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Transforming for the Future: The New Economic Driver for the Las Vegas Tourism Industry

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THE NEW ECONOMIC DRIVER FOR THE LAS VEGAS TOURISM INDUSTRY

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Abstract

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Tourism transformation has recently become a key strategy in today's competitive business environment, as continued rejuvenation is required for a tourism destination to succeed over time. However, transformation can prove problematic for many emerging tourism destinations, which suffer from a lack of long-term decision-making tools and leadership from institutions at a local level. Therefore, this paper aims to use the theoretical framework of “transformation theory—particularly the institution dimension—" to demonstrate that Las Vegas’ ongoing transformative shift over the last 80 years from a mining town to a gaming destination, and then, to a multi-dimensional tourist attraction, has been largely successful due to the dynamic interaction between government and private institutions. The key findings indicate that successful tourism transformation occurs when both the government and private sectors work closely together to establish long-term strategic tourism development plans that focus on diversification in revenue streams.

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Part One

Introduction

Tourism has been one of the most significant economic drivers for local and regional development in many countries (Cali, Ellis, & Te Velde, 2008; McLennan, Ritchie, Ruhanen, & Moyle, 2014). It can be a crucial source of employment and wealth and plays a significant role in a community's social, political, economic, environmental and cultural components (Saarinen, 2004; McLennan, Ruhanen, Ritchie, & Pham*,* 2012).

Tourism takes on a particularly substantial function in Las Vegas, where it is the key contributor to the city's economy and job creation ability (Brown, Busser, & Baloglu, 2010). According to the Las Vegas Convention and Visitors Authority (LVCVA), 366,400 jobs—equivalent to 43 percent of the total workforce—were generated by the tourism industry in Southern Nevada in 2014 (LVCVA, 2015b). Las Vegas' tourism sector mainly consists of five major industries: accommodation, casino gaming, food and beverage, meetings and conventions, and travel services. Among those, the gaming industry has been widely acknowledged as the most lucrative business since the time of its re-legalization in 1931 (Bernhard, Green, & Lucas, 2008).

Over the decades, Las Vegas has established itself as the leader of the gaming industry and continues to be popularly known as the gaming capital of the world. However, competition from around the U.S. and the globe has threatened to dethrone Las Vegas. In response, the city has scrambled to rejuvenate and refuel its tourism industry in an effort to survive in today's competitive world. When gaming competition arose and began to grow in strength, the industry within Las Vegas found other avenues that it could exploit. Finding that gaming by itself had become an unstable means of capitalization, the focus gradually shifted toward augmenting non-

gaming sectors. The LVCVA, the official Convention and Visitors Bureau in Las Vegas, and local tourism organizations began to emphasize the development of non-gaming sectors as an effective way to diversify revenue streams in order to sustain economic strength and growth. As a result of that rejuvenation and refueling, Las Vegas has found a hidden strength in its innovative power and vision in the meetings and conventions industry, which has helped it remain economically competitive.

Since the city already had an ideal meetings infrastructure in place—world-class accommodations, entertainment venues, meetings and conventions facilities, food and beverage facilities, and local suppliers—Las Vegas, with the support of the LVCVA, began actively promoting itself as a global meetings and conventions destination. The new focus on the evolving competitive dynamics of non-gaming sectors, particularly the meetings and conventions industry, continues to gain momentum and aids in the revival of the Las Vegas tourism industry.

This paper aims to use the theoretical framework of "transformation theory"—specifically that of institution—as proposed by McLennan et al. (2012) to demonstrate that Las Vegas' ongoing transformative shift from a mining town to a gaming destination, and now, to a multi-dimensional tourist attraction, has been largely successful due to the dynamic interaction between government and private institutions. This has led to a diversification in revenue streams and, consequently, has stimulated the Las Vegas economy over time. In order to address this transformation process, a brief history of the Las Vegas economy will be provided; furthermore, a detailed secondary data analysis will be conducted by using the data compiled annually through the LVCVA and other tourism organizations in Las Vegas.

Purpose Statement

The purpose of this paper is to analyze and investigate, through the lens of "transformation theory," how institutional change can positively influence economic structures over time within the tourism industry, using Las Vegas as a case.

Statement of Problem

As worldwide competition for gaming and non-gaming revenue continues to grow, institutions, including local or regional governments, the private sectors, and tourism entities such as Destination Marketing Organizations (DMO) or Convention and Visitors Bureaus (CVB), currently encounter a number of challenges emerging from changes within the tourism industry as well as from broader social, political, environmental, and economic development (Gretzel, Fesenmaier, Formica, & O'Leary, 2006).

As rejuvenation is required to succeed over the long-term, organizational transformation has become a new key business strategy in today's competitive business environment (Cali et al., 2008; Briedenhann & Wickens, 2004; Gartner, 2004; Kim, Holland, & Han, 2013; McLennan et al., 2012; Tosey & Robinson, 2002). Moreover, numerous industrialized countries have aimed to become more service-oriented economies with a shift toward tourism, as they continue to experience severe declines in traditional industries such as agriculture and manufacturing (Cali et al., 2008; McLennan et al., 2012).

However, the economic transformation toward tourism has been problematic in many cases, as still numerous traditional and emerging tourism destinations suffer from a lack of long-term decision-making tools as well as leadership and involvement from institutions at a local level (McLennan et al., 2014). Thus, it is crucial to understand Las Vegas' tourism transformation, as it can be a useful resource for transformation in other destinations attempting

to establish a healthy economy in the long-term and better prepare for the unpredicted future.

Justifications

Las Vegas has been able to maintain its dominance through new developments within the tourism industry, thereby offering a significant business model for many emerging tourism destinations around the world. Although numerous studies have been conducted to address the evolution of tourism destinations (Cali et al., 2008; McLennan et al., 2012; Tosey & Robinson, 2002), there have been few studies about the significance of non-gaming sectors and their rapid growth in the modern tourism industry, particularly in Las Vegas. Even some emerging tourism destinations that attempt to replicate Las Vegas' business model tend to focus mainly on the gaming industry (Fu & Murray, 2014). In contrast, the current success of the Las Vegas tourism industry is due to the development of its non-gaming sectors.

In this paper, the economic impact of the diversification of business portfolios by balancing gaming and non-gaming sectors should be identified. Moreover, the overall impact of institutional change on tourism transformation should be demonstrated.

This paper will benefit not only global destination marketing organizations who attempt to diversify their business portfolios by balancing gaming and non-gaming sectors, but also tourism policy makers, casino developers, scholars, and industry professionals who attempt to execute strategic tourism transformation plans for their region.

Constraints

As this study only examines Las Vegas tourism industry, the results cannot be generalized to the other tourism destinations. Moreover, there is a limitation to accurately measuring the total economic impact of meetings and conventions industry despite the industry's significant contributions to social, economic, and institutional development. Since industry data and statistics on the economic impact of the meetings industry provide national totals, the regional economic impact of convention activities is difficult to ascertain. Furthermore, convention sales and retail are generally combined under one category in the balance sheets at most casino hotels in Las Vegas. Thus, it is difficult to measure the direct contribution to the non-gaming revenue. Kim, Chon, and Chung (2003) argue that the total economic impact of convention activities is much larger than actual spending associated with attending a convention.

Part Two

Introduction

This literature review is divided into two parts. First is a review of tourism transformation literature. Particularly, this section discusses the transformation theory presented by McLennan et al. (2012) in an effort to explain the evolution of tourism destinations. McLennan et al. (2012) synthesize a wide range of tourism transformation literature and propose a four-dimensional framework to support future tourism transformation research: time, space, structure, and institution. As the body of transformation theory and its theoretical application are not well organized and developed yet, McLennan et al. (2012) suggest that using a detailed four-dimensional framework could be beneficial for researchers to better study how tourism's structures and institutions interact and how they should evolve when a tourism system experiences transformation.

Second is a brief history of Las Vegas' economic development, obtained through a variety of research papers and industry reports. The findings indicate the origin, development, and challenges of Las Vegas' economy from the beginning, particularly how Las Vegas has transformed itself in order to sustain economic growth and survive from the 1930s to the present day. This section includes a review of supporting materials such as the secondary data from LVCVA and other tourism organizations to capture various aspects of the transformational change in Las Vegas, leading to further identification of the non-gaming sectors' growth as a new economic driver for Las Vegas' tourism industry.

Tourism Transformation

A wide variety of tourism literature stresses the necessity of transformation as a tool for survival in the industry (Cali et al., 2008; Briedenhann & Wickens, 2004; Gartner, 2004; Kim et

al., 2013; McLennan et al., 2012; Tosey & Robinson, 2002). For instance, Kotter (1995) indicates that organizational transformation is essential to compete in today's fast-moving business environment, as reinvention is mandatory to succeed long-term. He suggests that in order to accomplish successful organizational transformation, an organization should look closely at its "competitive situation, market position, technological trends, and financial performance"(p.60) and identify potential challenges and opportunities therein (Kotter, 1995). Butler (1980) reinforces this idea when he insists that the evolution of tourism destinations determines their ability to survive.

In another capacity, tourism transformation has been discussed, particularly in some case studies, to explain the phenomena behind the emerging trends of the tourism industry's shift from rural to urban areas (Gartner, 2004; McLennan et al., 2012; Tosey & Robinson, 2002). Over the past century, a number of industrialized countries have had to acclimate to declines in traditional industries such as agriculture and manufacturing. These countries have aimed instead to become more service-oriented economies with a shift toward industries like tourism (Cali et al*.*, 2008; McLennan et al., 2012). It is essential to evolve the tourism industry in rural areas to stimulate economic activity, job creation, and new business opportunities (Gartner, 2004; Briedenhann & Wickens, 2004). Gartner (2004) indicates that the demand for rural-based tourism will continue to rise and that the industry will thus evolve over time.

Fu and Murray (2014) highlight the importance of transforming tourism destinations in a case study of South Africa. The literature indicates that Johannesburg and other South African cities are enthusiastically attempting to transform themselves into new 'world-class' tourism and business centers, following the business model established by Las Vegas (Fu & Murray, 2014). With the South African agriculture and manufacturing industry weakening, Fu and Murray

(2014) suggest that these cities need another source for sustained economic strength and growth. For regions like these, transformational change into a tourism destination is not merely an option; it is a necessary business strategy in today's rapidly changing economic environment.

Getz (1992) highlights that "rejuvenation"(p.768) in the tourism industry is key to creating new opportunities, stimulating economic development, and overcoming potential social, economical, and environmental challenges. In this context, rejuvenation refers to the transformation of tourism destinations.

Kotler (2002) also discusses the overall impact of transformational change on tourism destinations by discussing cases of rebirth and recovery throughout the U.S., Canada, Europe, and Asia. He highlights that in order for tourism destinations to generate substantial economic benefits and continue to grow, the destinations should attempt to transform into more appealing places to attract more visitors. Kotler (2002) advocates that tourism destinations should not only develop their industrial base but also communicate their unique qualities more effectively with their potential market. He presents his findings as proof of consistent factors behind the failure of certain systems and then offers ideas to reenergize an economy, asserting that creating more effective tourism marketing strategies is "the most adaptive and productive approach to the problem of places"(p. 20). He insists that it is essential to grow the local and regional economy vigorously, including upgrading infrastructure, evolving the service-oriented industry, developing a diverse and proficient workforce, reenergizing local business, and developing more distinctive tourism attractions and facilities. When developing effective tourism marketing strategies for destinations, it is necessary to understand current visitors' needs, intentions, and perspectives including both leisure and business visitors.

Though well-researched within tourism literature, the term "tranformation" does seem to

present some challenges. McLennan et al. (2012) argue that the term “tranformation” has been problematic because it has often been used synonymously with the term “transition” and “change”. But, as Fletcher (1990) indicates, it is crucial to distinguish between diverse levels of change in order to better understand the idea of organizational transformation, although there is not much literal difference between the two words. Fletcher (1990) differentiates the definition of transformation by comparing and contrasting it with change. He defines change as “a mere modification of behaviors, beliefs, and attitudes” (Fletcher, 1990, p.8) without any modification in perception so that an organization remains relatively unchanged (Buckley & Perkins, 1984). In contrast, transformation is described as “a profound fundamental shift in perceptions, values, and consciousness that completely alters its basic ways of responding to its environment” (Fletcher, 1990, p.8). To exemplify the difference between the two words, Fletcher (1990) compares change to simply moving from one location to another within the same building, while transformation is analogous moving from one building to another (Fletcher, 1990, p.8). McLennan et al. (2014) define tourism transformation more specifically as a continually evolving process of economic expansion toward market diversification as a consequence of institutional changes (Geels & Kemp, 2007). In this context, the institutional changes are generally made by a local government, private sector, or tourism entity such as a Destination Marketing Organization (DMO) or Convention and Visitors Bureau (CVB).

Regardless of what facets of tourism are being discussed, numerous researchers agree that transformational change in tourism destinations is a critical component of regional economic development in today's competitive and fast-moving environment (Cali et al., 2008; Briedenhann & Wickens, 2004; Gartner, 2004; Kim et al., 2013; McLennan et al., 2012; Tosey & Robinson, 2002).

Transformation Theory

Transformation theory initially emerged from systems theory and provides long-range planning strategies for tourism transformation (McLennan et al., 2012). In particular, the theory has been proposed to address how dynamically tourism' structures and institutions interact and how they should evolve when a tourism system experiences transformation (McLennan et al., 2012).

However, McLennan et al. (2012) argue that though numerous studies have been conducted to address the evolution of tourism destinations (Cali et al., 2008; Briedenhann & Wickens, 2004; Gartner, 2004; Kim et al., 2013; Tosey & Robinson, 2002), the literature on transformation theory still needs to be further developed. Saarinen (2004) also indicates that indeed tourism transformations are under-researched but that because of the continual creation and evolution of new tourism destinations, it is becoming more vital to study.

In an effort to improve transformation theory and support future tourism transformation research, McLennan et al. (2012) extensively review key theories and models in evolutionary research on tourism destinations including cluster theory, chaos theory, structural theory, episodic model, evolutionary economics, systems theory, and organizational theory; they then propose a comprehensive four-dimensional theoretical framework.

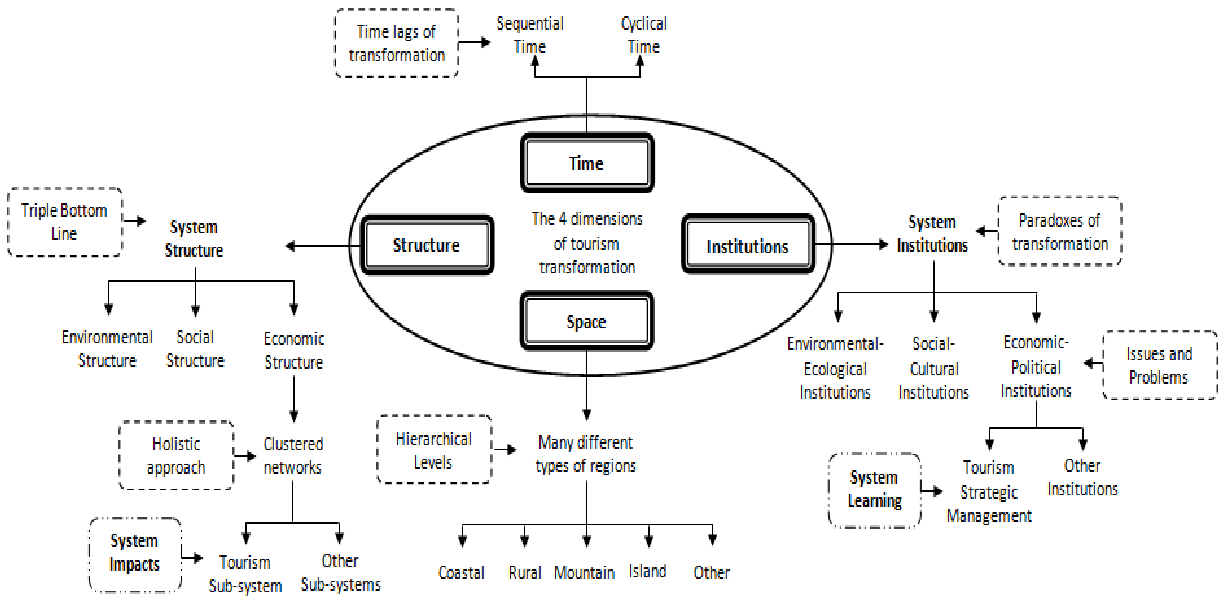

Figure 1. The four dimensional framework of tourism transformation. Adapted from "Dynamics of Destination Development: Investigating the Application of Transformation Theory" by McLennan C., Ruhanen L., Ritchie B., Pham T., (2012), *Journal of Hospitality and Tourism Research*, *36* (2), p. 179.

Figure 1 provides a visual representation of the dynamic interactions between time, space, structure, and institutions when tourism destinations experience transformation process. Pavlovich (2003) indicates that transformation theory has its general strengths in explaining tourism destinations' dynamic system changes over time. McLennan et al. (2012) argue that though the theory still requires further development, using a specified four-dimensional framework could be beneficial to better understand the tourism transformation process and support further investigation of specific changes and its influence. Though the four-dimensional framework has its limitations, this paper utilizes the model as a necessary tool to investigate and analyze the evolution of the Las Vegas tourism industry from the 1930s to the current period. Specifically, it considers the importance of institution as a key driver in the city's transformation.

Thus, the following section provides a brief review of their model with a focus on institution in order to achieve the purpose of the study. The institution concept helps to illustrate

how institutional changes have influenced the transformation process in Las Vegas' tourism industry from a gaming to non-gaming focus over time, in particular the meetings and conventions industry.

Time Concept

McLennan et al. (2012) emphasize that tourism transformation is a long-term process of structural change as a result of institutional changes. Thus, it is unsurprising that their first dimension of tourism transformation is time.

McLennan et al. (2012) illustrate that the time concept is a necessary device in investigating the long-term aspect of transformation process. In the literature, the time concept is presented in two distinct ways: sequential and cyclical. The sequential time is related to "history and path dependency"(Saarinen, 2004, p.170); thus, the concept has received much attention from historians and economists, as it makes a significant contribution to predicting changes in the future economic environment (Woollett, 2007). However, McLennan et al. (2012) argue that the sequential time pattern has limitations in that it cannot accurately forecast the future, incorporate qualitative data, or account for time lags. Time lags are presented in the literature as the most significant downfall to sequential time because inevitably there will be a gap between an action and its result, and it is challenging sequentially to explain the influence that takes place during transitions.

In order to overcome the challenges of sequential time, the literature suggests utilizing cyclical time, also known as rise and fall patterns, although this concept still needs to be further researched in the literature. McLennan et al. (2012) point out that the cyclical time perspective is preferable to sequential because it serves to better explain repetitive patterns during the tourism transformation process as well as transition time, which they describe as a continual "three-stage

transition process"(McLennan et al., 2012, p.169): steady state, change, and new equilibrium (Geels & Kemp, 2007). Sergeyev and Moscardini (2006) highlight that the transition time necessary for transformation to occur is a historical process that can extend over a long period. However, McLennan et al. (2012) argue that there has been little discussion of the repetitive patterns in tourism structural changes, which became problematic with various quantitative forecasting models. Furthermore, there is no reliable evidence that the different phases of a tourism destination's transformation are identical (McLennan et al., 2012).

Spatial Concept

The second dimension of tourism transformation is spatial concept. The spatial concept is presented in the literature as a tourism destination's geographical location such as coastal, rural, urban, mountain, island, etc. Some researchers argue that these various types of tourism regions have distinctive spatial differences that possibly affect how tourism destinations evolve (Gartner, 2004; Nepal, 2007; McLennan et al., 2012). For this reason, the spatial concept has been discussed in several case studies on tourism destinations that had experienced transformation as an evolving process from rural to urban areas (Gartner, 2004; Briedenhann & Wickens, 2004; Tosey & Robinson, 2002).

Gartner (2004) indicates that particularly rural areas have increased their use of the tourism sector as a new revenue generator for their regional economic growth by using their spatial differentiation. For instance, rural areas in the U.S. and Canada have recently experienced economic downturns, so in order to remain economically stable they began to accelerate development of their tourism industry. The literature states that both Las Vegas and Orlando have spatially transformed from domestic to international tourism destinations due to their structural and institutional changes over the time.

Saarinen (2004) points out that the spatial concept is helpful and even necessary in comprehending the tourism transformation, as it provides researchers with a physical representation of the transformation process; the researcher specifically describes a tourism destination as a dynamic and "socially constructed spatial unit."(Saarinen, 2004, p.162). Saarinen (2004) also indicates, however, that spatial differentiation does not only contribute to positive transformation. It also fosters "social and economic insecurity"(Saarinen, 2004, p.162) and promotes competition from one tourism destination to another.

McLennan et al., (2012) argue that there is a need for exploring more spatial development processes during transformation beyond research on coastal resort destinations, as their findings are not generally applicable to different types of tourism destinations. Nevertheless, geographical location alone is sufficient in the study. In the literature, the researchers also propose a hierarchical system within the spatial concept, including local, regional, state, and national levels. This implies a link with institution because institutions exist within a space.

Structure Concept

The third dimension of tourism transformation is structure. The literature indicates that the major purpose of transformation theory is to address the structural change that takes place during the tourism transformation process as a result of institutional change (Seliger, 2002). Thus, McLennan et al. (2012) highlight the importance of understanding the structure concept within transformation theory due to its direct influence on the way tourism evolves.

McLennan et al. (2012) define structure as the "sectoral composition"(p. 165), meaning that there is not one single economic structure in tourism but rather multiple sectors. For instance, Las Vegas' tourism structure is comprised of multiple sectors including hotel, gaming, food and beverage, entertainment, retail, meetings and conventions, and travel services.

When addressed with a holistic view, the structure concept can be divided into three main aspects: economic, social, and environmental; McLennan et al. (2012) refer to this as the triple bottom line perspective and emphasize it as a vital element in understanding sustainable development of tourism structure. The literature suggests that the triple bottom line perspective needs to be considered when developing tourism policies, strategies, and plans (Faulkner, 2002). Moreover, the literature indicates that many researchers agree that the triple bottom line perspective is essential when the structure of a tourism destination needs to be defined (Butler, 1980; Carter, 2004; Faulkner, 2002; McDonald, 2006; Prideaux, 2000).

The literature discusses the idea of clustered networks in tourism. Pavlovich (2003) states that cluster network perspective contributes to understanding how a tourism destination forms and evolves, as the clustered networks are key in transforming small economies into larger ones as well as transforming destinations from single-attraction to multifaceted. Pavlovich (2003) also provides a definition of multi-centered networks as a mixture of "a geographical system, primarily of small firms, with no centralized leadership" (Pavlovich, 2003, p.206; Liu & Brookfield, 2000). For instance, the Las Vegas tourism industry initially started with two main industries, casino gaming and entertainment, but over the long-term the economic structure in tourism has been expanded to multiple sectors, including lodging, food and beverage, meetings and conventions, retail, and special events.

Although McLennan et al. (2012) argue that research regarding the relationship between structure and institution is still underdeveloped, understanding the structure concept in a tourism transformation context is crucial in order to better address the transformation of Las Vegas' economic structures over time.

Institution Concept

The fourth dimension of tourism transformation is institution. McLennan et al. (2014) indicate that transformation theory is a continually evolving process of economic expansion toward market diversification as a consequence of institutional changes (Geels & Kemp, 2007). In the literature, institutional changes are described as “collective human designed action” (McLennan et al., 2012, p.165) associated with tourism sectors; this includes local and regional “government strategies, plans, policies, business standards, social standards, cultural beliefs, or general patterns of consumer behavior” (Geels & Kemp, 2007).

It is important to note that the leadership and responsibility of institutions, including formal organizations as well as the private sector, is a key driver for successful tourism transformation (Briedenhann & Butts, 2004; Haung, 2004; Pavlovich, 2003).

Similarly, Roxas and Chadee (2013) point out that as the institutions’ entrepreneurship and innovation became key elements of success in today’s tourism industry, the local or regional government and private sector should closely work together to develop more effective strategic tourism development plan for the destinations in order to accomplish more successful tourism transformation.

Russell and Faulkner (1999) argue that without continued support and involvement from both the government and the private sectors, tourism transformation cannot be successful. For this reason, McLennan et al. (2012) emphasize the significance of informed local and regional government leadership, funding, institutions, and long-term planning tools during the transformation process. Some researchers argue that tourism transformation results directly from deviations in institutional policy (Geels & Kemp, 2007; McLennan et al., 2014). In addition, the

literature suggests that when making institutional changes, both government and private sectors should consider it as a long-term plan.

Gartner (2004) argues that even when market and economic forces control tourism transformation, government leadership and support is still the primary drive behind the transformation process.

Desforges (2000) indicates that institutional changes were indeed key driver for Peru's tourism transformation between 1960 and 1990; later, it became their essential economic strategy. The literature illustrates that in an effort to become a more appealing tourism destination the formal organization in Peru developed a series of initiatives to magnetize private sector investment in order to build tourism infrastructure and create a tourism board to oversee domestic and international tourism promotion. As a result of the institutional change, Peru's tourism industry experienced massive economic growth between 1960 and 1990.

However, Sergeyev and Moscardini (2006) argue that because of the extreme effect that institutions can have on a tourism destination, a lack of local or regional government support, narrow perspective, high level of corruption, and broad political instability have been problematic in many tourism destinations and have caused unsuccessful tourism development.

For instance, Briedenhann and Wickens (2004) indicate that South Africa's centralized government attempted to evolve its rural tourism as a way of energizing economic growth and job creation. However, due to a lack of understanding in establishing effective tourism policies and marketing strategies at the local government level, there was no fundamental improvement in tourism visitation even though the country has great potential. It is important to note that understanding current visitors' needs, intentions, and perspectives including both leisure and business travelers is absolutely crucial in order to develop effective destination marketing

strategies (Kotler, 2002).

Saarinen (2004) illustrates that there are two key components that contribute to a tourism destination's distinct character: discourse of region and discourse of development. Discourse of region refers to its image, knowledge, meanings, and natural or cultural features associated with the tourism destination. Discourse of development refers to its institutions, practices, and larger processes. Some researchers argue that although the institution concept makes significant strides in explaining tourism transformation, the primary role of institutions in stimulating the tourism transformation process still needs to be further researched (McLennan et al., 2012; Roxas & Chadee, 2013; Saarinen, 2004).

It is particularly helpful to examine Las Vegas' tourism transformation through the lens of institutional change, as it is the institutional changes through the decades that have made the city particularly successful.

A Brief History of Las Vegas' Economy

The Origin

1931 was a significant year for Las Vegas for two major reasons. First, the Nevada State Legislature officially re-legalized gaming in March of 1931 in an effort to revive the economy during the Great Depression and eliminate illegal and uncontrolled gaming activities (Hsu, 1999). Second, the construction of the Hoover Dam also began in early 1931, which generated nearly 5,000 jobs and drew more than 42,000 unemployed workers to the area now known as Boulder City, located on the southeast end of Las Vegas (Zook, Sandquist, & Burke, 2009).

Furthermore, during this period of time, Nellis Air Force base brought thousands of people to the town, not only for military training, but also to build housing, airfields, and other military facilities (Hsu, 1999). Las Vegas quickly became a gateway to the Hoover Dam as well

as at the center of entertainment for the construction workers (Schwartz, 1973; Zook et al., 2009). In addition, people from Los Angeles began to drive out to Las Vegas during weekends and holidays for the gaming experience because gaming was illegal in California at that time (Hsu, 1999).

In the 1940s, in order to accommodate the public's growing interest in the gaming and entertainment experience in Las Vegas, new hotels and casinos were being continuously constructed (Hsu, 1999). The opening of El Rancho Vegas Resort in 1941 and the Flamingo Hotel in 1946 began the casino hotel boom (Hsu, 1999). It was truly the beginning of Las Vegas' first major transformation, its transition from a mining and railroad town to the center of the casino and entertainment industry.

Las Vegas' economy experienced a rapid growth between the 1950s and 1970s. According to the Nevada Resort Association (2014), following World War II, commercial gaming expanded rapidly with the new development of hotels and casinos. The gaming industry quickly became Nevada's largest revenue-generating industry, exceeding that of mining, manufacturing, and agriculture (Bernhard et al., 2008). Since then, gaming has become one of the key economic drivers for Las Vegas' economy (Bernhard et al., 2008).

At the same time Las Vegas was searching for new markets in preparation for future market and structural changes and also to generate a more stable economy for the city; in order to accomplish this goal, Las Vegas finally discovered a new market segment, the meetings and conventions industry (LVCVA, 2015a).

In 1955, in order to develop the meetings and conventions business in Las Vegas, the State Legislature agreed to create the Clark County Fair and Recreation Board, which later became the LVCVA (LVCVA, 2015a). The funding was primarily acquired from a room tax

collected on all hotels and motels in Clark County (LVCVA, 2015a). The tax revenue allowed the Clark County Fair and Recreation Board to begin destination marketing programs and the Las Vegas Convention Center to be constructed and operate.

In April 1959, the Las Vegas Convention Center officially opened and became the first meetings and conventions facility in Las Vegas (LVCVA, 2015a). With a 20,340-square-foot rotunda, 18 meeting rooms and a 90,000-square-foot exhibit hall, the Las Vegas Convention Center was one of the largest single-story facilities in the U.S. at the time (LVCVA, 2015a).

In the 1960s, the transportation industry also quickly became one of the most important economic drivers for Las Vegas (Hsu, 1999). A major improvement to auto and air access including the relocation and expansion of McCarran Airport was successful in accommodating the growing number of tourists and flights. Eventually, this development resulted in serving 1.5 million passengers annually (Auch, Taylor, & Acevedo, 2004).

As the gaming and hotel business boomed in Las Vegas, Nevada’s population boomed in the 1960s and 70s; it increased by 70% and 64%, respectively, and became the fastest-growing state in the U.S (Hsu, 1999). The state's population growth continued to gain momentum in the 1980s (Hsu, 1999). Much of this growth was directly related to the continuous development of the tourism industry.

The Era of Mega-Resorts & Integrated Resorts

In the early 1970s, Las Vegas once again experienced an accelerated economic growth in new casino resort development with the private sector’s continual involvement and support, specifically the new opening of numerous hotels on Fremont Street and the Las Vegas Strip, including the Plaza (1971), California (1975), Circus Circus (1971), and Harrahs (1974) (Hsu, 1999, p.12). In 1973, the MGM Grand hotel was opened with 2000 rooms at a cost of $106

million and became the largest casino hotel in the world (Hsu, 1999).

In 1976, as New Jersey voters approved casinos in Atlantic City, competition in the gaming industry had finally begun. Within a few years, the Indian Gaming Regulatory Act (IGRA) was passed by congress; mining towns in South Dakota and Colorado also legalized limited-stakes gaming; and Iowa, Louisiana, and Michigan legalized gaming (Hsu, 1999). However, Las Vegas had at that point already established a robust brand and reputation in the casino gaming industry, and numerous private investors and organizations continued to come to Las Vegas, which significantly contributed to the evolution of the hotel and gaming industry (Moehring & Green, 2005).

However, in the 1980s, Las Vegas recognized that in order to stay healthy economically over time and reduce its dependence on the gaming industry, the focus gradually needed to shift to non-gaming sectors such as retail, food and beverage, entertainment, and most importantly meetings and conventions. In 1989, Steve Wynn recognized that hotels and motels on the Strip were too small to accommodate changing customer needs, so he created a new business model—the mega-resort—and opened the Mirage, the city's first of its kind (Moehring & Green, 2005).

Over the next two decades, Las Vegas continued to transform from a traditional casino destination to a glitzy mega-resort destination and expanded from domestic tourism to international tourism (Hsu, 1999). During that time, the gaming industry still remained a key economic driver for Las Vegas; however, non-gaming revenue began to grow rapidly with the new development of mega-resorts and tremendous marketing support from the LVCVA.

In 1995, Sheldon Adelson sold his successful Comdex computer trade show to fund the building of his first hotel, the Venetian Resort, which opened in 1999. He successfully created another new business model, the integrated resort concept, building a massive convention center,

shopping center, theater, and restaurants to attract more business travelers who generally would spend more money than leisure travelers (Seidman, 2014). Sheldon Adelson's main focus was to develop Sands Convention Center along with the hotel in order to host more business meetings and conventions, which could fill his hotel rooms during the slow season as well as on weekdays. Following the opening of the Venetian and Sands Convention Center, in 2003, Mandalay Bay also followed suit and opened a 1.8 million-square-foot convention center in an attempt to generate more stable revenue through the meetings and conventions industry (LVCVA, 2015e). The new integrated resort business model certainly contributed to the heightened number of meetings and attendees in Las Vegas.

The Downturn and Recovery

Kosová and Enz (2012) indicate that there were two major economic crises in the 21st century that significantly impacted the entire U.S travel and tourism industry: the terrorist attacks of September 11, 2001 and the financial crisis of September 2008. Goodrich (2002) states that after 9/11, tourists were afraid of traveling in the U.S.; therefore, numerous vacations, special events, corporate meetings, and conventions were canceled or postponed, which caused a significant decline in hotel and airline bookings in the U.S. In particular, Las Vegas experienced dramatic declines in its tourism industry, which was problematic because it plays a substantial role in the city's overall economy and job creation ability. Eisendrath, Bernhard, Lucas, and Murphy (2008) illustrate that approximately twelve to fifteen thousand workers from Las Vegas casino hotels were laid off within two weeks following the terrorist attacks of September 11, 2001. In order to affect a rapid economic recovery and stimulate travel demand, many casino resorts in Las Vegas immediately lowered the room rates by 30–50%, and offered some extra incentives such as free breakfasts and discounted show tickets (Eisendrath et al., 2008).

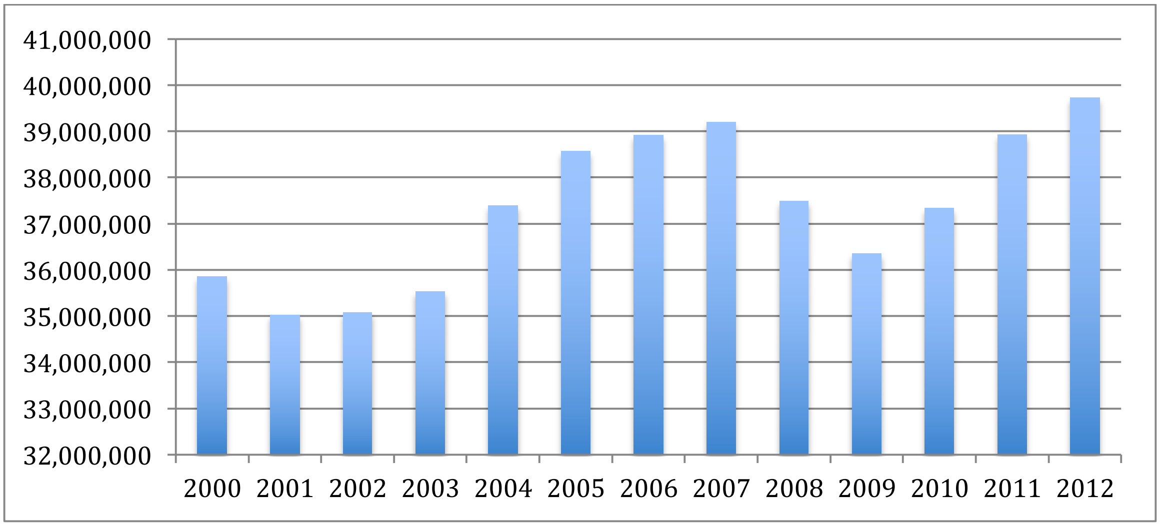

Figure 2. Las Vegas visitor volumes 2000 – 2012, Data from LVCVA (2015c)

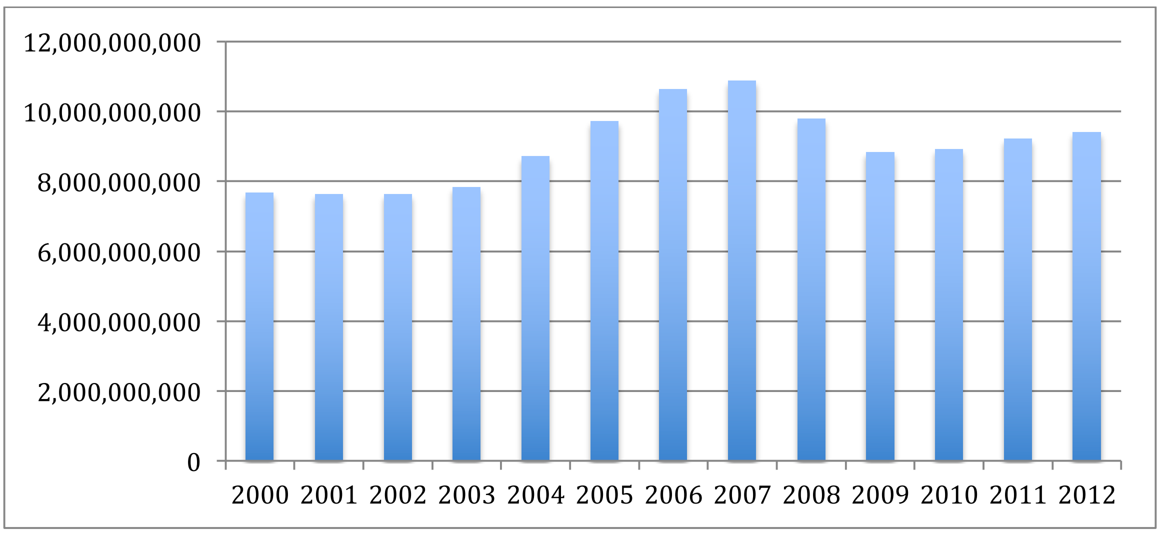

Figure 3. Clark County gaming revenue 2000 – 2012, Data from LVCVA (2015c)

As shown in Figure 2 and figure 3, Las Vegas' visitors volume and gaming revenue significantly declined in 2001 and 2008 as a result of 9/11 and the recession (LVCVA, 2015c).

Las Vegas has also faced challenges from other cities attempting to attract gaming-oriented tourists. For Instance, Las Vegas suffered a severe decline in gaming revenue after 2006 when Macau began operating gaming facilities, illustrating the influence of rising international competition. In fact, Macau has surpassed the entire Las Vegas gaming revenue and become the

new capital for the global gaming industry and continues to gain momentum with tremendous financial support from the traditional Las Vegas casino developers, Sheldon Adelson and Steve Wynn (Culver, 2009).

Moreover, Eisendrath et al. (2008) indicate that 443 new casinos were established in 36 legalized gaming destinations in the U.S. as a new way of generating tax revenue for state government to speed up the recovery from the economic crises.

After going through the economic recession and tough national and global competition, the Las Vegas economy quickly started to recover through the popularity of non-gaming sector (LVCVA, 2013a).

The New Economic Driver

Suh and Tanford (2012) indicate that the non-gaming sector including lodging, food and beverage, retail, entertainment, and meetings and conventions became major profit generators, accounting for more than half of the total revenue for casino resorts on the Las Vegas Strip, a key factor in the battle with competitors in the global tourism business environment (Nevada Gaming Control Board, 2010).

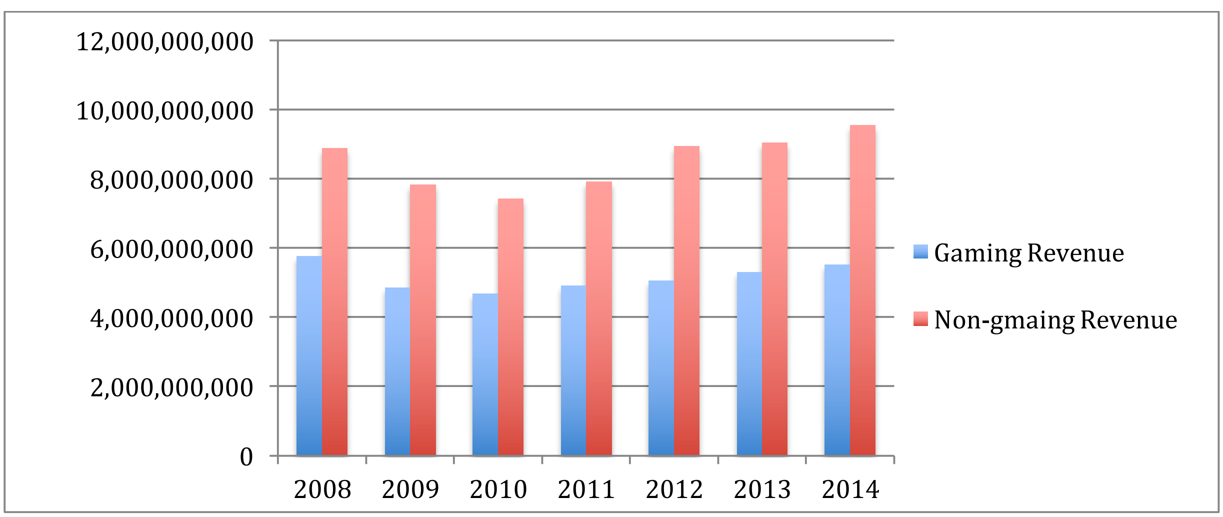

Figure 4. Trends for big Las Vegas strip casinos, 2008 – 2014, Data from Center for Gaming Research (2015)

As shown in figure 4, non-gaming revenue in casino resorts on the Las Vegas Strip certainly surpassed gaming revenue (Center for Gaming Research, 2015). Moreover, the non-gaming revenue has recovered more quickly from the economic recession than the gaming revenue. This statistics illustrate that the non-gaming sector has become the key economic driver for the Las Vegas economy. It is truly an enormous shift from the 1930s to the 2010s. Given the finantial significance of the non-gaming sector to the current Las Vegas economy, it is important to note that the meetings and conventions industry plays a major role in non-gaming revenue growth as it attracts numerous domestic and international leisure and business travelers to Las Vegas (LVCVA, 2015a).

The meetings and conventions industry truthfully makes a significant contribution to the entire Southern Nevada economy by generating more than 61,000 jobs in the area and contributing more than $7.4 billion to the Las Vegas city economy. Moreover, Las Vegas experienced a 13.6 percent year-over-year increase in the number of meetings and conventions from 2011 to 2012 resulting in the strongest showing since 2008 (LVCVA, 2013a). This coupled with robust total visitor volume growth (despite a widespread recession) signals a relatively solid recovery in Las Vegas tourism (LVCVA, 2013a).

LVCVA (2013c) recently reported that Las Vegas has retained its reigning title as the top trade show destination in the U.S. for the 19th consecutive year, according to Trade Show News Network's (TSNN) “2012 TSNN Top 250 Trade Shows in the United States” list. The report illustrates that Las Vegas hosted 53 of the largest shows, more than the next two competitors numbers combined, Orlando hosting 27 and Chicago hosting 20 in 2012 (LVCVA, 2013c).

Baloglu and Love (2008) indicate that indeed the meetings and conventions industry has been recognized as a considerably profitable business segment in Las Vegas, as numerous new

associations are being established every year. The finding of the study illustrate that, due to affordability and availability of meetings and conventions space, hotel rooms, and other entertainment options, many association meeting planners choose to hold their meetings, conventions, corporate events in Las Vegas over other major convention cities including Orland, Chicago, Dallas, and Atlanta. The literature highlights that the meetings and conventions industry has made a substantial contribution to the revival of the Las Vegas tourism industry after the recession and global competition as it increases revenue stream and profitability on many levels.

With increasing attention to the meetings industry, many researchers have spotlighted its significant contribution to the local and regional economic development and employment creation over the past decades (Astroff & Abbey, 2006; Grado, Strauss, & Load, 1998; Kim et al., 2003; Lee, 2007; Rutherford & Kreck, 1994). In 2010, Convention Industry Council, PwC US, and a team of industry researchers conducted a definitive, quantitative, and research-based study to examine the economic significance of the meetings industry to the U.S. economy. The study used sales/revenue, contribution to gross domestic product, employment, labor income, and taxes as key indices to provide an in-depth look at the meetings industry's critical role in supporting jobs in communities across the United States. The report reveals that in 2010 the U.S. meetings industry generated 1.7 million jobs, $263 billion in spending, and a $106 billion contribution to GDP. This has also yielded approximately $14.3 billion in federal tax revenue and $11.3 billion in state and local tax revenue (CIC, 2011a).

LVCVA recently unveiled transformative plans for a $2.5 billion Business District in Las Vegas (LVCVA, 2013d). This new project will strengthen Las Vegas's position as an international business destination. The city will realize this ambition by integrating major

renovations of the Las Vegas Convention Center, improving the World Trade Center designation and developing transportation connectivity through a centralized hub. The magnitude and depth of these plans is strong evidence that Las Vegas continues to transform and has great passion for evolving into a more serious business destination well into the future. The new focus on the meetings and conventions industry in Las Vegas is proving successful as it continues to gain momentum with tremendous support from LVCVA and private sectors.

Conclusion

As the key findings from the literature review indicate, the Las Vegas tourism industry has been remarkably transformed over the last 80 years since the Nevada State Legislature officially re-legalized gaming in March of 1931 in an effort to revive the economy during the Great Depression (Hsu, 1999). Currently, due to rising competition across the U.S. and the globe and the economic crisis caused by 9/11 and the recession, Las Vegas has had to find other avenues that it could exploit, though the city is still popularly known as the gambling capital of the world. Thus, LVCVA and local tourism organizations began to emphasize the development of non-gaming sectors, in particular the meetings and conventions industry, as an effective way to diversify revenue streams in order to sustain economic strength and growth. With the new development of integrated resorts and convention facilities, the new focus on the evolving competitive dynamics of the meetings and conventions industry continues to gain momentum and aids in the revival of the Las Vegas tourism industry.

Part two of this paper provided an overview of transformation theory presented by McLennan et al. (2012) and illustrated their detailed four-dimensional framework in an effort to better understand the evolution of tourism destinations. A variety of research papers and industry reports from LVCVA and local tourism organizations were examined in order to capture relevant aspects of Las Vegas' transformational change as well as the historical and current market conditions surrounding its gaming and non-gaming sectors. The findings provided in-depth knowledge of the origin, development, and challenges of Las Vegas' economy, particularly how Las Vegas has transformed itself in order to sustain economic growth and thrive from the 1930s to the current period.

Definition of Terms

1. Convention and Visitors Bureaus (CVB) - CVBs are mostly nonprofit organizations representing and promoting a specific tourism destination or region. CVBs assist meeting planners or convention organizers by providing relevant information and services, and encourage business travelers and visitors alike to visit local historic, cultural and recreational sites (CIC, 2011b).

2. Meeting - A general term for conventions, conferences, congresses, trade-shows, exhibitions, incentive events, or corporate/business meetings. In other words, any event where a number of people come together in one place, to confer or carry out a particular activity to motivate participants, conduct business, share ideas, and/or to learn (CIC, 2011b).

Part Three

Introduction

This section summarizes the key findings from the literature review and discusses the theoretical implications of this study's findings and its practical relevance and prominence. More specifically, this section explains why tourism transformation is essential for emerging destinations to survive in today's fast-moving business environment and how Las Vegas has transformed itself from the 1930s to the current period in order to sustain economic growth over the long-term. This section concludes with a recommendation for how emerging tourism destinations can rejuvenate and refuel their tourism industry in order to remain economically competitive.

The purpose of this paper is to use the theoretical framework of "transformation theory—particularly the institution dimension—to demonstrate that Las Vegas' ongoing transformative shift from a mining town to a gaming destination, and then, to a multi-dimensional tourist attraction, has been largely successful due to the dynamic interaction between government and private institutions and has led to a diversification in revenue streams, which has in turn stimulated the Las Vegas economy over time.

Results

The theoretical framework of this study is transformation theory as presented by McLennan et al. (2012). The theory has been proposed to address how tourism's structures and institutions interact dynamically and how they should evolve when a tourism system experiences transformation (McLennan et al., 2012). As Pavlovich (2003) indicates, the theory has strength in explaining tourism destinations' dynamic system changes over time.

Though the theory still requires further development, McLennan et al. (2012) suggest that

using their specified four-dimensional framework—time, space, structure, and institution—could be beneficial in better understanding the tourism transformation process and to support further investigation of specific changes and their effects.

The key findings from this paper indicate that tourism transformation is indeed crucial in surviving over the long-term in today's competitive world. While Las Vegas attempted to transform into a more appealing leisure and business destination over the decades, the leadership, involvement, funding, and entrepreneurship of institutions—including both governmental organizations as well as the private sector—operated as a key driver in the city's successful transformation. Institutional change was discussed in the literature review as the key driver for the development of tourism transformation (Briedenhann & Butts, 2004; Haung, 2004; Pavlovich, 2003), and it was observed that each stage of Las Vegas' tourism development was different due to the nature of the influence from the different institutions.

Thus, the following section utilizes the previously mentioned theoretical model as a necessary guide in addressing how Las Vegas has transformed itself over the last 80 years from a mining town, to a gaming destination, to a multi-dimensional tourist attraction, to a global meetings and conventions destination. However, because the involvement of the government and private sectors has had such an impact on Las Vegas' transformation, the following section focuses mainly on one specific aspect of the four dimensional theory: institution. Consequently, it may be helpful for countries seeking to make such a shift to consider the transformation Las Vegas has made, as described in the following section.

A Mining Town to A Gaming Destination (1930s – 1950s)

In Las Vegas, as a result of the institutional change discussed above, re-legalized gaming in 1931 not only attracted millions of tourists from Southern California but also construction

workers from Hoover Dam to Las Vegas to stay, dine, entertain, and mostly gamble during weekends and holidays. These findings also illustrate how Las Vegas' spatial difference—proximity to California and the Hoover Dam—contributed to the evolution of the tourism industry at the beginning, which generated sustainable revenue and revived the economy during the Great Depression. More importantly it was the beginning of Las Vegas' first transformation, its transition from a mining and railroad town to a tourism destination.

With tremendous private sector involvement and support, casino gaming in Las Vegas expanded rapidly with the new development of hotels and casinos following World War II. Thus, the gaming industry quickly became Nevada's largest source of revenue, exceeding that of mining, manufacturing, and agriculture. And, Las Vegas experienced a major economic structural shift due to the government's involvement at that time as a process of ongoing tourism transformation. Without these government and private sector institutional changes, coupled with Las Vegas' spatial development, the first transformation would not have been successful.

Diversification of Economic Structures (1950s – 1980s)

In the 1950s, Las Vegas continued to develop its tourism industry in order to prepare for the future market and possible structural changes. As a result of another institutional change, Las Vegas started diversifying revenue streams through the new development of the meetings and conventions business in order to sustain its economic strength and growth over the long-term. Specifically, in order to grow the meetings and conventions business in Las Vegas, the State Legislature agreed to create the Clark County Fair and Recreation Board in 1955, which later became the LVCVA, and open the Las Vegas Convention Center in 1959 (LVCVA, 2015a). Since then, the LVCVA has played a substantial role in promoting the city as the most ideal leisure and meetings destination in order to attract both domestic and international visitors

(LVCVA, 2015a). The funding was primarily acquired from a room tax collected on all hotels and motels in Clark County, which allowed the Clark County Fair and Recreation Board to begin destination marketing programs and the Las Vegas Convention Center to be constructed and to operate.

Additional evidence of the importance of institutional change is seen in Las Vegas' improvement of its auto and air access during the 1960s, including the relocation and expansion of the McCarran Airport. Eventually, this government decision resulted in the ability to accommodate the growing number of tourists and flights. The McCarran Airport continues to expand and it now serves numerous leisure and business travelers with more than 900 inbound and outbound flights every day (LVCVA, 2015d). The upgraded transportation system also contributed to a significant increase in the number of attendees to the meetings and conventions occurring in Las Vegas, as many participants were coming from outside of Las Vegas. Thus, it is clear that without this government decision to improve the air transportation system, Las Vegas' growth would have been negatively affected.

A Gaming Destination to A Multi-dimensional Tourist Attraction (1980s – 2000s)

In the 1980s came private sector entrepreneurship and involvement, with the new development of the mega-resort business model introduced by Steve Wynn. During that time, Las Vegas attempted to reduce its dependence on the gaming industry, which resulted in the evolution of the non-gaming sector such as retail, food and beverage, entertainment, and meetings. This allowed Las Vegas to stay healthy economically over time and reduce its dependence on the gaming industry, which triggered a greater change in Las Vegas' tourism structure. As a result of this private sector involvement—another example of institutional

change—both the visitor volume and room inventories increased rapidly between 1985 and 2000 with the growth of mega-resorts in Las Vegas.

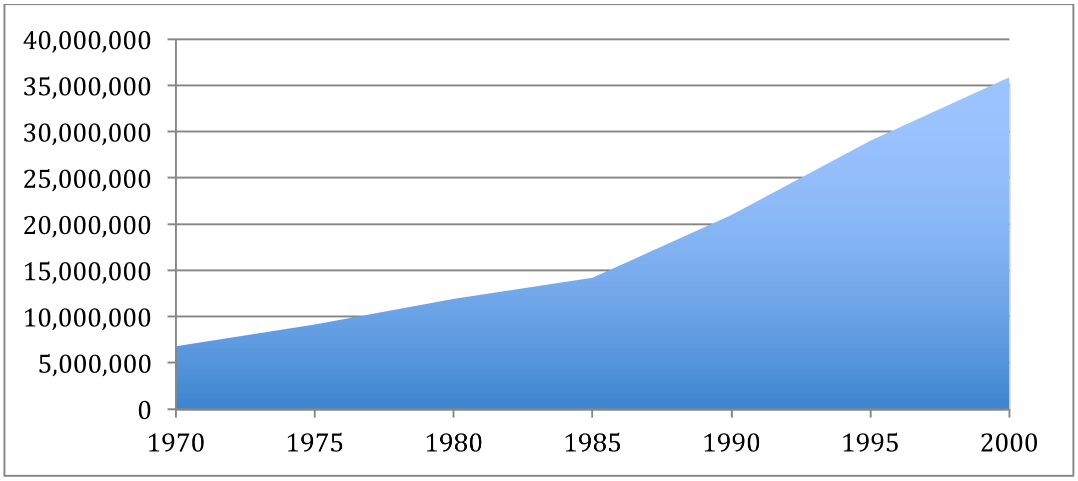

Figure 5. Las Vegas Visitor Volumes 1970 – 2000, Data from LVCVA (2015c)

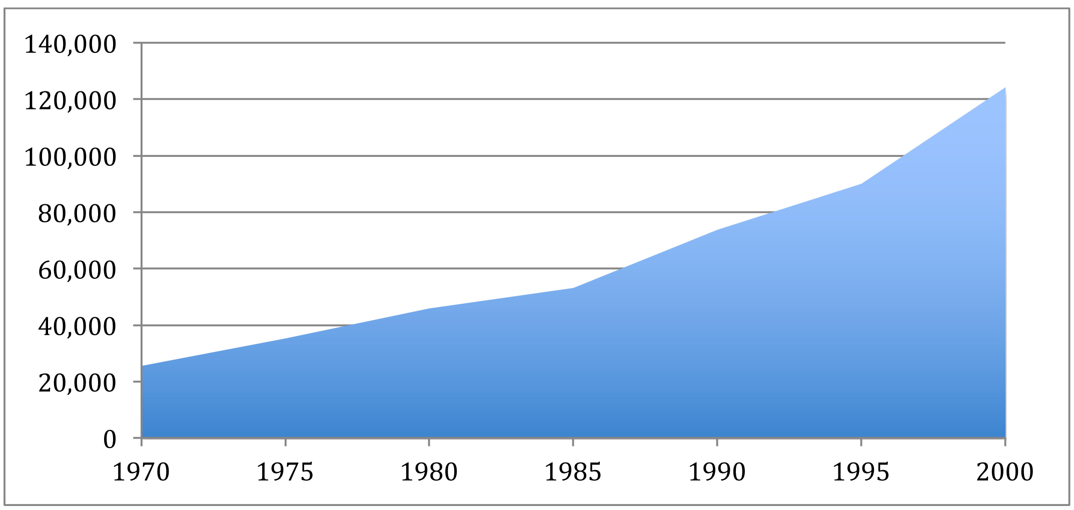

Figure 6. Las Vegas Room Inventories 1970 – 2000, Data from LVCVA (2015c)

Figure 5 and 6 present the idea of a correlation between visitor volumes and room inventories (LVCVA, 2015c). Specifically, the visitor volume and room inventories increased rapidly between 1985 and 2000 with the growth of mega-resorts in Las Vegas.

Transformation in the economic structure and spatial development of the Las Vegas tourism industry heavily influenced the overall economic growth, particularly the non-gaming

revenue. However, over the next two decades, Las Vegas' continued transformation from a traditional casino destination to a multi-dimensional tourist attraction and expansion from domestic tourism to international tourism was accomplished with the LVCVA and private sector' leadership and involvement.

Another great example of private sector leadership, as well as spatial development, can be found when Sheldon Adelson introduced his new business model in 1995. This new integrated resort model certainly had a huge impact on the growth of the Las Vegas meetings and conventions industry.

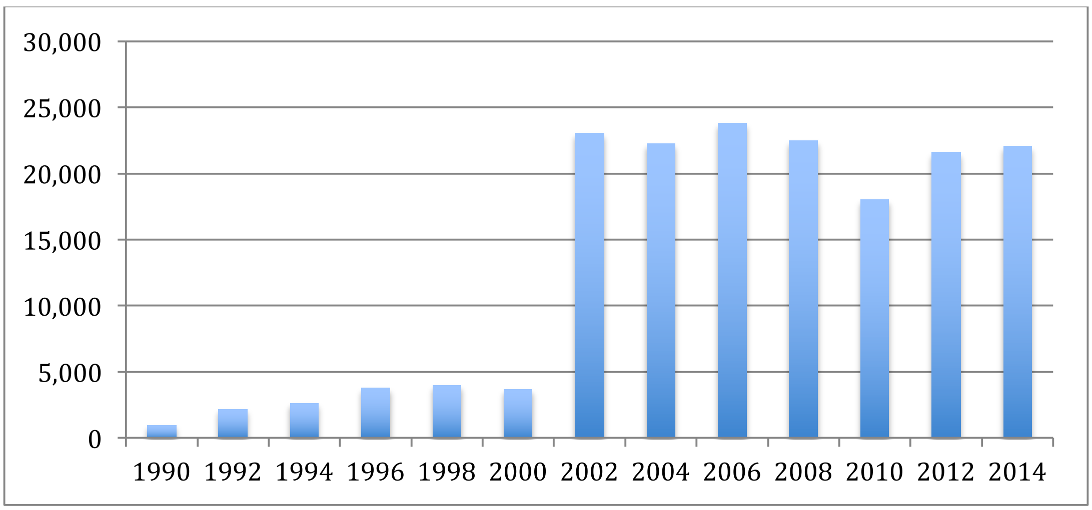

Figure 7. Number of Conventions held in Las Vegas 1990 – 2014, Data from LVCVA (2015c)

As seen in figure 7, the growth of the integrated-resort concept has had a positive impact on the Las Vegas meetings and conventions industry (LVCVA, 2015c). Once again, the private sector's involvement caused positive change in the tourism industry. After going through the economic recession and tough national and global competition, the Las Vegas economy quickly started to recover due to the popularity of the non-gaming sector, particularly the meetings and conventions business (LVCVA, 2013a).

Over the last 60 years, as a result of the government's support and private sector's

involvement, the meetings and conventions business in Las Vegas has been remarkably transformed. As the Clark County Fair and Recreation Board hoped in the early 1950s, the meetings and conventions industry attracts numerous domestic and international visitors every year and more importantly the numbers continue to grow.

Without LVCVA's leadership and involvement and the private sector's entrepreneurship, the meetings and conventions industry wouldn't be successful and the necessary structural changes would not have occurred. Still, LVCVA plays a substantial role in marketing and advertising Las Vegas as a major destination for tourists, conventions, and tradeshows (LVCVA, 2015a). With their most popular advertising slogans, "What Happens in Vegas, Stays in Vegas," and "Vegas Means Business." they are targeting domestic and international leisure and business travelers.

Recommendations

As this paper has shown that institutions' leadership and involvement have become key elements of success in today's tourism industry, both the government and private sectors should closely work together to develop long-term strategic tourism development plans in order to establish successful tourism transformation. Additionally, when developing effective tourism transformation strategies, it is necessary to understand current visitors' needs, intentions, and perspectives, including both leisure and business visitors.

Moreover, in order for an emerging tourism destination to stimulate its economic activities, job creation abilities, and new business opportunities, it should genuinely consider its competitive situation, market position, technological trends, and financial performance. It also needs to identify potential economic, social, and environmental challenges, as well as opportunities for the future.

As discussed, tourism destinations should not only develop their industrial base, such as manufacturing or agriculture, but also communicate their unique qualities and value more effectively with their target tourism market.

Lastly, in order for a tourism destination to continue to grow and generate substantial economic benefits, it should attempt to transform into a more appealing location by upgrading its tourism infrastructure, evolving the service-oriented industry, developing a diverse and proficient workforce, reenergizing local business, and developing more distinctive tourism attractions and facilities. In this process, consistency is the key as the transformation is a long-term process.

Conclusion

The best security a tourism destination can hope for is to make itself easily adaptable to new market trends, as it is impractical to attempt to predict the future. This can be done by looking at the history of Las Vegas' tourism industry as a relevant example. Just as Las Vegas significantly has transformed itself over the last 80 years, emerging tourism destinations may wish to look at how their government and private sectors can work together to institute changes in their current economic structures and foster market diversity in order to continue to rejuvenate and reinvent themselves in the long-term.

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