

2011

The Evolving Industry

Member Survey



SPECIAL INDUSTRY
REPORT BY:

AIPC

RAM

RED7MEDIA



The Evolving Industry

2011 Member Survey

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Introduction

The global economy is rebounding, but the strength of the recovery is different around the world and within various types of venue, event and group organizations. As part of our ongoing series of member surveys to analyze how these changes are impacting our industry, AIPC conducted a follow-up to the 2010 study *Tomorrow's Convention and Congress Centres*. This new study *The Evolving Industry* further examines economic and industry issues and the impact on venue business performance. The data in this new report provides comparison of how the major regions of the world are responding to evolving industry conditions. In short, this survey presents the voice of the convention and congress centre management community and AIPC membership on many of the key industry issues.

In May and June 2011, AIPC conducted an executive-level survey that was sent to all members around the world. One hundred and twelve member venues responded for a 70% response rate. A summary of the key findings was presented at the 2011 AIPC Annual Conference in San Diego, California.

The report covers the following key areas and themes:

- Growth Rates
- Revenues & Pricing
- Investment & New Development
- Qualitative Measures & Community Integration
- Client Trends & Marketing

It is important to note that even though the total number of responses in some regions is small, the survey data has high validity. Even a small number of responses in certain regions equates to a high percentage of venues and a high proportion of AIPC members. There are a few centres in Africa, Latin America and the Middle East that responded to the survey but due to insufficient response numbers the data from these regions are not presented in separate breakouts in the report. Although these responses are included in the overall worldwide statistics.

New in this year's report is a detailed appendix with data tables for each of the major regions of the world most representative of the AIPC membership. These tables provide the revenue streams that experienced an increase or decrease in terms of revenue growth from 2009 to 2010 as well as the expectation for growth in 2011.

Some of the new research findings are compared to similar results from the 2010 study. The survey and report was developed by AIPC in collaboration with Red 7 Media and Managing Director of Research & Consulting, Michael Hughes.



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Executive Summary

Some of the key findings from the study are presented in this summary.

- Despite the uneven economic recovery around the world, the global convention and congress centre industry still experienced 6.8% total gross revenue growth in 2010, according to the AIPC member survey respondents.
- Growth rates differed significantly by major regions of the world. Asia experienced substantial 26% growth. Australia also experienced strong top-line growth of 9.3%. Europe and North America were more subdued with 3.9% and 2.2% gross revenue growth last year.
- For 2011 worldwide, AIPC members are collectively forecasting 3.1% top-line revenue growth. A solid rebound is expected in 2011 for most regions, except for Europe which is forecasting only 0.1% revenue growth. Asian venues see growth slowing to a rate of 6.9%. North American members are expecting 3.3% top-line expansion and Australia is the most robust major market in the world with 7.9% gross revenue growth expected in 2011.
- In 2010 attendance at member venues collectively worldwide grew by only 1%. Of the major regions represented by the survey, Asia experienced strong 15.5% attendance growth, while North America saw a decline of over 6%. Europe's attendance dropped by -0.8%.
- For calendar year 2011, members are forecasting 3.6% growth for overall attendance worldwide. The North America economy has many concerns and headwinds, but the member venues in the region are still optimistic about attendance growth, forecasting robust 8.3% growth, which is just slightly less than the Asian members' 8.7% attendance growth outlook for the year.
- Sixty-three percent of members around the world see a moderate to strong recovery, and 37% see a weak recovery or no recovery at all. In Europe 51% of members say the recovery is "strong" to "moderate". The Asian growth miracle is not universal in the region, as not every country in Asia is experiencing strong growth. In fact, 31% of Asian members say the recovery is "weak". In contrast, the Australian economic outlook is positive. Only 10% of North American venues say they are seeing a strong recovery.
- The survey asked for the perceived risks to the economic recovery and impact on the members' business. There are two main risks worldwide – growing competition and the economy. There is also concern about oil prices and government restrictions on meetings and other policies. The North American venues are more concerned about high oil and gas

prices resulting in increased transportation costs. And while most all AIPC members are concerned about increasing competition, the Australian members are the most concerned compared to all regions.

- There are also considerable policy differences in various regions of the world that impact the industry. For example, 43% of North American venues, and the U.S. facilities in particular, have identified “immigration or visa requirements limiting access” as a key concern, significantly higher than any other region. Another example of concerns about government policy is that 46% of Asian members have identified the potential for “changing government priorities” as a challenge to future performance, a percentage higher than any other region.
- The survey asked how this economic recovery has been different from past recoveries. Around the world 78% of venue executives say event clients are negotiating more. The second most common difference is that event and group planner decision-making and contracting times are shrinking, according to 68% of the respondents. These two trends are most pronounced in North America.
- For the entire membership, the top three key success metrics are: venue operational profit/loss, total number of events, and total number of visitors. North America, unlike most of the other major regions focuses on total economic impact, total number of booked hotel rooms, and visitor-related tax revenues. In Asia, only 27% of venues say that total economic impact is a key measure of success. Proprietary events are also most important in Asia. Europe and Australia place more emphasis on the total number of visitors to their venues when measuring their success.
- New building and expansion activity is slowing overall worldwide, while renovation actively is increasing. Still, 60% of member venues are planning a new development project or have one under way.

AIPC Members in Europe, North America, Asia and Australia Planning or Currently Developing/Constructing a New Build, Expansion or Renovation

	ALL RESPONDENTS	EUROPE	NORTH AMERICA	ASIA	AUSTRALIA
New build	12%	13%	6%	9%	0%
Expansion	25%	20%	35%	18%	50%
Renovation	23%	30%	18%	18%	0%
No development plans	40%	37%	41%	55%	50%

- Event and group clients continue to change. The 2010 survey results found that 74% of venue executives around the world were seeing their key clients reduce their booking windows, i.e., book venues closer to their event days. This compares to a significant 96% of respondents this year seeing this trend. A similar trend relates to increased client negotiations. Ninety percent of respondents to the 2011 survey say they are experiencing this compared to 77% last year. These two trends are reflected throughout the world.
- Twenty-seven percent of the respondents say they added at least one new revenue stream in the past year. This contrasts with a similar question asked in the 2010 survey that asked about adding new revenue streams “in the past five years”. In the 2010 survey, 61% said they had added at least one new venue stream.
- There is mixed pricing power around the world. Overall, competitive and slower growth markets are seeing eroding pricing power, while markets with less competition between venues can hold or increase rates. Forty-one percent of members say they are able to increase their prices while 17% say their pricing power is eroding. Forty-two percent indicated their pricing power is staying the same this year.
- The region of the world with the strongest pricing power is Asia. The highly competitive North American market has weak power to raise prices, especially exhibit hall and meeting room prices when competing to win large association conventions and meetings. Only 11% of European venues say that their pricing power is eroding.
- The majority of the survey response came from European members, followed by North America and Australia.

FACILITY REGIONS	% RESPONDENTS
Europe	58%
North America	14%
Australia	11%
Asia	9%
Africa	1%
Latin America	1%
Middle East	1%

I. GROWTH RATES

Gross Revenue Growth in 2010 and Expected for 2011

Despite the uneven economic recovery around the world, the global convention and congress centre industry still experienced good growth in 2010 – 6.8% total gross revenue growth, according to the AIPC member survey respondents. This was better than the 4.2% growth rate forecast in the survey conducted in mid-2010.

Growth rates differed significantly by major regions of the world. The table below provides these breakouts. Asia experienced substantial 26% growth. Australia also experienced strong top-line growth of 9.3%. Europe and North America were more subdued with 3.9% and 2.2% gross revenue growth last year.

2010 Gross Revenue Growth

REGION	2010
All Respondents	6.8%
Europe	3.9%
North America	2.2%
Asia	26.1%
Australia	9.3%

The survey asked members for a 2011 calendar year growth forecast. A solid rebound is expected in 2011 for most regions, except for Europe. Asian venues see growth slowing as the table illustrates.

Expected Gross Revenue Change 2011 vs. 2010

REGION	2011 FORECAST
All Respondents	3.1%
Europe	0.1%
North America	3.3%
Asia	6.9%
Australia	7.9%

Confidence Level – Gross Revenue Increase Outlook

The 2011 survey asked the members to indicate their level of confidence that their organization's total gross revenue will increase in 2011 vs. 2010. The confidence level used a 10-point scale where "10" is the most confident and "1" the least. Overall the confidence level is mixed. By combining the top three levels, those that selected a confidence level between 8 and 10, the most confident region in terms of revenue outlook is Australia, followed by North America, then Asia.

	ALL RESPONDENTS	EUROPE	NORTH AMERICA	ASIA	AUSTRALIA
10 = Most Confident	12%	7%	16%	25%	20%
9	9%	11%	5%	8%	0%
8	17%	9%	26%	8%	50%
7	12%	9%	11%	17%	10%
6	6%	7%	5%	0%	10%
5	10%	7%	11%	17%	10%
4	5%	7%	0%	8%	0%
3	12%	13%	21%	8%	0%
2	5%	6%	0%	8%	0%
1 = Least Confident	13%	22%	5%	0%	0%

2010 Attendance Growth

In 2010 attendance at member venues collectively worldwide grew only 1%, which was slightly less than expected based on the previous survey. Of the major regions represented by the survey, Asia experienced strong 15.5% attendance growth, while North America saw a decline of over 6%. Europe's attendance at member facilities dropped by -0.8%.

REGION	2010
All Respondents	1.0%
Europe	-0.8%
North America	-6.3%
Asia	15.5%
Australia	6.7%

Looking out to performance in 2011, the North American economy has many headwinds, but the member venues in the region are still optimistic about attendance, forecasting robust 8.3% growth. This is just slightly less than the Asian members' 8.7% attendance growth outlook for this year.

Expected Change in Total Attendance in 2011 vs. 2010

REGION	2011 FORECAST
All Respondents	3.6%
Europe	1.0%
North America	8.3%
Asia	8.7%
Australia	6.3%

Strength of the Economic Recovery

The study asked how the members around the world characterize the strength of the economic recovery. Sixty-three percent see a moderate to strong recovery, and 37% see a weak recovery or no recovery at all. But each region is different. In Europe 51% of members say the recovery is "strong" to "moderate". Asia is diverse with a segmented growth story, as not every sector and segment of Asia is experiencing strong growth. In fact, 31% of Asian members say the recovery is "weak". The Australian outlook is positive. Only 10% of North American venues say they are seeing a strong recovery.

	ALL RESPONDENTS	EUROPE	NORTH AMERICA	ASIA	AUSTRALIA
Strong recovery	17%	10%	10%	46%	33%
Moderate recovery	46%	41%	57%	23%	53%
Weak recovery	27%	31%	33%	23%	13%
Very weak recovery, flat to no growth	7%	10%	0%	8%	0%
No recovery, we are still in recession	4%	8%	0%	0%	0%

How the Current Recovery is Different from Past Economic Rebounds

The survey asked how this economic recovery has been different from past recoveries. Around the world 78% of venue executives say event clients are negotiating more. The second most common difference is that event and group planner decision-making and contracting times are shrinking, according to 68% of the respondents. These two trends are most pronounced in North America.

	ALL RESPONDENTS	EUROPE	NORTH AMERICA	ASIA	AUSTRALIA
Event and group clients are negotiating more	78%	82%	86%	54%	60%
Event and group planner decision/contracting times are shrinking	68%	66%	91%	62%	67%
Growth has been slower	42%	43%	57%	15%	40%
Growth has been faster	20%	19%	10%	23%	33%
More involvement of intermediaries	18%	19%	19%	15%	7%
Seeing more corporate outsourcing of meeting planning	16%	13%	33%	8%	0%
Other	9%	5%	10%	23%	27%

Risks to Recovery

The global economy is considered to be growing and recovering from the 2008/2009 economic downturn, although each region of the world and market is rebounding at a different rate. The survey asked for the perceived risks to the economic recovery and impact on the members' business. The North American venues are concerned about high oil and gas prices resulting in increased transportation costs. While most all regions are concerned about increasing competition, the Australian members are the most concerned.

There are also considerable policy differences in various regions of the world that impact the industry. An example of this is that 43% of North American venues, and the U.S. facilities in particular, have identified "immigration or visa requirements limiting access" as a key concern, significantly higher than any other region.

	ALL RESPONDENTS	EUROPE	NORTH AMERICA	ASIA	AUSTRALIA
Competition from other regions	66%	63%	62%	62%	80%
Oil and gasoline prices driving transportation costs	48%	39%	81%	46%	40%
Government/corporate restrictions on meetings	34%	38%	52%	15%	0%
Government policies	29%	25%	48%	39%	7%
Unemployment	28%	32%	43%	0%	7%
Rising interest rates	26%	35%	14%	15%	13%
Increases of corporations and individuals using digital media and communications	26%	20%	38%	46%	13%
Political changes, instability	25%	29%	10%	23%	7%
Immigration or visa requirements limiting access	12%	6%	43%	15%	7%
Concerns re: sustainability	11%	10%	14%	15%	0%
Other	20%	14%	14%	39%	53%

Greatest Challenges

The responses to this question – *What do you see as your facility’s greatest challenges over the next three to five years?* – suggest both “good news” and “bad news”. The positive is that there are only two primary challenges: growing competition and the economy, and both of these do not relate to the fundamental health of the global meetings and events industry. The negative for many venues is that this already competitive industry is becoming more competitive.

Forty-six percent of Asian members have identified the potential for “changing government priorities” as a challenge to future performance, a percentage higher than any other region.

	ALL RESPONDENTS	EUROPE	NORTH AMERICA	ASIA	AUSTRALIA
Growing competition	79%	81%	67%	73%	88%
The economy	62%	67%	53%	55%	38%
Threats to air travel (including increasing costs)	32%	17%	47%	46%	63%
Changing government priorities, etc.	23%	21%	27%	46%	0%
Increasing hotel room rates	21%	14%	40%	9%	38%
Sustainability concerns	13%	15%	7%	27%	0%
Replacement of events with online alternatives	9%	12%	0%	18%	0%
Other	11%	10%	27%	0%	13%

Increasing Costs

The study asked about inflation concerns with a question about the operating and administrative expense areas that are seeing increased costs. In general the results suggest there is cost inflation in many of the major cost categories in every region of the world. For example, 91% of Asian venues said that are seeing increasing costs in both of these key categories – repair and maintenance, and staff salaries and benefits.

	ALL RESPONDENTS	EUROPE	NORTH AMERICA	ASIA	AUSTRALIA
Repair and maintenance	76%	76%	69%	91%	70%
Salaries and benefits	62%	48%	69%	91%	90%
Sales and marketing	48%	46%	38%	73%	40%
Food and beverage costs	47%	35%	38%	73%	80%
Utilities	46%	33%	63%	55%	80%
Equipment and supplies	46%	52%	25%	64%	40%
Event services delivery costs	34%	33%	25%	46%	50%
Insurance	32%	28%	38%	46%	40%
Contractual services	26%	20%	31%	36%	30%
Telecommunications	25%	26%	13%	27%	40%
Professional services fees	19%	17%	13%	27%	40%
Professional management fees	10%	11%	6%	27%	0%
Other	5%	7%	6%	0%	0%

Venue Success Measurement Factors

How do AIPC members' senior management teams measure overall success? For the entire membership, the top three success metrics are venue operational profit/loss, total number of events, and total number of visitors. North America, unlike most of the other major regions around the world places a focus on total economic impact, total number of booked hotel rooms, and visitor-related tax revenues. In Asia, only 27% of venues say that total economic impact is a key measure of success. Proprietary events are also most important in Asia. Europe and Australia place more emphasis on the total number of visitors to their venues.

	ALL RESPONDENTS	EUROPE	NORTH AMERICA	ASIA	AUSTRALIA
Venue operational profit/loss	92%	93%	88%	100%	90%
Total number of events	66%	72%	65%	46%	50%
Total number of visitors	65%	70%	59%	46%	70%
Total economic impact	64%	51%	100%	27%	90%
Public Relations – press coverage	33%	34%	29%	27%	20%
Total number of booked hotel rooms	24%	13%	71%	18%	10%
Performance of our proprietary event business	18%	19%	12%	27%	0%
Visitor-related tax revenues	10%	4%	41%	0%	0%
Hotel community occupancy levels	8%	8%	6%	0%	10%
Hotel community gross sales or profit	4%	2%	0%	9%	0%
Other	14%	15%	6%	9%	30%
Not Applicable	1%	2%	0%	0%	0%

II. REVENUES & PRICING

Revenue “Movement” 2010-2011: Percentage of Venues Seeing Increasing Revenue Streams – All Respondents

To get a sense where there is “revenue movement” in terms of the percentage of all members experiencing growth by revenue category, the table below provides the revenue sources with the largest percentage change based on increased revenues in 2011 vs. 2010. It is a good sign that the revenue stream performing the best on a global basis is exhibit hall and meeting room rent, which is the core service of what congress and convention centres provide. In 2011, 9% more AIPC members have seen facility rental revenues increase than in 2010. Still, tempering these results is that only 46% of member venues say they are seeing rental venues increasing so far in 2011. This contrasts with event services including equipment rental and audio-visual services which are growing at 64% of venues around the world.

	2010 % VENUES WITH INCREASE	2011 % EXPECTING INCREASE	% CHANGE
Exhibit hall and meeting room rent	37%	46%	+9%
Event services including equipment rental and Audio-Visual	59%	64%	+5%
Signage and/or advertising	20%	25%	+5%
Parking revenues	30%	34%	+4%
Events owned/produced by the venue	17%	20%	+3%
Portion of hotel occupancy tax	7%	10%	+3%
Food/beverage sales or concessions	51%	52%	+1%
Telecommunications, internet and technology services	48%	49%	+1%
Direct government funding	10%	11%	+1%
Public/private partnership(s)	8%	9%	+1%
Naming rights	5%	4%	-1%
Other vendor commissions/revenue share	27%	23%	-4%

Percentage of Venues that Added New Revenue Sources

Twenty-seven percent of the respondents say they added at least one new revenue stream in the past year. This contrasts with a similar question asked in the 2010 survey that asked about adding new revenue streams “in the past five years”. In the 2010 survey, 61% said they had added at least one new venue stream. These findings suggest the question: *Are venues running out of revenue ideas?* Possibly, but the previous five years were likely an outlier period due to strong industry growth prior to the recession and the rapid addition of new technology, as well as increased focus on improving food and beverage and event services.

	2011	2010
Yes	27%	61%
No	73%	39%

The table below provides the regional responses to the question covering new revenue stream development. Fifty-six percent of the Australian respondents indicated they have added new revenue sources in the past year.

	ALL RESPONDENTS	EUROPE	NORTH AMERICA	ASIA	AUSTRALIA
Yes	27%	22%	21%	30%	56%
No	73%	78%	79%	70%	44%

Changes in Convention & Exhibition Space Pricing Power 2011 vs. 2010

There is mixed pricing power around the world. Overall, competitive slower growth markets are seeing eroding pricing power, while less competitive markets can hold or increase rates.

	2011	2010
Increasing	41%	34%
Eroding	17%	12%
Same	42%	54%

The region of the world with the greatest pricing power is Asia. The highly competitive North American market has weak power to raise prices, especially exhibit hall and meeting room prices when competing to win large association conventions and major group meetings. Only 11% of European venues say that their pricing power is eroding.

	ALL RESPONDENTS	EUROPE	NORTH AMERICA	ASIA	AUSTRALIA
Increasing	41%	37%	29%	64%	44%
Eroding	17%	11%	35%	9%	33%
Staying the same	42%	52%	35%	27%	22%

Percentage of Venues Engaging in More Incentive or Subvention Activities (such as Rent Reductions, Added Value Services, Cash Incentives, Hosted Functions)

Overall, the need for incentives and discounts is actually being reduced around the world, when comparing the findings from the past two surveys, although the need is still high in competitive markets like North America and Australia.

	2011	2010
Yes	47%	68%
No	53%	32%

	ALL RESPONDENTS	EUROPE	NORTH AMERICA	ASIA	AUSTRALIA
Yes	47%	31%	75%	55%	78%
No	53%	69%	25%	46%	22%

Staffing Levels in 2010

The study asked how venue staffing levels changed in 2010, as well as how members expect their staffing levels to change in 2011. Comparing the two years finds that in 2010 25% of venues around the world decreased their staff count while only 5% have done this or plan to do this in 2011.

	ALL RESPONDENTS	EUROPE	NORTH AMERICA	ASIA	AUSTRALIA
Increased	30%	26%	18%	36%	63%
Decreased	25%	30%	29%	18%	0%
Stayed the same	45%	44%	53%	46%	38%

Staffing Levels in 2011

	ALL RESPONDENTS	EUROPE	NORTH AMERICA	ASIA	AUSTRALIA
Increase	34%	24%	41%	64%	50%
Decrease	5%	7%	0%	9%	0%
Stay the same	61%	69%	59%	27%	50%

III. NEW DEVELOPMENT & INVESTMENT

A range of new development and investment themes are covered in this section of the study.

New Building & Expansion Activity

New building and expansion activity is slowing overall worldwide, while renovations are rising. Still, 60% of member venues are planning a new development project or have one under way. The table below presents the 2011 findings compared to the 2010 survey results. Only 6% of the North American AIPC members are currently planning or developing a new building, although 53% are planning or developing an expansion or renovation project.

AIPC Members Worldwide Planning or Currently Developing/Constructing a New Build, Expansion or Renovation Project

ALL RESPONDENTS	2010	2011	% CHANGE
New build	17%	12%	-5%
Expansion	32%	25%	-7%
Renovation	17%	23%	+6%
No development plans currently	35%	40%	+5%

AIPC Members Worldwide Planning or Currently Developing/Constructing a New Build, Expansion or Renovation Project

	ALL RESPONDENTS	EUROPE	NORTH AMERICA	ASIA	AUSTRALIA
New build	12%	13%	6%	9%	0%
Expansion	25%	20%	35%	18%	50%
Renovation	23%	30%	18%	18%	0%
No development plans currently	40%	37%	41%	55%	50%

Government Inclination to Invest

The study asked *“Do you feel that currently government is more or less inclined to invest in the convention and congress centre industry, especially in terms of facilities and infrastructure?”* Nearly half of European and North American respondents feel government is less inclined to invest in venue development today. Twenty-seven percent of Asian venue managers feel their governments are more inclined to invest.

	ALL RESPONDENTS	EUROPE	NORTH AMERICA	ASIA	AUSTRALIA
More	22%	19%	18%	27%	25%
Less	40%	44%	47%	27%	25%
Same	30%	32%	24%	27%	38%
Don't know	8%	6%	12%	18%	13%

Arguments Required for Financial Support & Investment – Common Themes

The survey asked for feedback on the types of arguments that are required today to secure financial support and investment for new venue development projects. The mostly commonly voiced themes are broken out by major region of the world.

Europe:

- Competition, market demand
- Economic impact
- “Return on knowledge” especially in medical industry
- More revenue
- Sustainability
- Improved destination marketing
- Stronger local economy

North America:

- Economic impact, tax projections, jobs
- Client meeting/breakout room requirements
- Combination of traditional tourism metrics and support for local industries
- “Green” impact of improved facilities

Asia:

- Ability to book more and larger events
- Lost business reports
- Using private funds

Australia:

- Economic impact, lost business
- Local area improvement
- Research on value beyond tourism economic impact
- Capacity and competitor developments

Service and Technology Areas that Will Require Investment – Common Themes

Some of the most common “write-in” themes related to service and technology areas that require more investment by major region include:

Europe:

- Audio-Visual
- Wi-Fi
- Network infrastructure
- Food and Beverage and catering
- Building services infrastructure improvement

North America:

- Digital signage
- Network infrastructure
- Wi-Fi
- Facilities services upgrades

Asia:

- Audio-Visual
- IT infrastructure
- Kitchens

Australia:

- Audio-Visual
- Information Technology
- Wi-Fi

IV. QUALITATIVE MEASURES & COMMUNITY INTEGRATION

Non-Financial and Qualitative Measures Becoming More Important

The 2011 survey asked what non-financial and qualitative measures and attributes are becoming more important to their organization and stakeholders. Overall, supporting local economic development was selected by the largest percentage of members (72%). In Australia and North America this was selected by a significant 89% and 88%, respectively.

	ALL RESPONDENTS	EUROPE	NORTH AMERICA	ASIA	AUSTRALIA
Supporting local economic development	72%	64%	88%	80%	89%
Supporting hotel bookings	46%	45%	59%	40%	33%
Supporting local professional and business initiatives	38%	34%	35%	50%	22%
Promoting education/retraining	36%	38%	35%	40%	22%
Other	11%	9%	12%	10%	33%

Furthermore, 71% of venues say they are better integrating and working with community organizations. Some of the common themes on this topic from the survey include:

- Better and more frequent communication
- Marketing the venue to local companies and groups
- Working more closely with government, local businesses, universities, industry associations, local charities, and chambers of commerce
- Joint marketing and sharing of promotional activities with various groups and organizations

Percentage of Venues Better Integrating and Working with the Community

	ALL RESPONDENTS	EUROPE	NORTH AMERICA	ASIA	AUSTRALIA
Yes	71%	69%	75%	60%	86%
No	29%	31%	25%	40%	14%

V. CLIENT TRENDS & MARKETING

Event and group clients continue to change. The 2010 survey results found that 74% of venue executives around the world were seeing their key clients reduce their booking windows, i.e., book venues closer to their event days. This compares to a significant 96% of respondents this year seeing this trend. A similar trend relates to increased client negotiations. Ninety percent of respondents to the 2011 survey said they are experiencing this compared to 77% last year. These two trends are reflected throughout the world. In short, event clients have been impacted by the uneven economy and are asking for more from their venue partners. In North America, a significant 86% of venues say their clients are requiring more technology capabilities and services.

Key Event and Group Client Trends

	ALL RESPONDENTS	EUROPE	NORTH AMERICA	ASIA	AUSTRALIA
Shorter booking windows, they are booking closer to the event dates	96%	98%	86%	91%	100%
Increased negotiations	90%	89%	93%	91%	88%
Requiring more technology capabilities and services	73%	76%	86%	55%	63%
Requiring higher-quality food and beverage	51%	45%	64%	55%	50%
Requiring attendance promotion assistance	31%	30%	43%	18%	25%
Focusing more on event design and ambiance	31%	30%	50%	27%	25%
Asking for more Public Relations assistance and outreach to city and regional leaders	30%	34%	43%	18%	0%
Longer booking windows, they are booking further from the event dates	4%	8%	0%	0%	0%
Other	9%	8%	7%	27%	0%

Event and Group Segments with the Best Current Growth or Near-Term Prospects

Again this year association events are seen as the strongest with the best near-term prospects around the world. Local corporate meetings in particular are seen as healthy in Asia and Australia.

	ALL RESPONDENTS	EUROPE	NORTH AMERICA	ASIA	AUSTRALIA
Association conventions with exhibits	63%	62%	62%	64%	75%
Association conferences and meetings	54%	54%	62%	64%	25%
Local corporate meetings	49%	38%	39%	82%	75%
National or International corporate meetings	44%	48%	46%	27%	25%
Entertainment events	30%	36%	0%	18%	63%
Governmental events and meetings	29%	28%	8%	46%	50%
For-profit trade shows, trade fairs, exhibitions	27%	26%	23%	36%	38%
Consumer and public shows	22%	24%	15%	27%	13%
“SMERF” events (societal, military, educational, religious or fraternal events)	17%	20%	15%	9%	13%
Training events	15%	16%	8%	18%	13%
Parties	14%	18%	15%	0%	13%
Job fairs	12%	12%	8%	18%	13%
Sporting events	12%	18%	0%	0%	13%
Other	5%	2%	15%	0%	0%

Percentage of Event Clients Using Virtual Meetings Technology

The study asked members if they are seeing more event and group clients incorporating virtual meetings during their physical events. Globally, 40% say they are seeing this.

	ALL RESPONDENTS	EUROPE	NORTH AMERICA	ASIA	AUSTRALIA
Yes	40%	41%	31%	46%	29%
No	54%	54%	63%	46%	71%
Don't know	6%	6%	6%	9%	0%

The opinion on the impact of virtual meetings technology on venues is mixed around the world. Analyzing survey feedback on this issue finds more positive venue management reactions than negative. A common theme is that this technology is more of a compliment to physical events, and mostly competes with smaller events and meetings, not major events that are so important to convention centres.

Venue Sales & Marketing Changes

The main ways in which venues around the world have changed their sales and marketing in response to changing market conditions have been to pursue local business alliances and other markets. Asian venues in particular have focused on pursuing local business alliances. Seventy percent of the Australian centres say they have switched marketing tactics, the highest regional percentage in the world. Australia is also one of the most competitive venue markets in the world. European and North American members in particular are investing more in sales and marketing areas and initiatives.

	ALL RESPONDENTS	EUROPE	NORTH AMERICA	ASIA	AUSTRALIA
Pursued local business alliances	50%	44%	59%	64%	30%
Started pursuing other markets	43%	37%	53%	36%	50%
Switched tactics	42%	39%	47%	36%	70%
More investment	40%	46%	47%	9%	30%
Developed an "Ambassador" program	31%	33%	29%	18%	20%
Joined a marketing alliance	26%	37%	24%	9%	10%
Changed messaging	21%	23%	24%	27%	10%
Changed CVB relations	14%	17%	18%	0%	0%
Other	11%	10%	18%	18%	0%
No Change -- Not Applicable	10%	6%	12%	18%	20%

Working with Hotel Industry Partners

In many ways hotels are the critical partners of congress and convention centres. The study asked how members are working with their hotel partners. The majority of members in all regions say their relationships with the hotel community are improving.

	ALL RESPONDENTS	EUROPE	NORTH AMERICA	ASIA	AUSTRALIA
Hotel supply capacity is increasing	67%	69%	47%	100%	33%
Overall our relationships with the hotel community is improving	58%	59%	53%	55%	56%
We have communicated the competitive issues related to convention, exhibition and major event bookings	56%	46%	71%	55%	78%
Overall hotel rates for event room blocks are increasing	44%	33%	65%	73%	33%
Asked for contributions or participation in incentive funds to help win event and group business	32%	26%	59%	27%	33%
Asked for hotel room rate decreases	31%	33%	24%	0%	44%
Worked with owners / managers / investors to make the case for the need for more hotel properties or rooms	28%	26%	35%	18%	22%
Overall hotel rates for event room blocks are decreasing	15%	15%	12%	9%	22%
Asked for more information related to their pricing formulas and decisions	10%	13%	0%	18%	0%
Asked for hotel facility to reduce their hall or meeting space rent or services pricing	8%	7%	12%	0%	0%
Overall our relationships with the hotel community is declining	4%	2%	18%	0%	0%
Hotel supply capacity is decreasing	2%	2%	0%	0%	11%
Other	3%	2%	6%	0%	11%

CONCLUSION

Even with a weak economy with many regions and industry sectors around the world experiencing little to no growth, or continued declines, the global congress and convention centre industry continues to expand. In fact, 63% of members say they are experiencing a moderate or strong economic recovery.

Both facility supply and demand are increasing in most regions of the world. Total gross revenue at AIPC member venues is expected to increase by 3.1% in 2011, while overall attendance is forecast to grow by 3.6% worldwide. The new building and expansion trend has been moderating for a number of years. Still, 60% of member venues are planning a new development project or have one under way currently.

Along with this growth are significant challenges for the industry. The convention, meetings and events industry is global, but the cities and countries where venues are based define their performance. Geography is destiny for congress and convention centres.

Key Trends and Implications

Some of the key trends uncovered in both the 2011 and 2010 member surveys have long term impacts and implications for venue management executives. Some of the most pressing include:

- The industry is growing but overall, due to the economy, the growth is slow. The event and group meeting industry is a mature and cyclical industry. Overall the events and meetings industry is healthy and expected to continue to grow worldwide, although significant new growth trends or new business opportunities are not clearly on the horizon. The implication is that the convention centre industry, especially in Europe and North America, needs to prepare for a slow growth environment for a number of years.
- Power continues to shift to event and group clients, especially the largest events in the most competitive industry sectors and regions. It is still a buyer's market in most regions, and associations are the strongest event sector. Nearly all types of events and groups are negotiating more and shrinking their booking windows. Already a long-term trend, increased venue supply and a static number of major events will continue to give leading venue clients an advantage in terms of negotiations.
- The introduction of new venue revenue streams and concepts seems to be slowing. Twenty-seven percent of the respondents say they added at least one new revenue stream in the past year, compared to over 60% that added one or more revenue streams or services between 2006 and 2010. Is the congress and convention centre business model becoming fully defined and constrained? Or are there additional new services, markets and business models to be developed over the long-term?

- Many of the leading venues in the world and most AIPC members are government-owned facilities. Convention centres regularly need significant investments to stay current with technology, make repairs, expand or build new facilities, and add services. Today, according to the survey, nearly half of European and North American AIPC members feel government is less inclined to invest in convention venues. With governments grappling with lower tax revenues and higher expenditures and commitments, how will venues fare in terms of public investment? Venues experience significant “wear and tear” and governments are in need of real economic development initiatives around the world, the type that successful convention and meeting venues can help provide. As found in the survey, the venue industry will simply have to develop more robust arguments and possibly longer-term efforts to secure required investment and support.
- A key effect of many of these issues has been for venue managers to put more emphasis on better integrating their facilities and connect to the community, i.e., to focus on what the survey has called “non-financial and qualitative measures”. The net impact of these efforts is to both improve communications with key constituencies in their cities and communities and drive new business. Top venue management teams are already adept at working in the events and meetings industry as well as with government and other key local owners and stakeholders. Improving relations and serving both very different communities will continue to be even more important to venue leaders.

Many venues or their governing agencies or authorities are entering their third, fourth or fifth decade – and some have been in business even longer. The leading venues, many of which are AIPC members, have never faced more competition and most have likely not seen a more uneven and unpredictable economic and political environment. On the bright side, they have also never been as integrated with key local institutions and the event and meetings industry has never been so diverse or important to their industries.

APPENDIX: Revenue Streams with an Increase or Decrease in Terms of Total Revenue Growth from 2009 to 2010, and 2010 to 2011 Expectation

Survey Question: Which of the following revenue streams at your facility experienced an increase or decrease in terms of total revenue growth from 2009 to 2010?

All Respondents 2009 to 2010

	INCREASED	DECREASED	STAYED THE SAME	NOT APPLICABLE
Exhibit hall and meeting room rent	37%	32%	28%	3%
Food/beverage sales or concessions	51%	23%	19%	7%
Other vendor commissions/revenue share	27%	19%	30%	24%
Event services including equipment rental and Audio-Visual	59%	16%	21%	4%
Telecommunications, internet and technology services	48%	12%	33%	6%
Parking revenues	30%	7%	32%	30%
Signage and/or advertising	20%	11%	37%	32%
Events owned/produced by the venue	17%	10%	26%	47%
Portion of hotel occupancy tax	7%	12%	14%	67%
Direct government funding	10%	12%	25%	54%
Naming rights	5%	0%	9%	86%
Public/private partnership(s)	8%	6%	14%	72%

Europe 2009 to 2010

	INCREASED	DECREASED	STAYED THE SAME	NOT APPLICABLE
Exhibit hall and meeting room rent	32%	33%	35%	0%
Food/beverage sales or concessions	41%	30%	22%	7%
Other vendor commissions/revenue share	29%	24%	33%	14%
Event services including equipment rental and Audio-Visual	55%	20%	26%	0%
Telecommunications, internet and technology services	47%	15%	36%	2%
Parking revenues	27%	6%	42%	26%
Signage and/or advertising	23%	17%	42%	19%
Events owned/produced by the venue	19%	15%	31%	35%
Portion of hotel occupancy tax	4%	12%	19%	65%
Direct government funding	7%	15%	24%	54%
Naming rights	8%	0%	12%	81%
Public/private partnership(s)	9%	11%	15%	64%

North America 2009 to 2010

	INCREASED	DECREASED	STAYED THE SAME	NOT APPLICABLE
Exhibit hall and meeting room rent	33%	47%	13%	7%
Food/beverage sales or concessions	44%	38%	13%	6%
Other vendor commissions/revenue share	38%	25%	3%	6%
Event services including equipment rental and Audio-Visual	48%	20%	27%	7%
Telecommunications, internet and technology services	50%	19%	25%	6%
Parking revenues	19%	25%	13%	44%
Signage and/or advertising	0%	6%	38%	56%
Events owned/produced by the venue	0%	0%	6%	94%
Portion of hotel occupancy tax	7%	27%	20%	47%
Direct government funding	13%	7%	40%	40%
Naming rights	0%	0%	0%	100%
Public/private partnership(s)	6%	0%	0%	94%

Asia 2009 to 2010

	INCREASED	DECREASED	STAYED THE SAME	NOT APPLICABLE
Exhibit hall and meeting room rent	75%	8.3%	0%	17%
Food/beverage sales or concessions	67%	0%	17%	17%
Other vendor commissions/revenue share	17%	0%	17%	67%
Event services including equipment rental and Audio-Visual	67%	0%	8%	25%
Telecommunications, internet and technology services	50%	0%	25%	25%
Parking revenues	25%	0%	8%	67%
Signage and/or advertising	42%	0%	17%	42%
Events owned/produced by the venue	8%	8.3%	33%	50%
Portion of hotel occupancy tax	17%	0%	8%	75%
Direct government funding	17%	0%	25%	58%
Naming rights	8%	0%	8%	83%
Public/private partnership(s)	8%	0%	8%	83%

Australia 2009 to 2010

	INCREASED	DECREASED	STAYED THE SAME	NOT APPLICABLE
Exhibit hall and meeting room rent	33%	33%	33%	0%
Food/beverage sales or concessions	78%	0%	22%	0%
Other vendor commissions/revenue share	25%	0%	13%	63%
Event services including equipment rental and Audio-Visual	89%	11%	0%	0%
Telecommunications, internet and technology services	44%	11%	33%	11%
Parking revenues	67%	0%	22%	11%
Signage and/or advertising	0%	0%	37%	63%
Events owned/produced by the venue	33%	0%	22%	44%
Portion of hotel occupancy tax	0%	0%	0%	100%
Direct government funding	13%	13%	13%	63%
Naming rights	0%	0%	0%	100%
Public/private partnership(s)	0%	0%	25%	75%

Survey Question: Which of the following revenue streams do you expect to see an increase or decrease in terms of total revenue from 2011 compared to 2010?

All Respondents 2010 to 2011

	INCREASED	DECREASED	STAYED THE SAME	NOT APPLICABLE
Exhibit hall and meeting room rent	46%	26%	28%	0%
Food/beverage sales or concessions	52%	25%	19%	4%
Other vendor commissions/revenue share	23%	22%	35%	20%
Event services including equipment rental and Audio-Visual	64%	18%	18%	1%
Telecommunications, internet and technology services	49%	22%	27%	2%
Parking revenues	34%	8%	31%	27%
Signage and/or advertising	25%	13%	34%	28%
Events owned/produced by the venue	20%	9%	28%	44%
Portion of hotel occupancy tax	10%	2%	24%	64%
Direct government funding	11%	8%	33%	48%
Naming rights	4%	1%	13%	82%
Public/private partnership(s)	9%	7%	14%	71%

Europe 2010 to 2011

	INCREASED	DECREASED	STAYED THE SAME	NOT APPLICABLE
Exhibit hall and meeting room rent	38%	38%	27%	0%
Food/beverage sales or concessions	40%	31%	22%	7%
Other vendor commissions/revenue share	17%	24%	44%	15%
Event services including equipment rental and Audio-Visual	56%	22%	22%	0%
Telecommunications, internet and technology services	44%	20%	35%	2%
Parking revenues	29%	7%	42%	22%
Signage and/or advertising	19%	19%	41%	22%
Events owned/produced by the venue	23%	9%	40%	28%
Portion of hotel occupancy tax	9%	0%	30%	61%
Direct government funding	7%	9%	33%	50%
Naming rights	6%	2%	19%	74%
Public/private partnership(s)	9%	11%	15%	64%

North America 2010 to 2011

	INCREASED	DECREASED	STAYED THE SAME	NOT APPLICABLE
Exhibit hall and meeting room rent	63%	19%	19%	0%
Food/beverage sales or concessions	56%	31%	13%	0%
Other vendor commissions/revenue share	50%	19%	31%	0%
Event services including equipment rental and Audio-Visual	63%	19%	19%	0%
Telecommunications, internet and technology services	50%	31%	19%	0%
Parking revenues	38%	13%	6%	44%
Signage and/or advertising	44%	6%	13%	38%
Events owned/produced by the venue	6%	0%	6%	88%
Portion of hotel occupancy tax	20%	0%	33%	47%
Direct government funding	0%	6%	63%	31%
Naming rights	0%	0%	0%	100%
Public/private partnership(s)	19%	0%	0%	81%

Asia 2010 to 2011

	INCREASED	DECREASED	STAYED THE SAME	NOT APPLICABLE
Exhibit hall and meeting room rent	58%	17%	25%	0%
Food/beverage sales or concessions	67%	17%	17%	0%
Other vendor commissions/revenue share	25%	17%	17%	42%
Event services including equipment rental and Audio-Visual	75%	17%	0%	8%
Telecommunications, internet and technology services	50%	33%	8%	8%
Parking revenues	9%	18%	9%	64%
Signage and/or advertising	36%	9%	27%	27%
Events owned/produced by the venue	8%	17%	17%	58%
Portion of hotel occupancy tax	0%	8%	17%	75%
Direct government funding	33%	0%	17%	50%
Naming rights	8%	0%	8%	83%
Public/private partnership(s)	8%	0%	8%	83%

Australia 2010 to 2011

	INCREASED	DECREASED	STAYED THE SAME	NOT APPLICABLE
Exhibit hall and meeting room rent	33%	11%	56%	0%
Food/beverage sales or concessions	78%	11%	11%	0%
Other vendor commissions/revenue share	13%	13%	0%	75%
Event services including equipment rental and Audio-Visual	89%	0%	11%	0%
Telecommunications, internet and technology services	67%	11%	22%	0%
Parking revenues	78%	0%	11%	11%
Signage and/or advertising	25%	0%	25%	50%
Events owned/produced by the venue	44%	0%	11%	44%
Portion of hotel occupancy tax	0%	0%	0%	100%
Direct government funding	25%	0%	123%	63%
Naming rights	0%	0%	0%	100%
Public/private partnership(s)	0%	0%	25%	75%



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