

Making Sense of Today's Convention Industry

San Diego, May 2009

The Convention Market is Different:

- It's valuable: 3-4 X leisure spend
- It's efficient:
 - A single sale can generate thousands of visits
 - Buyers, sellers know a lot about each other
- It's not a tourism sell:
 - A business-to-business transaction
 - Centers don't deal with end-users (delegates)
 - Different markets, messages, decisions
 - Often a very lengthy lead time
 - It addresses economic development objectives
 - More at stake than just filling hotel rooms

The Economics are Unusual;

World wide,

- Most centers serve as a loss leader
- Few recover their capital cost
- Benefits are widely dispersed; few mechanisms for recapture
- Revenue, economic impact often conflict
- Some of the most important benefits aren't even measured (or measurable)

Centres Have Three Roles;

- An economic role
- A business / professional development role
- A community enhancement role

The Economic Role:

- Generate delegate / exhibitor spending
- Spread resulting economic benefits
- Add incremental visits, better utilize hospitality infrastructure (off season implications)
- Promote tourism via pre / post , accompanying persons, return visits
- Attract / support new infrastructure investment such as hotels

The Business / Professional Development Role:

- Often used to advance, complement economic development strategies
- Attract business / professional audiences that wouldn't otherwise visit
- Expose delegates to local products, services and investment opportunities,
- A vehicle for local business / professional groups to host colleagues
- Events can create / enhance destination profile

The Community Role:

- Creates local access to business, professional development opportunities
- Brings world-class knowledge and expertise into the community
- Provides facilities and services for community events and celebrations
- Generates non-resident tax revenues that can support community services

Centers as Business Operations;

Like any business;

- Are impacted by economic conditions
- There is competition
- Periodic imbalances in supply / demand
- There are relative winners and losers
- There is a need for solid business planning based on good market analysis
- Clear objectives are required to assess performance

What's Different?

Unlike other businesses;

- Government ownership is typical
- Expectations are a mix of business / public policy
- There are many stakeholders with a wide range of interests
- Ongoing need to balance direct revenues with broader economic impacts
- Operate within a local policy framework while having to compete internationally

Performance Measurement is Complex:

- Direct revenue only part of the story
- Mandates often restrict business potential
- Many external factors influence results
- Multiple expectations; typically a mix of:
 - Bottom line financial performance
 - Delegate spend / economic impact
 - Room nights, delegate days
 - Tourism (pre/post, accompanying, return visits)
 - Client satisfaction (reputation sells)
 - Policy achievements (non-quantitative)

Success Factors:

- Center able to meet market expectations
- Strong and visible reputation for quality
- A balanced destination package
- Attractive destination to drive attendance
- Business, academic, professional links
- Center well integrated with the city
- Responsive to evolving trends (flexibility)
- Diversified business base

Diversity = Stability:

- Geographic markets behave differently
- Industry / professional cycles vary
- Mix of revenue and economic generators (which often conflict)
- Combination of stable, long term (association) and shorter term, higher revenue (corporate)
- Booking policies designed to manage business priorities and high-grade business opportunities

What's Driving San Diego's Success?

- Centre "delivers the destination"
- High service, facility standards
- Facility evolved with market opportunity
- Hotel growth has kept pace
- Integration of centre precinct / city
- Highly focussed marketing process
- Diversified business base
- Community engagement and support

Why Do Centers Expand?

- To remain competitive
- To retain business that's outgrowing them
- To attract larger and more diverse events
- Respond to changing market expectations (technology, spatial requirements)
- To increase operating efficiency (create greater flexibility, accommodate multiple simultaneous events)

Established Centers have an Advantage;

- They have a business history as a base for their projections
- They understand how various destination components interact
- They have a "captive" sample as a base for accurate survey data
- They understand their clients evolving needs
- Lost business reports quantify demand

Challenges and Prospects:

- Growing competition
- Clients understand their value; are negotiating accordingly
- Service, facility expectations increasing
- Shift to meetings as "serious business"
- Concentration of buying power
- New factors emerging (sustainability)
- Technology enhancing, not competing
- "Face to face" still rated highest value
- A key role in economic recovery

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