure a complex market within which to operate. While it is a temptation to think that this is a new phenomenon, it is not. Indeed, as Drucker opined some ten years ago, 'It is the nature of knowledge that it changes fast and that today's certainties always become tomorrow's absurdities'.[1] The knowledge base open to operators within the leisure industries is in constant change, and reinterpretation of what this means to and for property ensures that 'refreshment' and re-interpretation of concepts is a constant.

So, change is a constant. Yet it is sometimes only apparent that change has occurred when a time-specific event occurs. One such event has been September 11 2001. Within the USA the fundamental effects of September 11 have bitten deep into the psyche of the country, and the spin-off has taken on global proportions. Similarly, though on a different scale, the foot-and-mouth epidemic in the UK fundamentally damaged the tourist industry in the UK — and not just for one year. The acknowldgement that September 11 was both more or less a catalytic 'event' comes out very strongly in Young's paper. In it he focuses on the way in which a momentous individual event can

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often provide the opportunity for reflection which shows that the changes brought about by the event were already in train. So, he argues that September 11 was not the cause of global economic slowdown — that had been under way for some while before. Instead, his analysis presents the leisure industry with the opportunity to reconsider its offer and see more clearly the trends have been in existence for some time.

Also on the theme of reinvention and change, Lazar and Hobson explore the growth of the PRC (private residence club). In their paper they track the way in which the timeshare has metamorphosed into a more fragmented offer in which the increasing economic divide that has characterised the last decade has been successfully exploited to accommodate the surge of demand from the affluent. The authors carefully distinguish this product from a 'timeshare' in terms of the motivation for ownership of the buyer. It is not a question of price, they argue, but of time. The market comprises those for whom the actual purchase of multiple homes is not a *financial* problem — rather it is their *time* to enjoy them which is at a premium. They are demanding customers who insist on economic value even from their leisure experiences. The asset that is under-utilised is not acceptable.

LEISURE AND VOLATILITY

Another fundamental characteristic of leisure markets is that they are inherently extremely volatile and are likely always to be so. Leisure is unlike anything else — it deals almost exclusively with discretionary spend. The old adage 'we know you have a choice' resonates. This point is emphasised by Cox, who like Young picks up some of the consequences for the leisure property industry of the effect of September 11. Young was writing in relation to US markets, Cox, in analysing UK data, concludes that September 11 has had traceable economic effects on the tourism and hospitality markets globally. However, within the UK some other sectors of commercial leisure spend, such as health and fitness, continue to underpin both economic and property value growth. The issue is whether this is part of the natural property cycle in which health and fitness are still in their expansionary phase, as White[2] argues, or whether the external context has changed the trajectory — this is an argument that can and will only be solved in hindsight.

Here again the issue of prediction of the future, or, more accurately, the collective inability to predict the future, is important. For some 30 years economists have expended many man-hours in seeking to develop quantitative models that will more accurately predict cycles in terms of business and property. Yet, as recent stock market performance indicates, the results are far from impressive. While the view of Leontief[3] that their efforts have failed to improve systematic understanding of economic systems in any meaningful way could be regarded as unduly harsh, the proposition that it is possible to map the future accurately is a claim heard increasingly less frequently. Hence, as Cox expounds, the move is to the use of scenario and modelling techniques in preference to cycles' analysis. While such techniques offer real possibilities in terms of deepening understanding of social and economic trends, the fact is that developers and funders still prefer the comfort of 'hard' statistical evidence when promoting new schemes.

LEISURE: MORE THAN A MATTER OF PROFIT

One theme running through this edition of the journal is that of the role of non-commercial leisure activities. The contributions from Wrigley and Gould, Benson and Barnes all concern public sector provision and collectively help to develop a new area for the journal to address. Interestingly all come from the southern hemisphere, and perhaps indicate that the agendas of Australia and New Zealand are not the same as those that prevail in the USA and UK, despite the presence of some common themes. One of the themes that is shared between the private and public sectors is the emphasis on customer care and knowledge. For Wrigley and Gould the observed lack of attention to behavioural issues has been a hindrance in promoting optimal management of parks. Their call for better involvement with the community to engender increased visitor numbers is one that is not the exclusive domain of the public sector. It is, in essence, the same argument as Young adduces; it is just the context and techniques espoused that differ. Benson too is concerned with the need to understand markets. In his paper he argues the case for greater stakeholder (community) involvement, citing the role of stakeholder dialogue in creating a sustainable recreation policy to meet better the ongoing and emerging needs of the population in terms of the sporting heritage.

Barnes, writing in the Australian context, picks up a concern that is of relevance to the leisure property industry in many countries, namely that of an ageing population. Quoting estimates of up to 18 per cent or more of the Australian population being above retirement age, the need to provide appropriate leisure opportunities for the less physical able (including those in nursing homes) is forcefully put. At the moment, she argues, their needs (and demands) are gaining insufficient attention. True, only some of these people are economically able to make similar levels of demand to those aged 25–55, but the author makes the case that they will wield great *political* power in the future, and where there is political power there is an imperative for both private and public sectors to respond.

The combined implication of these papers is that public and private sectors alike are facing many of the same issues in terms of understanding the user of leisure facilities, regardless of whether successful provision is measured in terms of social satisfaction, economic return or some combination of the two.

TRANSLATING THIS TO LEISURE PROPERTY: FLEXIBILITY AND ADAPTABILITY

If an overall theme emerges from the journal to date, it must be that with which this editorial started; namely that of change and instability of demand. The problem is that: while the nature of leisure demand and need is volatile and changing, property inherently is not. The time to bring a new concept from ideas to implementation is measurable in terms of years, not months, in many cases. Not only in physical terms is property development a slow process, the legal and planning issues in most countries combine to create a structural conservatism with which developers frustratedly battle. Within the UK, for example, the Leisure Property Forum has highlighted the lack of flexibility within the planning system to accommodate the needs of the leisure industry.[4] The issue then becomes for how long will the resultant property remain appropriate to meet the shifting sands of demand? The cycle of refurbishment and redevelopment for leisure properties is inevitable short — far more so than for retail or office premises for example. And this, in the Editor's opinion, is an area which presents the leisure property industry with one of its greatest challenges in ensuing years.

Already the cry for more sustainable property that can better meet the aspirations for society as set out by the World Commision on Environment and Development[5] is high on the political agenda of the UK[6] and Europe.[7] With the impending Johannesburg summit, such pressures are likely to increase. As the realisation grows that short redevelopment cycles have serious environmental implications,[8] so the quest for longevity[9] is set to become more serious. And this means that building designers will have to learn how design in adaptability factors. Without, they may fail too soon.[10]

The refurbishment cycle for commercial property is currently around 15–20 years, with an overall average lifespan of some 60 years. Although statistics for the leisure property sector are hard to glean, the operational demands undoubtedly dictate shorter refreshment periods. Critical to achieving better levels of sustainability will be to achieve the means whereby shifting operator demands can be achieved through adaptation of stock. The challenge will be: can supply resolve the tensions between this emerging agenda of sustainability without compromising the need to explore and implement new ideas?

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