



**SPOTLIGHT ON**  
MEETINGS, CONVENTIONS,  
& INCENTIVE TRAVEL *PG2*

# MARKET INSIGHTS UPDATE

North America | March 2015

A monthly update including relevant information on tourism industry trends, consumer market research, competitive intelligence, and Hawai'i's performance as a destination.

## In This Issue

The meetings, conventions, and incentives (MCI) market is a key component of the tourism industry, even for destinations dominated by leisure travel like Hawai'i. In this month's Spotlight On: MCI Travel, the market's characteristics and outlook for 2015 are presented alongside continuing challenges for the meetings industry.

Hawai'i is well-positioned to grow its North American MCI segment in 2015, with nearly 247,000 room nights already booked for the year and an additional 314,000 lead room nights in the pipeline. Although demand for Hawai'i as a meetings destination is expected to remain stable in

the years ahead, increased pricing pressure from hotels and airlines will continue to be a challenge for the market segment.

In addition to this month's MCI market analysis, the March 2015 Market Insights Update includes the latest airline data showing continued strength in scheduled air seats from North America, which are projected to reach record-level capacity in 2015. The newest *travelhorizons* survey data shows U.S. travelers interest in visiting Hawai'i as a vacation destination has also hit an all-time high. All market indicators point to strong months ahead for Hawai'i as a destination.



## HOTEL UPDATE

Hawai'i's room rates and occupancy grew in the final months of 2014, helping to end the year on a strong note for the hotel industry.

*PG4*

## CONSUMER TRENDS

A record number of U.S. air leisure travelers say they are very or extremely likely to visit Hawai'i in the next two years. Price, however, continues to act as a significant barrier to travel.

*PG5*

## #LETHAWAIIHAPPEN

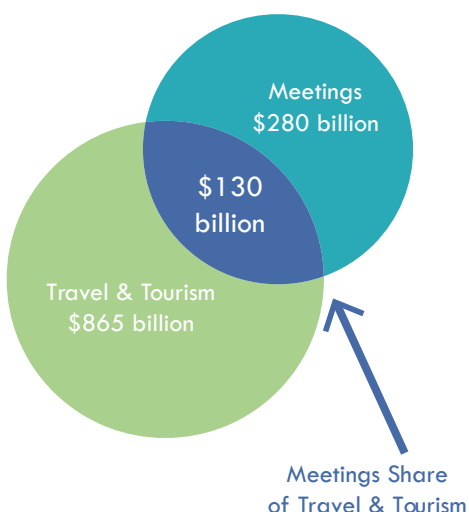
HVCB's #LetHawaiiHappen campaign launched in January 2015. The campaign, rooted in social media, is working to showcase the unique offerings of a Hawai'i vacation. The campaign has achieved more than 28 million social impressions to date.

*PG6*



HAWAI'I VISITORS AND CONVENTION BUREAU

## Meetings Industry Direct Spending in U.S.



Source: HVCB analysis of PricewaterhouseCoopers  
"The Economic Significance of Meetings in the U.S. Economy", 2012



## MCI Travel Market

### Hawai'i's Top 2015 North American Market Segments

1. **Association: Fraternal, Service**  
43,500 room nights  
18,300 attendees
2. **Association: Labor Union**  
42,130 room nights  
13,060 attendees
3. **Association: Scientific**  
35,147 room nights  
20,321 attendees

Continued on PG3

### The Meetings, Conventions and Incentive Industry

Meetings, conventions, and incentives (MCI) is a significant contributor to the tourism industry in terms of both visitor traffic and expenditures. According to a study by PricewaterhouseCoopers, 1.8 million meetings and events are held in the U.S. each year, which are responsible for more than \$280 billion in annual direct spending. Travel for meetings, events, and incentive programs accounts for 46 percent of all business travel spending in the U.S., totaling \$103 billion. The global meetings travel industry was hard hit by the recession in 2007 and is finally on the rebound after more than seven years of struggles.

Hawai'i's MCI travel industry is also making a comeback following years of decline due to the recession and resulting tightened budgets. Hawai'i welcomed

a total of 463,832 MCI visitors from across the globe in 2014, an +11.6 percent increase over 2013 and the highest level seen since 2007. MCI visitors from the U.S. and Canada grew +10.9 percent year-over-year in 2014, totaling more than 318,000 visitor arrivals. The vast majority of Hawai'i's MCI arrivals come from the North American market, which make up almost 70 percent of all MCI traffic.

Overall, MCI arrivals from the U.S. and Canada accounted for 5.8 percent of North American visitor arrivals to Hawai'i in 2014. Approximately 62 percent of Hawai'i's MCI traffic from North America can be attributed to conventions, while 24 percent fall under meetings, and 21 percent are incentive travel.

Continued on PG3

### Meetings Industry Price Forecast 2015

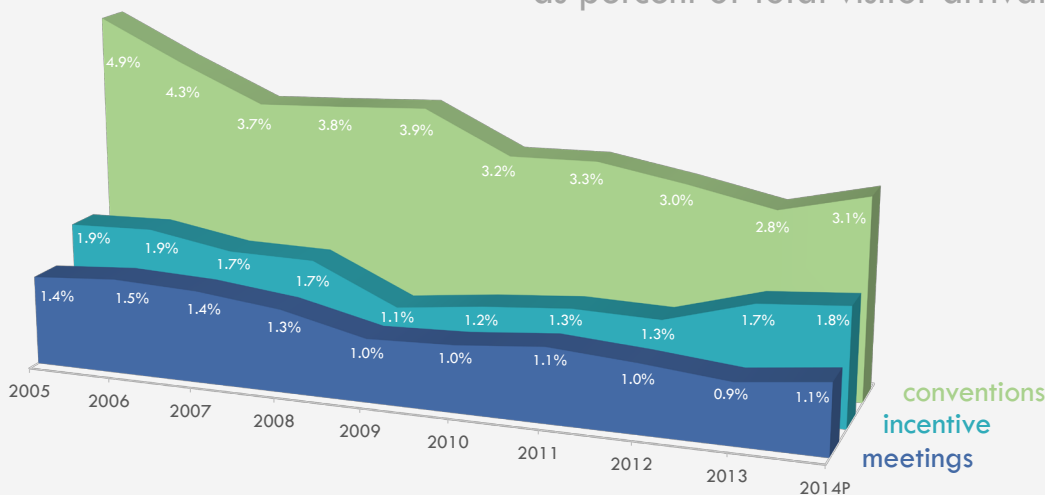


Source: HVCB analysis of MPI Meetings Outlook Fall 2014



# Global MCI Visitor Arrivals to Hawai'i

as percent of total visitor arrivals



Source: HVCB analysis of HTA Visitor Arrival data, 2009 - 2014



Photo courtesy of HTA / Dana Edmunds

## MCI Industry Continued

The island distribution of MCI visitors tends to be concentrated around O'ahu and Maui. O'ahu captures more than half of all MCI visitor arrivals (51.3%), while Maui receives approximately one-quarter (23.5%).

In terms of expenditures in Hawai'i, MCI visitors from all markets spent a total of \$791.2 million in 2013 (including personal and supplemental business spending), down from the \$876.6 million spent in 2012. This averaged out to a \$217 per person per day spend from the U.S. West market and \$246 from U.S. East, which is significantly higher than the per person per day spend of leisure travelers.

The meetings industry is expected to remain relatively stable in 2015, according to the American Express Meetings & Events Global Meetings Forecast. In North America, meetings activity is forecast to grow slightly at +0.3 percent in 2015. Budgets are expected to remain fairly unchanged, with overall spend anticipated to grow +0.3 percent and individual budgets expected to decrease -0.2 percent. Attendee levels are also forecast to stabilize, with no major changes in the coming year.

It is important to note that the meetings travel industry will continue to face many key challenges as the economy improves. According to Meeting Planner International's

(MPI) Meetings Outlook, the meetings and events industry is currently complicated by a variety of factors, including growing costs and shorter lead times. Based on findings from MPI's seasonal meeting professionals survey, 89 percent of respondents identified rising air and travel costs as an expense concern in 2015, while 87 percent identified growing food and beverage prices, and 84 percent cited higher room rates. There is also a push to extract more revenue from room rentals, parking, and shipping. Overall, air travel costs are expected to grow +5.0 percent in 2015, room rates +3.9 percent, and food and beverage costs +4.0 percent. With escalating expenses, meeting planners are adjusting revenue goals for 2015 and increasing rates for group business in 2015 and 2016.

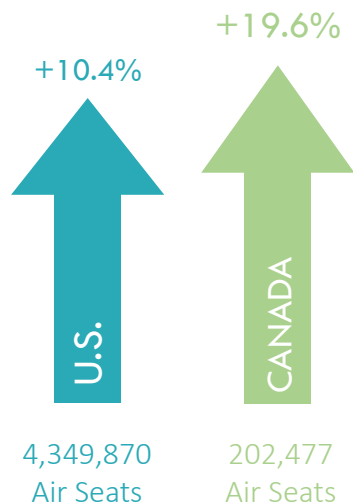
Looking ahead, Hawai'i will continue to face the challenges associated with MCI travel to resort destinations, including higher prices, compression due to a growing leisure travel segment, and increased competition with lower-cost destinations. Hawai'i, however, has a strong base to build upon from the North American market in upcoming years, with more than 270 definite events and one million room nights on the books from 2015 through 2025. There are also more than 245 tentative events in the pipeline from North America, representing more than 314,000 potential room nights.

## Hawai'i's Top 2015 Market Segments

from PG2

4. Association: Medical, Healthcare  
30,791 room nights  
11,390 attendees
5. Corporate: Medical, Pharm  
24,141 room nights  
4,789 attendees
6. Corporate: Insurance  
20,238 room nights  
5,349 attendees
7. Corporate: Consumer Products  
12,616 room nights  
4,210 attendees
8. Association: Government  
11,241 room nights  
2,769 attendees
9. Association: Educational  
8,856 room nights  
6,713 attendees
10. Corporate: Travel  
7,000 room nights  
3,450 attendees

## Scheduled Air Seats March - August 2015



Source: HVCB analysis of Diio Mi air seat data, 2015 vs 2014



Photo courtesy of HHA / Tor Johnson

## Hotel Industry Update

### At a Glance: Air Service Outlook

Air service to Hawai'i from the U.S. and Canada continues to show double-digit growth in the months ahead. Scheduled air seats from North America are currently expected to increase +10.8 percent in the March through August period, with seats from the U.S. growing by +10.4 percent and Canada by +19.6 percent. Neighbor Islands will continue to see the bulk of additional scheduled air seats, capturing 64 percent of added capacity in the next six months.

### Room Rates Grow in Final Months of 2014

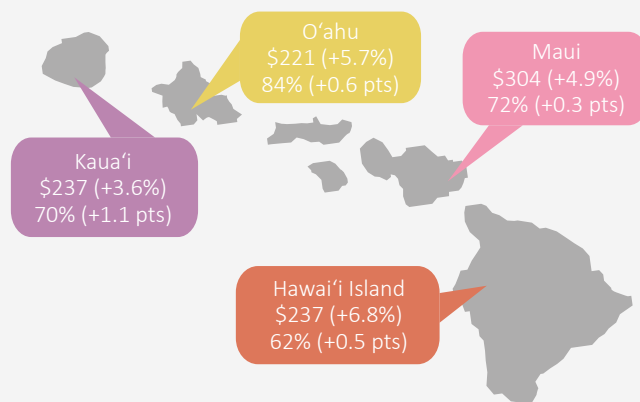
Recently released accommodation data shows that hotels continued to see significant growth in the final months of 2014. Statewide Average Daily Rate (ADR) increased by +7.4 percent year-over-year in the fourth quarter of 2014, growing from \$229 to \$246 year-over-year.

Strong growth in the fourth quarter meant hotels ended 2014 with a +5.5 percent increase in room rates over 2013, closing the year with an ADR of \$243. This was once again the highest recorded annual average daily rate for Hawai'i. The destination now stands as the second most expensive U.S. market in terms of ADR, falling just behind New York City. As such, Hawai'i's hotel industry

set a new hotel revenue record in 2014, totaling \$5.4 billion. Of this, approximately 70 percent (\$3.7 billion) came directly from room revenue, with the remainder coming from food and beverage, retail, parking, and other sources.

Statewide occupancy posted a +0.5 percentage point increase year-over-year in 2014, ending the year at 77 percent occupancy. Hawai'i ranked fifth in terms of occupancy when compared to the top 25 U.S. markets in 2014. Statewide hotel demand was down at the start of the year but picked up around summer and ended the year strong. Gains during the shoulder seasons helped Hawai'i's hotel industry end the year on a high note.

### Average Daily Rate + Occupancy by Island 2014 vs 2013



Source: HVCB analysis of Hospitality Advisors data, 2014 vs 2013





## Consumer Trends

### Intent to Travel Reaches Record High

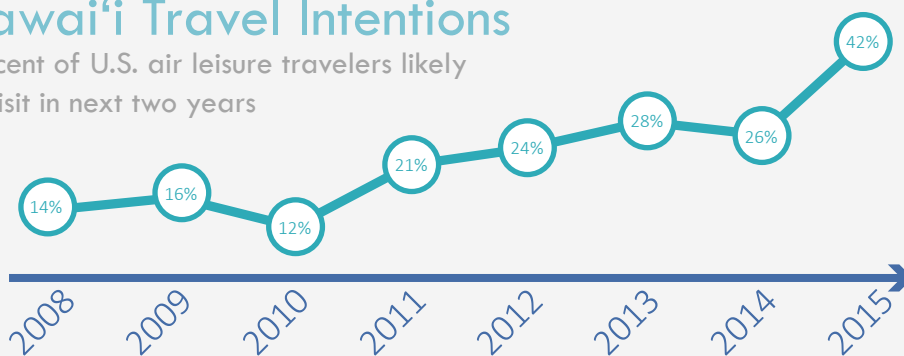
Interest in a Hawaiian Island vacation has once again hit a record high in the first quarter of 2015. According to the latest MMGY Global *travelhorizons* data, more than 42 percent of U.S. air leisure travelers report they are very or extremely likely to visit Hawai'i in the next 24 months, up 16.4 percentage points year-over-year. Intent to travel to Hawai'i has grown significantly over the last seven years, increasing from just 14.3 percent in 2008 to over 40 percent in 2015.

Despite strong travel intentions, Hawai'i is still susceptible to a range of barriers to travel. Nearly 37 percent of U.S. air leisure travelers who have previously considered visiting Hawai'i have decid-

ed not to after all. The cost of a Hawai'i vacation ranks among the top reasons for not visiting the destination. Although the price of airfare and vacation packages are the top two deciding factors for not visiting Hawai'i, the percentage of U.S. leisure travelers who have cited these reasons has actually dropped year-over-year. This may be attributed to an easing of travel prices, particularly flight costs. At the same time, a growing number of travelers cite the price of hotel and better value at another destination as reasons not to visit. As hotel rates continue to grow, Hawai'i's high-cost reputation will remain a barrier to travel, particularly when compared to other warm-weather destinations.

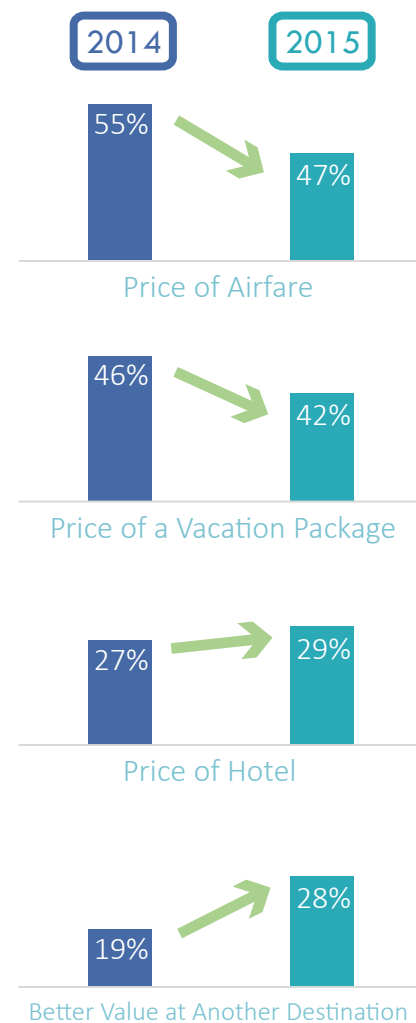
### Hawai'i Travel Intentions

percent of U.S. air leisure travelers likely to visit in next two years



Source: HVCB analysis of MMGY Global *travelhorizons* data, 2008 - 2014 Q1

### Barriers to Travel to Hawai'i



Source: HVCB analysis of MMGY Global *travelhorizons* data, 2014 - 2015 Q1



## #LetHawaiiHappen

HVCB's #LetHawaiiHappen campaign launched on January 1, 2015. The integrated campaign, which utilizes social media at its core while leveraging traditional media channels, aims to showcase authentic experiences of a Hawaiian Island vacation, particularly geared towards the Hawaii Target Traveler who has yet to visit the destination.

HVCB encourages you and your guests to continue to share and engage with tagged images and videos on gohawaii's social channels, including Facebook, Instagram, Pinterest, Twitter, and YouTube. So far, HVCB has met with over 100 business partners across the state, which has been critical to the successful launch

of this initiative while also building interest, traffic, and engagement for your social platforms. HVCB will continue to feature images and videos with the #lethawaii happen hashtag through 2015.

HVCB will also be hosting InstaMeets throughout the state while partnering with both businesses and Instagrammers throughout 2015. The first InstaMeet will be held on Waikiki Beach on Saturday, March 21, with plans for at least two more InstaMeets this year at other locations. This is a great opportunity to meet your Instagram followers in person, increase followers to your Instagram handle, and promote your brand to visitors and kama'āina alike.

### SNEAK PEEK AT NEXT MONTH

-  Spotlight On: Social Media's Role in the Tourism Industry
-  Hawai'i's destination brand attributes in 2014
-  Updated competitive review

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### Let Hawai'i Happen Campaign Results

Jan - Feb 2015



28 million social impressions



1.3 million video views



18,000 hashtag uses



**HAWAII VISITORS and  
CONVENTION BUREAU**

2270 Kalakaua Ave #801, Honolulu, HI 96815  
808.923.1811 | [insights@hvcb.org](mailto:insights@hvcb.org)  
[www.hvcb.org/insights](http://www.hvcb.org/insights)