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Case study

Why hotel rooms were not full during a hallmark sporting event: The 2009 World Games experience

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Highlights

► Hallmark sporting events may not generate consistent and substantial tourism demand.
► Factors contribute to the soft hotel occupancy and revenue intakes during the 2009 World Games are explained.
► Displacement effects of visitors and the imbalance power between stakeholders are considered as the major causes.

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Abstract

Hosting mega- and hallmark-events is perceived as an important vehicle for tourism development. However, in the case of the 2009 World Games, the first international hallmark sporting event in Taiwan, the volume of hotel occupancies and revenue fell short of expectations, despite 4 years of planning and an investment of US$218 million. This study set out to investigate this phenomenon by adopting semi-structured interviews to gather opinions from key stakeholders regarding their business operation and societal conditions. Factors contributing to the lower than expected revenue included inefficient collaboration among stakeholders, a substantial displacement effect to regional hotel competitors, and the unfriendly local atmosphere associated with the fear of H1N1, Typhoon Morakot, and controversial political events. To mitigate inefficiencies from stakeholder collaborations, the study results suggest greater equality in terms of responsibility, information distribution, and risk sharing is needed among the broader tourism industry, the event planning association, and the event supervising authority. In addition, business strategies should take into account Taiwan, an island destination, and current tourism characteristics to counter the displacement effects of loyal and potential customers.

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1. Introduction

Large-scale, high-profile sporting events have increasingly been positioned as critical components when aspiring for international recognition as well as generating significant social, cultural, and economic benefits for a region. In particular, hosting mega- and hallmark events is perceived as an important vehicle for tourism development because it facilitates an increase in tourist numbers, the generation of a positive destination image, and the development of areas (Fourie & Santana-Gallego, 2011; Getz, 2008). According to Teigland (1999), the tourism demand pattern of special events follows two forms: a “new plateau” scenario and a “back to normal” alternative. The former represents increased tourist volume after the hosting of mega-events because of increased awareness of the destination, improved attractions and infrastructure, and an extensive transportation system established during the hosting, from which the destination builds up its competitiveness among other tourist destinations. The “back to normal” scenario, on the other hand, implies that a big tourism boom is realized during the event period; however, the demand related to tourism services and goods reverts to pre-event levels after the occasion is completed. A bell-shaped curve of the tourist flow over time is thus observed. The main factor that determines
the reduction of tourist demand is a decreased destination awareness among potential tourists when media attention switches to other upcoming events.

In response to the economic importance of tourism development with special events, academic research on this topic has flourished. This research line can be divided into two categories. The first research direction emphasizes the economic impact analysis associated with the expenditure of participants using empirical numbers to demonstrate the contribution of sales, personal income, and value added generated by the event. The applications include mega-events (such as the Olympics or FIFA World Cup), hallmark events¹ (such as the Commonwealth Games and World Games) and small-scale regional sports competitions (Connell & Page, 2005; Daniels, 2007; Daniels, Backman, & Backman, 2003; Daniels & Norman, 2003; Dwyer, Forsyth, & Spurr, 2006; Gratton, Dobson, & Shibli, 2000; Gratton, Shibli, & Coleman, 2006; Jones & Munday, 2004; Lee & Taylor, 2005; Manzenreiter, 2008; Preuss, 2007; Ryan & Locker, 2001; Wilson, 2006). From Teigland’s (1999) perspective, this type of quantitative practice is used to measure the magnitude of the economic peak during the once-only impulse of a sporting event, as these studies capture a snapshot of economic changes on-site during a relatively short period.

The second type of research focuses on long-term economic changes from a local, regional, and national perspective with the aim of verifying whether hosting special events can effectively stimulate regional economic changes over a long-term period. This research line addresses only mega-event scenarios by performing econometric analysis on time-series data of tourist numbers, tourism industry performances, gross domestic product, or employment figures. The main purpose is to provide evidence as to whether the growth path of a host region differs from that of other reference cities (Baade & Matheson, 2004; Fourie & Santana-Gallego, 2011; Hagn & Maennig, 2009; Kirkup & Major, 2006; Manzenreiter, 2008; Preuss, 2007; Solberg & Preuss, 2007; Szymanski, 2002; Teigland, 1999). This type of research is equivalent to examining which condition, a “new plateau” scenario or a “back to normal” alternative, is observed based on Teigland’s (1999) typology.

The commonality of both study lines generally acknowledges a tourism demand peak during the event; however, the magnitude of visitor influx or the level of “big tourist boom” was inconsistent in various ex-post impact reports. By using visitor numbers or hotel occupancy as measurement variables, the following studies presented a less optimistic result regarding short-term tourism impacts during the event. Du Plessis and Maennig (2011) indicated that the total number of attendees at the 2010 FIFA World Cup (WC) was only one-third of the most conservative ex-ante expectation. Porsche and Maennig (2008) argued that the tourism, employment, and income effects of the 2006 WC were not realized and the greatest outcome of this event was the “feel-good” effect. Manzenreiter (2008) showed that monthly foreign visitor numbers to Japan during the 2002 WC were no different to other months in the same year for the host country. Alliners and Maennig (2009), using monthly overnight non-resident stay data, demonstrated that the 1998 WC did not produce any statistically significant effects on local hotel suppliers. Porter and Fletcher (2008) pointed out that, during the 1996 Summer Olympics, the occupancy rate in Atlanta rose slightly (2.9%). Similarly, Teigland (1999) indicated that the 1994 Winter Olympic Games was a disappointment for several hotels in the host regions, especially for hotels located approximately 20–25 min away from the city center because a strong concentration effect was observed in which visitors occupied hotels that were close to the event venues. This type of general pessimism is also supported for other major sporting events, as Matheson and Baade (2006) and Porter (1999) reported insignificant visitor spending and hotel occupancy rates during the US Super Bowls. Of course, there is supporting evidence regarding short-term positive, significant, and satisfactory tourism effects, including the 1976 Montreal Olympics (Whitson & Horne, 2006), the 1994 World Cup (Baade & Matheson, 2004), the 1997 Flora London Marathon (Gratton, Shibli, & Coleman, 2004), the 2000 Summer Olympic Games (Drayton, 2000), and the 2002 Winter Olympic Games (Porter & Fletcher, 2008).

Although the literature has demonstrated two possible, significant and insignificant, short-term tourism effects associated with large sporting events, every host country strives to prepare itself for the greatest opportunity to attract large tourist numbers and spending. Hosting the 2009 World Games (WG), the first international hallmark sporting event in Taiwan, was no different in seeking the same objective. However, despite 4 years of preparation, heightened media attention, and investments of US$218 million, the ex-post analysis for the 2009 WG revealed that the local accommodation sector did not achieve a satisfactory performance with regard to hotel receipts and occupancy rates, nor was there an enduring short-term accommodation demand observed afterward. This pattern of the 2009 WG was consistent to the literature on the insignificant tourism effects associated with major sporting events, signaling that a “big tourist boom” scenario was not realized.

Several reasons have been attributed to insignificant tourism demand in the literature, including displacement effects, financial crisis, the scale of events, the development level of the host country, and whether the event is held during the off-season (Baade & Matheson, 2004; Fourie & Santana-Gallego, 2011; Manzenreiter, 2008). However, because each region embraces different economic relationships and unique interactions of stakeholders, case studies of individual scenarios shall be adopted and elaborated to provide an insight into factors that may help to address the unsatisfactory tourism performances and lay out the interconnected components (d’Angella & Go, 2009; Solberg & Preuss, 2007). Therefore, the purpose of this paper is to explore factors that may help to address this unexpected short-term soft occupancy rate in the host city by interviewing representatives of the local business sector and municipal government. The study contributes to the literature by deviating from the research agenda of the previous studies, which generally analyzed highly aggregated econometric data without direct contacts with business enterprises. Through industry and event organizer interviews combined with secondary information, this study provides insights specifically into the accommodation phenomenon. Additionally, the context focuses only on hallmark sporting occasions instead of mega-events, as the former type is the prime target for small economic entities to compete for the right of hosting. Aim of this study is to assist planners of similar future events to improve their forecasting efforts, decisions, and concepts.

The remainder of this paper is as follows: Section 2 presents background information regarding the 2009 World Games and the ex-post analysis of the accommodation sector during the event; Sections 3 and 4 discuss the process and the results of personal interviews with representatives of the local business sector and

¹ Ritchie (1984, p. 2) defined hallmark events as “Major one-time or recurring events of limited duration, developed primarily to enhance awareness, appeal and profitability of a tourism destination in the short term and/or long term”.

² There are a few exceptions, including Connell and Page (2005), Daniels et al. (2003), and Edwards, Mostal, and Vaughan (2004).
municipal governments, while Section 5 provides implications and then concludes with discussion.

2. 2009 World Games

Context. Since 1981, the World Games (WG), which is held at quadrennial intervals, has provided an international competition stage for major and popular sports that are excluded from the Olympic Games, such as cannon polo, sumo wrestling, and bowling. The first WG in Santa Clara in 1981 included 18 sports with 1265 participating athletes, and it gradually expanded to 38 sports and 3400 athletes in Duisburg in 2005. The WG is held under the auspicies of the International World Games Association (IWGA), which comprises 32 international sports federations, and receives support from the International Olympic Committees (International World Games Association, 2011). Although the World Games have only been held 8 times, they are regarded as the largest multi-sport event outside the Olympic Games and have received increasing attention (Wu & Chu, 2010).

Kaohsiung City, the second largest city in Taiwan, started its planning and bidding process in 2002 to compete for the right to host the 8th World Games in 2009 against other bidders from Rotterdam, Budapest, Birmingham, Cleveland, and Houston (Kaohsiung Organizing Committee, 2009). In June 2004, the official announcement from the IWGA declared that Kaohsiung City had won the bid and the host region received a considerable amount of national publicity because this opportunity represented the first international multi-sport event ever held in Taiwan. This event was scheduled for July 16–26, 2009 and offered a diverse program with the greatest number of competing sports in the history of the WG. For the host government, this represented an excellent opportunity to market the national brand name and generate significant social, cultural, and economic benefits for the region. One major objective in hosting the WG was to revitalize the image of Kaohsiung and attract significant visitor numbers and spending during and after the event (Wu & Chu, 2010). A high tourism volume was eagerly anticipated because the host region was anxious to transform its economic base from traditional manufacturing production to service and tourism economics. To cope with this special event, the central government and the Taiwan Tourism Bureau laid out a series of campaigns to promote tourism and attract foreign visitors. An investment of US$30 million on world-wide tourism promotional campaigns and activities was implemented in 2008 and 2009. This marketing campaign aimed to attract over 4.25 million tourists to Taiwan in 2009, where two major sporting events, the World Games in Kaohsiung and the Deaflympics in Taipei, were highly regarded (International World Games Association, 2007; The China Post, 2007).

Process. The Preparation Committee and Coordination Committee for the World Games was established in 2005, entitled the Kaohsiung Organizing Committee (KOC), a temporary, non-governmental foundation. This organization was supervised by a board of directors, including the city mayor and appointed officials. Although the KOC was positioned as a non-governmental agency, among their 156 full-time employees, 60% of the staff were Kaohsiung City government employees who were temporarily transferred from their original posts to this agency to assist in all the administration details. In addition, the KOC was entrusted with a total budget of US$218 million dollars, including the construction of a main stadium ($145.3 million), event operation ($49.7 million), venue renovation ($15.5 million), and broadcasting service fees (7.6 million) (Kaohsiung Organizing Committee, 2008). Taiwan’s central government and the local city government provided 85% and 15% of the funding respectively.

Hotel capacity. One of the obligations for hosting WG is to cover all the lodging and local transportation expenses for the IWGA committee representatives, WG athletes, referees, and staff members. To arrange complimentary accommodation for all WG participants, the KOC chose to use existing hotel facilities in Kaohsiung City, instead of school or athlete dormitories. To accommodate the large volume of guests, KOC contracted with 8 tourism hotels, 16 general hotels, and 3 publicly owned accommodation facilities in Kaohsiung City. The tourism hotels are 4- or 5-star hotels, serving mainly inbound visitors and high-end domestic tourists (Taiwan Tourism Bureau, 2008–2010). The general hotels were small-scale hotels with a main market focus on group travelers based on discounted prices. The accommodation providers that cooperated with the KOC were the main stakeholders in the region for room capacity and service quality, and were members of the Kaohsiung Hotel Association. The contracted room prices were predetermined by the KOC as follows: US$90, US$73, and US$55 per night, differentiated based on the quality of the hotel facility. Each hotel was first evaluated by the KOC for qualification, and the business then determined the number of rooms that they reserved for the KOC during the 2-week period. In the end, the government contract ensured that 27 accommodation establishments in total provided a capacity of 3051 beds per day.

2.1. Ex-post analysis of hotel performance

The ex-post economic impact study estimated that the 2009 WG attracted 5994 WG participants and 48,500 travel parties of spectators with a total spending of US$11 million to Kaohsiung City (Sun, 2010). Domestic tourists contributed 41% of total spending, followed by local residents (25%), World Games participants (20%), and international tourists (14%). Simply using these demand-side figures to determine the success of catalyzing tourism development is difficult and subjective. Because the sales and capacity utilization of the tourism industry sector can serve as a good proxy to reflect optimal visitor volumes (Bonn & Dai, 2004; Brannas & Nordstrom, 2006; Solberg & Preuss, 2007; Stynes & White, 2006), these indicators were used in this study as a measurement basis.

The performance of the local accommodation sector was first compared with the national data so that the lodging effect associated with the 2009 WG could be contrasted with other areas that did not host any high-publicity events. The historical data indicated that tourism hotels and general hotels in Kaohsiung generally exhibited superior performance than the national average for monthly occupancy (Fig. 1). In particular, during April and May 2009, 5-star hotels in Kaohsiung had an excellent season, reaching over 75% occupancy, and performed 7%–10% higher than the national average (Taiwan Tourism Bureau, 2008–2010). However, this trend did not continue. For the month of the WG in July, the occupancy rate of Kaohsiung tourism hotels was 64%, and the general hotels reported 47% occupancy, which was only 2% and 4% higher than the national average respectively. The hotel demand of the 2009 WG did not fit the profile of a bell-shaped demand curve proposed by Teigland (1999). After the event, occupancy in the Kaohsiung area continued to drop and reached its lowest point in September, during which the performance was inferior to the national average. Compared with the 2008 data, the monthly sales of the tourism hotels decreased by 15% from October to November 2009, indicating a weak tourism demand immediately following the event (Taiwan Tourism Bureau, 2008–2009).
Although the tourism hotel occupancy rate did not demonstrate a peak in July, the local room price rose considerably during that month, from an average of US$67.7 per night in June to US$80 per night in July (20% increase) (Fig. 2). The high room price and relatively low occupancy rate compensated for each other so that total sales of Kaohsiung tourism hotels during the WG, US$10.9 million, were similar to the sales level of other periods. From a monthly perspective, the two best performance periods for hotel revenue in 2009 were January and December, reaching over US$12 million. Neither of the good months had factors directly linked to the hosting of the World Games.

The contribution of the WG spectators to the city hotels in July was 10% (472 participants) whereas general hotels provided a total of 103,600 room nights in July 2009 (Taiwan Tourism Bureau, 2008). Sales of Kaohsiung hotels during the WG, US$10.9 million, were similar to the sales level of other periods. From a monthly perspective, the two best performance periods for hotel revenue in 2009 were January and December, reaching over US$12 million. Neither of the good months had factors directly linked to the hosting of the World Games.

To conclude, the local hotel sector exhibited a relatively high room price pattern, a soft occupancy rate, and an ordinary room revenue intake during the month of the 2009 World Games. To explore the factors associated with this observation, key stakeholders, including members of the local lodging sector and the KOC, were interviewed independently to obtain insights regarding their business operation and the related administration details. The interview process is described in the following section.

3. Methodology

On-site semi-structured interviews were conducted with local hotel managers and the KOC. The sampling frame of hotels was obtained with the assistance of the Kaohsiung City government, providing a list of 27 contracted hotels that offered accommodation services to the WG athletes, staff, VIPs, and media. These 27 hotels were selected as our samples because they cooperated closely with the city government and their business was greatly affected by the staging of this event. In addition, these providers were the key stakeholders in the region for room capacity. The Kaohsiung City government assisted with data collection by issuing an official letter to the hotels 1 month after the WG to request these businesses to participate in the interview. Individual companies were later contacted by phone to inform them of the study purposes, inquire as to their willingness to participate, and to set up the appointment.

Twenty hotels, including 5 tourism hotels and 15 general hotels, agreed to be interviewed during October and November 2009. The face-to-face interview adopted the semi-structured format and two main questions were raised: “Is the hosting of the World Games beneficial to the hotel business?” and “What is the importance of the World Games on future tourism development in Kaohsiung City?” The interviewee in this study was either the marketing department director or room division manager, and had the knowledge and seniority to answer the interview questions regarding the hotel’s operation before, during, and shortly after the WG. The interviews averaged approximately 1.5 h each and were summarized using field notes. The second stage of this study was to arrange a personal interview with the KOC/Kaohsiung Tourism Bureau. The timing was arranged after the hotel interviews were completed to communicate the problems that were raised by the private sector to the governing authorities.

After each interview, interview scripts were coded and then categorized into main themes, such as the contract issue and the turn away of group visitors. Texts under the same theme were merged together across 20 interviewed hotels to support each other’s opinions. We further summarize these common themes into five major factors. During the interview process, some hotel managers supplied their occupancy rates and room revenue to support their opinions, which were later cross-checked against the data provided by the KOC. In addition, secondary data from

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4 Based on government statistics, the room capacity of tourism hotels equates to 58,783 total room nights, whereas general hotels provided a total of 103,600 room nights in July 2009 (Taiwan Tourism Bureau, 2008–2010). The contribution of WG spectators to the city hotels in July was 7% (−11,810/162,384), whereas that of WG participants was 10% (−17,626/162,384).

5 No tape-recording was used in the interview as hotel managers generally expressed a preference for not using it.
governmental statistics, newspapers, and other study reports were studied and are cited in this paper to further validate stakeholders' opinions and draw out content and meaning. Based on the observation of the researchers, the interview results reflect a high level of credibility based on the cooperative and candid attitude of the managers and the consistency of their descriptions of business with secondary data.

4. Results

Hotel managers all perceived the WG as a positive stimulus to Kaohsiung City tourism development from a long-term perspective. The transformation of the city image, the marketing of the city brand name, and the improvement in basic infrastructure were deemed to be strong advantages to attract a diverse array of visitors in the future. In particular, the newly built US$145 million World Games stadium was highly regarded as an effective venue to host large events in Kaohsiung City. Compared with the Dea

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However, for the short-term operation, hotel managers all stated that the WG generated only a modest one-time peak in demand and did not maintain a steady tourism volume afterward; at least, the effect was not observed during the 3-month period after the WG (August–November, 2009). Fifteen hotels (75%) indicated that room sales during the event were lower than expected, whereas only one hotel indicated a 30% sales increase during July compared with typical monthly revenue. Four hotel managers (20%) declined to comment on that issue directly. Hotel managers provided various factors that may help to address this unsatisfactory sales figure during and shortly after the event period. Their opinions are summarized in the following.

4.1. Factor 1: a “stiff” KOC lodging contract

The majority of hotel managers indicated that the rooms contracted with the KOC for WG participants were poorly utilized. Among the 3051 reserved beds per day (defined as a room block) across 27 hotels, on average, 33% of the capacity was not used and each hotel suffered a different level of low occupancy for their contracted rooms. Ten hotels reported that less than half the reserved rooms were used, and the worst scenario involving two hotels reported that 74% and 90% of the reserved rooms remained empty during the 2-week period. The original motivation of these businesses to participate in the KOC contract, in addition to raising the awareness of brand name among WG participants, was to guarantee particular amount of room sales during the event period because hotel managers all optimistically expected the contracted rooms would be highly utilized. In reality, the total number of WG guests and their overall length of stay were much lower than the KOC had previously anticipated. This resulted in low occupancy of reserved rooms. In addition, under the contract with the city government, the unoccupied rooms were not able to be released during the event and the loss of sales was not compensated by the government either. Many managers said that they understood that 100% occupancy was unfeasible, but that an occupancy of 67% from the WG guests and athletes was very disappointing because they did not receive any compensation from the government for any unused reserved rooms.

From the KOC perspective, the discrepancy between their estimated numbers and the real occupancies of the WG guests was caused by a technical problem with the IWGA registration system. The technical problem delayed the registration process, and the final list of participants and guests that were scheduled to check in to the local hotels was not available until a few days prior to the opening ceremony. This delay meant that the KOC was unable to determine the exact number of rooms required per night. Bounded by the contract, 33% of the reserved hotel rooms (~13,200 bed-nights in 2 weeks) remained empty and unpaid for during the event period.

4.2. Factor 2: displacement effects among potential and regular guests

Several hotel managers indicated that a substantial displacement effect in location for potential and regular hotel guests during the WG was a crucial factor for the low hotel occupancy rate during the event. This pattern was verified by the fact that 5 star hotels in Nai and Kaohsiung County, approximately 30 min–1 h driving distance away, reported a 16% and 22% increase in occupancy from

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6 The occupancy of reserved rooms during the event was provided by the KOC.
June 2009 to July 2009, respectively, whereas the tourism hotels in Kaohsiung only reported a 4% increase in occupancy for the same period (Taiwan Tourism Bureau, 2008–2009). Based on managers’ opinions, a number of customers were discouraged to stay locally mainly because regional service providers had offered a much more attractive room price, around US$50–US$71, which were 37%–11% cheaper than those in the host city. In addition, Kaohsiung hotels experienced a 20% price increase during the WG event, whereas the tourism hotels in Tai-Nai and Kaohsiung County only increased their room prices by 3% and 18% from the previous month.

From the perspective of the accommodation sector in Kaohsiung City, an elevated room price was a normal business practice because local hotels all expected that the WG would generate an influx of domestic and international visitors who were willing to pay premium prices to be part of this event. Members of the Kaohsiung Hotel Association had a mutual agreement that the high-season room price would be charged during the event period, especially as they felt that July was already a popular travel season for families during the summer break irrespective of the highly anticipated WG spectators.

The IWGA policy on WG admission tickets also contributed to the displacement effect. From the start of the preparation stage, the IWGA did not permit any package deal that combined WG tickets with local tourism amenities, such as accommodation, transportation, or souvenir discounts. Their position was that each WG event bore a prestigious image, serving as an excellent attraction in itself. Therefore, all event spectators purchased WG tickets independently through a nationwide convenience store network, disregarding their choices of lodging and transportation. Not being able to promote local accommodation services with WG tickets meant that there was no incentive for visitors to stay locally. These aforementioned factors together led to switching behavior of tourists during the event, which resulted in good revenue for hotels located about 30 min away at the expense of low occupancies of hotels in the host city.

4.3. Factor 3: the loss of group customers

The combined factors of reserving a large number of rooms for the KOC and charging high prices during the event period led to the loss of group customers. The process of working with local travel agencies who channel package tourists to the hotels requires confirmation of rooms and prices 3–6 months prior to the event. In hope of a large volume of individual customers willing to pay premium prices, the hotel managers indicated that they turned down several business opportunities with local travel agencies. This practice, especially for general hotels, which primarily based their business on group tourists, drove away loyal customers and hampered cooperation with travel agencies that bring in large-volume package tours. Many group customers, arranged by travel agencies, therefore shifted their lodging choices to regional cities.

4.4. Factor 4: the fear of H1N1 influenza

A number of managers suspected that the low demand was partially caused by the fear of a possible pandemic outbreak. The risk of a wide-spread H1N1 influenza outbreak in Taiwan and other Asian countries since May 2009 has deterred certain groups from traveling domestically and internationally (Lee, Song, Bendle, Kim, & Han, 2011). The number of friends and relatives that might have come along with the athletes to Taiwan was greatly reduced, resulting in a much lower numbers than hotel managers had previously anticipated. Although cases of large-scale infection had not been reported in Taiwan, the information on the contagious nature reminded people of the previous outbreak of severe acute respiratory syndrome (SARS) in Asia in 2003, which resulted in 674 medical cases and 84 deaths in Taiwan alone (World Health Organization, 2003). The fear of a possible H1N1 outbreak echoed the previous memory of SARS and reduced people’s willingness to travel.

4.5. Factor 5: natural and political disturbances

No-one, except one hotel manager, claimed that the hosting of the WG generated consistent short-term tourist demand. After the World Games, monthly room sales in Kaohsiung from August to October 2009 plunged to the lowest point of the year, which validated the opinions of most managers. The reasons for the low occupancy after the WG were complicated by severe weather conditions and controversial political events in the hosting city.

Two weeks after the closing ceremony, southern Taiwan was devastated by the powerful Typhoon Morakot on August 8, 2009, which was the deadliest typhoon to affect Taiwan in recorded history. The typhoon caused the most severe flood of the past 50 years, and resulted in the deaths of 673 people, 26 missing people, and more than 100 damaged bridges, which disrupted the transportation network for the rural areas in southern Taiwan (Central Weather Bureau, 2010). This destruction led to a negative destination image for Kaohsiung City and deterred domestic travel to the area even though all tourism services and attractions were fully functional and accessible in the city (Ko, 2010). In addition to the weather factor, the visit of a political figure, the Dalai Lama, to Kaohsiung City from August 31 to September 4, 2009, and the public screening of the controversial Kadeer film “The Ten Conditions of Love” during mid-October 2009, both of which were administered by the local government, triggered heated political disputes. Both the Dalai Lama and Kadeer were regarded by the Chinese government as instigating rebellion, and any international recognition given to them would trigger retaliation as these events were perceived by the Chinese government as interference in domestic affairs. The controversy surrounding both events was reported to have hindered the cross-strait relationship as well as bilateral tourism volume between Taiwan and mainland China (McDonald, 2009). Strong rebukes of Kaohsiung City by mainland China were observed through the cancellation of official business visits and diversion of Chinese leisure travelers to other regions in Taiwan without stopping in the city. Hotel managers agreed that these two events led to reduced demand from Chinese tourists who had been an important and emerging market segment for Kaohsiung.

The aforementioned factors, their influences, and consequences on hotel revenue are further summarized in the framework of stakeholders, island characteristics, and social and natural factors (Table 1). The three major stakeholders identified in this study are the Kaohsiung Organizing Committee (KOC), the International World Games Association (IWGA), and Kaohsiung hotel businesses, each inheriting the role of event planning, event supervision, and service provision. In addition to the administered policies and business strategies, the characteristics of the island economy, and complex social and natural factors contributed to unsatisfactory hotel revenue and occupancies.

It is important to note that the results from this study do not imply a simple causal relationship between the hosting of a hallmark event and short-term insignificant tourism demand. The short-term effect of the WG may have been positive, but because of these external uncontrollable natural and social factors, demand for tourism services was pushed down. Without the counterfactuals, we only attempt to capture the factors relevant to the observed phenomenon, but warn against any direct inference or generalization to other events.
5. Implications

Although there is no perfect recipe for initiating a tourism demand peak, two important implications emerged from this case study as lessons to be learned.

5.1. Implication 1: the importance of stakeholder communication and cooperation based on an equal status should be recognized

In the tourism literature, the general stakeholder theory calls for broad involvement in tourism networks from diverse bodies and firms so that management, planning, and marketing can be efficient and effective in building up destination competitiveness (d’Angella & Go, 2009; Jamal & Getz, 1995; Sheehan & Ritchie, 2005). The same logic, that is, a collaborative and inclusionary consensus-building practice, applies to all stakeholders that host a successful large-scale event. The shared capital for a sustainable strategy, as proposed by Healey (1996), can be differentiated as social capital (trust, flows of communication, and willingness to exchange ideas), intellectual capital (mutual understanding), and political capital (formal or informal agreements and implementation of projects). The interaction among the KOC, IWGA, and local business sectors had experienced various social, intellectual, and political dynamics, which allowed us to trace their cooperation patterns in response to the hosting of the 2009 WG.

The in-depth observation of these three stakeholders on their responsibility, power status, and communication revealed an unbalanced pattern. When the KOC was entrusted with responsibility for arranging complimentary lodging services for all WG participants, the agency decided to enter into contract with the local accommodation sector. The initial planning was offered as goodwill for the regional economy because it was assumed to guarantee an ensured amount of sales to local businesses. This concept was originally welcomed by small-scale general hotels and further embraced by 5-star tourism hotels when the KOC and city government officials provided repeated and friendly invitations for them to join the project. The social and intellectual capitals, at that stage, were firmly established when both bodies exchanged trust and mutually agreed that provision of high-quality accommodation services with a large capacity was the core objective of the project. At that moment, the hotel sector trusted the arrangement of the KOC and optimistically believed the contracted rooms would be utilized and this cooperation would benefit business greatly in terms of revenue generation and brand name promotion.

However, the balance of cooperation between both parties was first hampered by the formal contract agreement, the political capital, which imposed the following rules: (1) businesses must reserve a certain number of rooms during the event and no reselling was allowed if not occupied; (2) businesses must accept a room price that was predetermined by the KOC; (3) no payment will be granted if the contracted rooms are not used. The last rule was against a typical booking requirement as most hotels would ask for advance payment and a penalty would apply if customers did not show up. One driving factor for the KOC to impose such an atypical restriction was that all of the operations of the 2009 WG were 100% government funded. This required the KOC to comply with the Taiwan Government Procurement Act by paying only for products or services that were transacted (Ministry of Justice, 2011). For rooms that were not used by WG participants, the transaction was not realized and, under these circumstances, the KOC was unable to make final payments.

This political agreement between both parties was in favor of the KOC and transferred the operational risk from the government to the local business owners by asking the businesses to bear the revenue losses for any no-shows or shorter stays. Under this condition, the KOC was able to reserve a more than sufficient number of hotel rooms without concerns for the possible penalty for unoccupied units. Consequently, this put the KOC in a safe position because any last-minute WG athletes or VIPs would be guaranteed a room, especially when the IWGA was not able to deliver the final list of guests on time because of technical problems with the registration system. The social capital, flow of information and communication, at this stage, started to demonstrate an unbalanced pattern as the IWGA and KOC were not able to synchronize the information on exact checking-in of guests and their length of stay to the businesses in advance, creating vulnerability for the hotel owners as they were not in direct control of occupancy. Since the opening ceremony, the trust between the KOC

| Factors | Influences | Consequences |
|---------|------------|--------------|
| 1. KOC  | - Contract local hotels to provide complementary accommodation for WG participants - Impose a strict accommodation service provision agreement | Hotel with no direct control of occupancy rate | > 33% of contracted rooms unoccupied > Loss of hotel revenue |
| 2. IWGA | - Do not permit bundle packages of WG tickets and local accommodation - Experience technical problems with the registration system | Reduce the complementary effects of selling WG tickets and local lodging Have difficulty in allocating invited guests and athletes | > Losing potential FIT customers Unoccupied contracted rooms > Loss of hotel revenue |
| 3. Hotel Business | - Expect a strong demand | Reject group reservations 3–6 months ahead Implement a high-season room price | > Losing group customers > A displacement effect of FIT customers > Loss of hotel revenue |
| 4. Island characteristics | - Convenient regional transportation network | Reducing visitors' willingness to stay overnight or stay locally | > Reducing length of stay > Increasing day trippers |
| 5. Social and natural factors | - Possible outbreak of H1N1 - Super typhoon Morakot - Visit of the Dalai Lama - The showing of Kadeer’s movie | Reduce visitors’ willingness to travel Negative destination image of the host city Negative influences on the bilateral relationship between Taiwan and mainland China | > Losing potential FIT and group customers > Losing Chinese visitors > Loss of hotel revenue |

\(^a\) FIT refers to free and independent travelers.
and hotels began to deteriorate, especially for those that faced a larger percentage of empty reserved rooms. The disappointing hotel revenue caused arguments between the two parties and threatened the mutual trust and possibility of future cooperation.

The goodwill of the KOC, that is, providing the room contracts to local hotel businesses, triggered a chain reaction in which the hotel businesses turned down reservations for group customers 3–6 months prior to the event, raised the room price because they expected individual customers to pay premium prices for limited room capacity, and then suffered revenue losses due to empty reserved rooms and the turning away of group and potential customers. Before we comment further on this contracting and risk issue, the accommodation system and policies of the 2010 FIFA World Cup are presented first to provide parallel perspectives.

In contrast to the 2009 WG, for which the accommodation policy was fully controlled by the government-oriented KOC, the 2010 WC had mandated private MATCH Event Services as its exclusive official accommodation, ticketing, and information technology service provider. MATCH is 100% share-owned by a UK company, Byrom PLC, and has also been the official supplier of accommodation for the six previous World Cups (Rose, 2010). The inclusion of such an official accommodation service provider generates a capacity to the following: (1) involve various hotel operators, ranging from hotel chains and universities to small, medium, and micro-enterprises (SMME) with FIFA accreditation for the guarantee of quality; (2) offer package deals that combined accommodation, entertainment, and air travel to ensure high attendance at the tournament; and (3) provide free marketing displays for the hotels on the FIFA website, which helped to gain extensive international exposure (Cornelissen, 2009). Although MATCH was praised for its inclusion of SMME, MATCH’s policy created financial burdens on the accommodation providers because it forcefully stipulated the 2010 FIFA room prices as “the June 2007 room rate plus a 16 percent mark-up” for business operators, and a 30% commission fee was required on top of the net payable FIFA WC rate (Darkey & Horn, 2009; Jago, Dwyer, Lipman, van Lill, & Vorster, 2010; Rose, 2010). The strict accommodation provision agreements led to an outcry from the industry as they complained that the rate was artificially too low, and they felt that MATCH had taken the cream of the accommodation crop as MATCH’s profit would be diverted to a UK-based company.

The comparison of the 2010 WC and the 2009 WG on their accommodation arrangement process in Table 2 points out two perspectives as lessons to be learned for Taiwan. First, the development of package deals, combining ticketing, accommodation, air travel, and entertainment services, is necessary to provide a strong incentive to ensure high attendance and spending at the tournament. The success of this type of tour package signals a means to diversify revenue income for the hotel because they can benefit from the provision of associated recreational services. This premise, however, requires close cooperation among the KOC, IWGA, and the local hotel industry to create an image of the “official suppliers”. We observed that the KOC website advertised 30 local hotels disregarding whether they have cooperated with the KOC. In other words, no marketing advantages were created solely for those businesses that were contracted. Therefore, one way to assist these partners is to arrange marketing campaigns and price discounts to foster the exclusiveness and competitive advantages of these operators under the banner of the “official World Games accommodation service provider”. This would contribute to their brand name promotion in addition to revenue generation.

Second, from the WG experience, the strict contract agreement and inefficient capacity control of WG participants shall be evaluated. Although limited by the Taiwan Government Procurement Act, paying only for services that are transacted, it is recommended that the room price policy should consider the probability of no-shows or shorter stays, and raise the contracted room rate proportionally, instead of being arbitrarily determined by the KOC alone. In the example of the 2009 WG, approximately one-third of the reserved rooms were unoccupied, suggesting that the official room rate set by the KOC could be raised upward of at least 30%. With brand name promotion, revenue diversification, and contract price adjustment, the cooperation among the KOC, IWGA, and local hotel entities would represent one step toward a fair status in terms of responsibility, information distribution, revenue generation, and risk sharing.

5.2. Implication 2: the island and tourism characteristics should be considered for proposing business strategies

Because the 2009 World Games was the first international hallmark event for Taiwan and Kaohsiung City, the local business sectors had no previous experience to draw on. Their current business strategies did not adequately adjust to the characteristics of a small island economy in response to large events, rendering their operation at a disadvantage. Observation of the 2009 WG indicated a high percentage of day trips (82%) and a strong displacement effect among individual and group customers to the nearby counties. These customers preferred to commute to the city center instead of staying locally (Sun, 2010). For the first factor, it is crucial for the hotel industry to recognize that Taiwanese event spectators are currently dominated by local residents, followed by regional domestic visitors and very limited numbers of international travelers. Based on a study of four major cultural festivals in Taiwan, local residents accounted for 30%–60% of total event participants, whereas international travelers comprised less than 4% (Outdoor Recreation Association, 2005). Although the 2009 WG was a larger scale event with intensive international media exposure, its spectators still conformed to this pattern, showing relative percentages of 57%, 41%, and 3% from local residents, domestic visitors, and international visitors on party trips (Sun, 2010).

Table 2
Comparison of the accommodation system between the 2009 World Games and 2010 FIFA World Cup.

| 2009 World Games | 2010 FIFA World Cup |
|------------------|---------------------|
| Official accommodation service provider | NA | MATCH Event Services |
| Participating hotel entities | International tourist hotels and regular hotels | Hotels; small, medium, and micro-enterprises (SMME); university, colleges, and schools |
| Reserved room capacity | 3051 beds | 55,000 rooms |
| Number of rooms each hotel entity shall reserve | Determined by each participating hotel | No less than 80% of its entire inventory of guest rooms |
| Price stipulation | Three levels, depending on facilities | 2007 high-season room price + 16% |
| Commission | NA | 30% on top of the net payable FIFA room rate |
| Assured benefits of participation | NA | FIFA accreditation; free FIFA website advertising |

Sources for WC 2010: Darkey and Horn (2009) and Rose (2010).

* Approximately 30 local hotels were advertised on the KOC website disregarding whether they had cooperated with the KOC.
In terms of the displacement effect, it has been cited by many researchers as a key factor in leading to less optimistic visitor numbers during the event (Baade & Matheson, 2004; Du Plessis & Maennig, 2011; Fourie, Siebrits, & Spronk, 2011; Manzenreiter, 2008; Porter, 1999). This concept was first raised by Crompton (1995, 2006), as the hosting of a sporting event may drive away potential visitors who may otherwise have come to the community. In the observation of the authors, the crowding-out effect of the WG did not completely drive spectators away (to cancel their visit), but it reduced their willingness to stay locally and shortened their length of stay in the host region. The displacement of tourism is not only observed between cities (regions) but also over time in this instance. From the location perspective, contrary to some literature indicating a strong concentration effect on demand for staying close to the sporting venues (Drayton, 2000; Teigland, 1999), in the case of the 2009 WG, accommodation located about 30 min away was perceived as a good alternative to stay overnight for some spectators. This displacement effect by location can be explained by the island and tourism characteristics of Taiwan. The small and highly populated country has an extensive transportation network of high-speed rail, public transportation, and highway systems, allowing travelers to bear relatively cheap switching costs in terms of time and monetary expenses (Huang & Tai, 2008). In addition, the pricing practice of hotels located around 30 min away from the host city remained relatively constant and cost-effective during the event period, thereby offering a strong “pull factor” in relation to centrally located hotels.

From the temporal perspective, the crowding-out effect applies to group visitors whose reservations were declined by the local hotel industry 3–6 months in advance. This was attributed mainly to a self-defeating expectation pattern, that is, the adverse impact on actual demand of exaggerated prices based on the ex-ante anticipation of massive tourist arrivals, which was also reported previously from the 2010 World Cup in South Africa (Du Plessis & Maennig, 2011). In contrast to individual travelers, group customers follow a pre-determined itinerary, and it is difficult to rearrange their accommodation choice once determined. In other words, if accommodation operators observe that their occupancy is less than expected, it is less likely that they can re-secure group customers even if discounted prices are offered. Therefore, the refusal of group customers must be approached with caution as it is against the practice of risk-aversion.

This study supports the fact that hotel businesses in Taiwan faced immature market demand from international visitors, along with a substantial number of “day trippers”, and a displacement effect caused by the price disparity during a hallmark sporting event. In coping with these factors, business operation should acknowledge that a high-season room price strategy should be adopted cautiously in Taiwan during the event period. Although local hotels only raised their room rates by 20% during the month of the WG, which is far from the price gouging phenomenon reported in the related literature, the optimistic expectation of all WG spectators paying for premium prices in Kaohsiung is still challenged. Thus, it is necessary to allow a flexible yield management strategy to adjust room price based on unoccupied units over time. In addition, the yield management strategy should simultaneously consider the room inventory allocation in relation to customer segments. The retention of loyal patrons or group customers should be maintained and targeted because this core market provides an assured amount of sales and revenue intake, serving as a safety net in securing minimum business revenue, even if they produce a less profitable yield. Last and most importantly, offering travel deals that combine accommodation services with exclusive event tickets, complimentary transportation, or souvenirs should be strongly promoted from the business operation itself. These exclusive and quota-limited travel deals should demonstrate the value of staying locally to counter the price advantage of regional hotel competitors.

6. Conclusion

The 2009 World Games was significant for Taiwan because it was the first of its kind and scale to be staged. However, the magnitude of tourism demand on the hotel sector during the event was less than expected and the short-term post-event effect was not enduring, resulting in relatively soft occupancies and revenue intakes. This study clarified the factors that contributed to these outcomes from the major stakeholders and the broader tourism system.

Factors contributing to this observation include the imbalanced cooperation among stakeholders on information distribution, legal agreements, and risk sharing; a displacement effect among local and potential customers because of the strong price advantage of nearby competitors; the unfriendly atmosphere of the external environment associated with the fear of H1N1, the lethal typhoon, and controversial political events. Apart from the uncontrollable natural and social factors, practical lessons have been drawn from this World Games experience. First, a hierarchical top-down structure between the event supervising authority, the event organizer, and the broader tourism industry should be avoided. This imbalance of power has been criticized at the 2010 FIFA World Cup (Darkey & Horn, 2009; Rose, 2010), and the dominance of the international sports federation and the government organizing committee has also been identified in this example. This is where the future host country should be cautious about. Second, a community must host events that fit their capabilities to benefit from sports tourism (MacLaurin & Matthews, 2006). One type of capacity lies in the ability to recognize the island and tourism characteristics in shaping their pricing and reservation strategy. For Taiwan, adopting a proper fee strategy, retaining a proportion of group customers, and offering travel deals for exclusive admission tickets or transportation would assist the local businesses to counter the displacement effects of loyal hotel demands to regional competitors.

The information provided in this study demonstrated the complexity of catalyzing strong tourism demand during a hallmark sporting event. The interaction of stakeholders, the consequence of policy, and the influences of the societal environment should be carefully considered as each experience, based on different contexts, provides a foundation for shaping the next successful event. Lastly, although economic impact analysis (EIA) is a standard evaluation tool and is widely applied to understand the economic influences of event hosting (Porter & Fletcher, 2008), EIA only yields estimates on sales, income, jobs, and value added. These figures simply reveal the partial information of event impacts. Therefore, combining the quantitative economic impact results with qualitative stakeholder opinions will help the planning organization and local businesses to develop a clear perspective in the bidding for and hosting of hallmark sporting events.

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