



Photo courtesy of HTA / Dana Edmunds



SPOTLIGHT ON:
MEETINGS, CONVENTION
& INCENTIVE TRAVEL PG2

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

MARKET INSIGHTS UPDATE

North America | March 2016

In This Issue

The North American MCI Market

Hawai'i's Meetings, Convention, and Incentive industry continued on a strengthened path through 2015. Preliminary data indicates that total MCI visitor arrivals reached a new post-recession high of nearly half a million visitors, with the North American arrivals accounting for nearly two-thirds of the segment.

While Hawai'i's meetings industry ended 2015 on a strong note, 2016 will be affected by destination-specific and industry-wide challenges. A lag in booking pace will likely impact MCI visitor arrivals, while rising meetings and event costs

will affect the ability to close new business. Meeting planner budgets have not kept pace with rising prices, and as a result, buying power has actually decreased year-over-year. This issue is further compounded by the higher cost of travel to Hawai'i.

Despite these challenges, Hawai'i still has nearly one quarter of a million North American room nights on the books for 2016. This month's issue of the *Market Insights Update* takes an in-depth look at Hawai'i's Meetings, Conventions, and Incentive market and the unique opportunities and challenges it will face in the year ahead.

Continued on PG2



TRAVEL INTENTIONS

Hawai'i travel intentions hit a new high among U.S. air leisure travelers in the first quarter of 2016. Despite strong demand, cost still remains a significant barrier to travel, particularly when it concerns accommodations.

PG4

TRAVEL SENTIMENT

U.S. air leisure traveler sentiment grew to a new high in the opening quarter of 2016. Travelers report having more time for and interest in travel, as well as better financial situations.

PG5





Meetings, Conventions, & Incentive Travel

Hawai'i's Top Market Segments in 2016

1. **Trade Associations**
56,000 room nights
2. **Scientific**
24,000 room nights
3. **Medical, Healthcare**
18,000 room nights

Hawai'i as a Meetings Destination

Following years of decline due to the recession and subsequent budget cuts, Hawai'i's MCI industry continued to show signs of strength in 2015. The destination welcomed more than 497,000 Meetings, Conventions, and Incentive travelers in 2015, an +8.8 increase year-over-year and the highest level seen since 2007. Arrivals from the U.S. and Canada accounted for 64 percent of all MCI arrivals in 2015, totaling nearly 318,000 visitors.

Overall, MCI travelers from the U.S. and Canada made up 5.5 percent of North American visitor arrivals in 2015. Just over 61 percent can be attributed to conventions, while

22 percent visited Hawai'i for a corporate meetings, and 21 percent came for incentive travel.

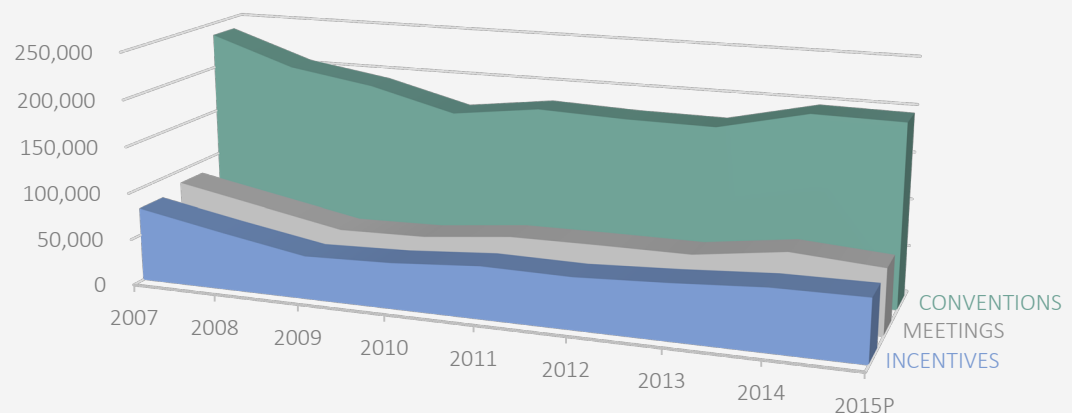
MCI visitors from all markets spent more than \$968.9 million while in destination in 2014 (including personal and supplemental business spending), significantly higher than the \$791.2 million in expenditures in the prior year. This averaged out to a per-person-per-day spend of \$205 from U.S. West market and \$223 from U.S. East.

MCI Bookings

Bookings made by HVCB and the Hawai'i Convention Center (HCC) account for nearly half of the state's North American MCI arrivals.

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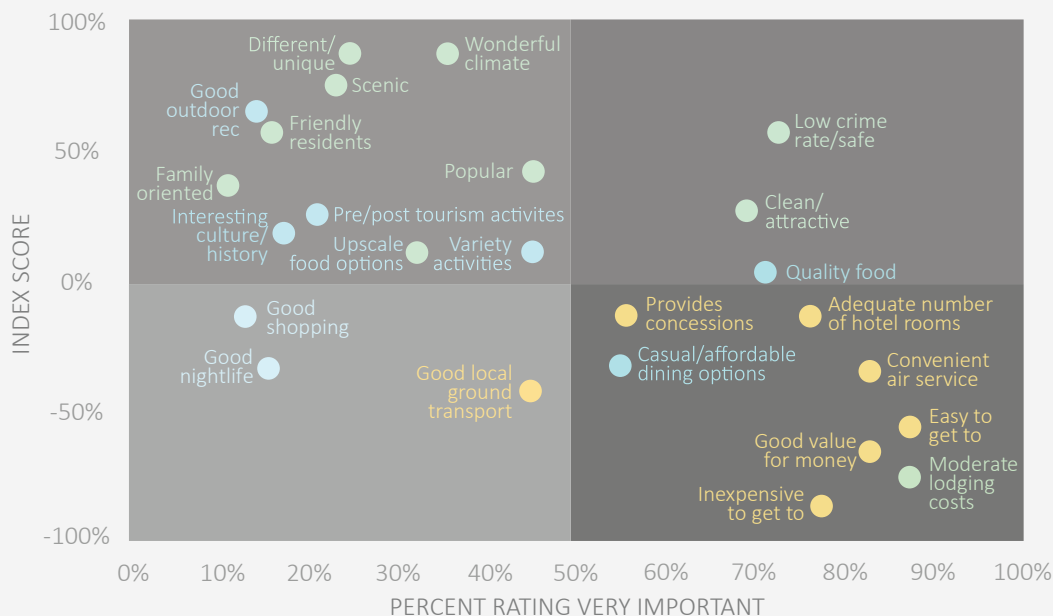
North American MCI Visitor Arrivals



Source: HVCB analysis of HTA visitor arrival data, 2007 - 2015P

Perceptions of Hawai'i as a Meetings Destination

● ENVIRONMENTAL ● RECREATIONAL ● LOGISTICAL



Source: HVCB analysis of STR DestinationMAP 2015

HVCB and HCC have already booked over 370 single-property and citywide events between 2016 and 2026, accounting for more than one million room nights. There are an additional 260 North American events in the pipeline, representing a further 387,000 room nights.

In 2016 alone, HVCB and HCC have more than 243,000 North American room nights on the books. Major market segments include Trade Associations that will bring more than 56,000 room nights, Scientific Associations that include nearly 24,000 room nights, and Medical/Healthcare Associations that have 18,000 room nights. With the current booking pace lagging behind target, the destination must mainly look towards in-the-year, for-the-year single-property bookings in order to remain strong in 2016.

MCI Industry Challenges

The U.S. meetings industry is expected to face pricing challenges this year. According to the Meeting Professionals International (MPI) 2016 Outlook, while overall budgets are growing, expenses are skyrocketing to the point where budgets cannot keep pace. Meetings spend is expected to increase +1.6 percent in 2016, while prices are projected to simultaneously grow by +4.1 percent. This equates to a -2.5 percent decline in buying power for meeting and event planners.

MPI is also predicting a +4.6 percent increase in food and beverage costs, a +4.2 percent in-

crease in air travel costs, and +3.3 percent increase in meetings space costs. As such, MPI is calling for a slow cooling of growth projections.

Hawai'i faces its own set of unique challenges as a meetings destination, particularly in regards to the logistics and financial investment required to hold an event on island. According to Smith Travel Research's latest DestinationMAP report on the North American meetings market, Hawai'i is well positioned as a vacation destination, but has less weight as a business meeting or convention site. In a 2015 survey of meeting planners, Hawai'i ranked below average when considering logistical attributes, such as convenient air service, easy for delegates to get to, and good value for money. This is of particular concern because meeting planners consider logistical attributes as critical factors when selecting a meeting or event location.

Despite pricing and logistical challenges, however, Hawai'i outperforms other destinations in its competitive set when it comes to environmental and recreational considerations. Hawai'i is rated especially high for being unique/different, having a favorable climate, and good outdoor recreation.

Meet Hawai'i is committed to overcoming these cost-value perception challenges among meeting planners and growing Hawai'i's MCI industry in the long term. 2016 will consist of an enhanced focus on partnerships, including participation in both planning and execution.

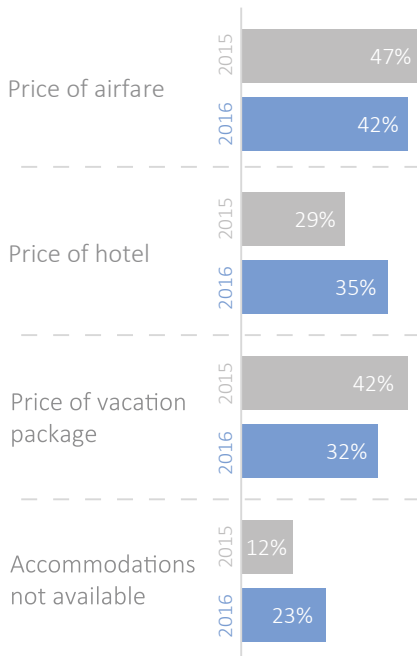


Sources: HVCB analysis of HTA visitor arrival data, Meet Hawai'i data, STR DestinationMAP 2015, & MPI Winter 2016 Meetings Outlook



Travel Intentions

Top Barriers to Travel



Intent to Visit Hawai'i Hits New High

Interest in a Hawaiian Island vacation hit a new record in the opening quarter of 2016. According to the latest MMGY Global *travelhorizons* data, over half of U.S. air leisure travelers (52.9%) say they are very or extremely likely to visit Hawai'i in the next 24 months, up +10.8 percentage points year-over-year. Intent to travel to Hawai'i has grown dramatically over the last eight years, up from just 14 percent in 2008.

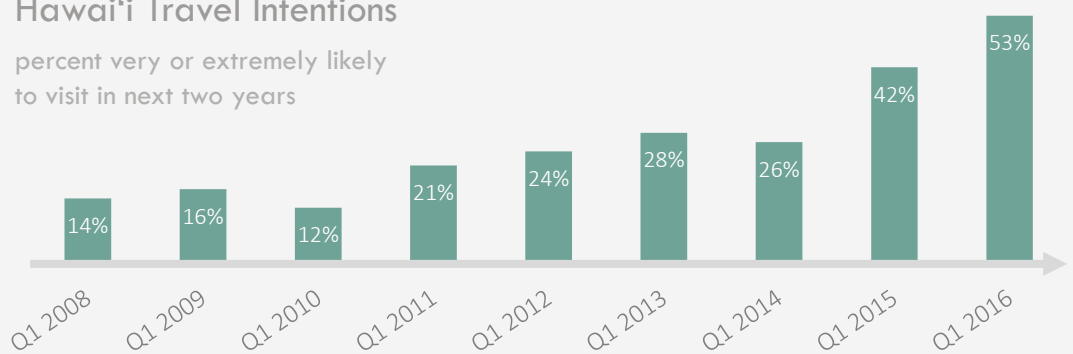
Although travel intentions are strong, Hawai'i continues to be susceptible to a variety of travel barriers. As of Q1 2016, four in ten U.S. air leisure travelers (40.5%) have previously considered

visiting Hawai'i but decided not to after all, a +4.1 point increase over Q1 2015.

While the cost of travel is still the highest ranked barrier to visiting Hawai'i, the number of travelers who cited flight and vacation package prices has actually declined year-over-year. A drop in airfares to Hawai'i in the first three quarters of 2015 likely helped mitigate some of these cost concerns among travelers. Meanwhile, there has been a significant increase in travelers who say accommodations were not available (+11.0 points). Similarly, more travelers are citing the cost of hotel (+5.9 points) as being a deterrent to visiting Hawai'i.

Hawai'i Travel Intentions

percent very or extremely likely to visit in next two years



Source: HVCB analysis of MMGY Global *travelhorizons* data, U.S. air leisure travelers, Q1 2008 - Q1 2016



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Travel Sentiment

Traveler Sentiment Reaches New Record

The overall U.S. Traveler Sentiment Index continued on a record-setting path in the first quarter of 2016. Traveler sentiment is measured by consumers' demand for travel services, including interest in travel, time for travel, personal financial situation, and their perceived affordability of travel.

In the first quarter, U.S. air leisure travelers reported a significantly more positive outlook on travel across all key metrics. This included a +29.4 point increase in those who say travel is more affordable compared to one year ago and a +18.8 point gain in those who say they have more time for travel. Similarly, more travelers say they have an improved personal financial situation versus one year ago (+14.9 points) and

more interest in travel overall (+8.1 points). U.S. air leisure travelers' perceptions of safety while traveling grew just a +1.1 percentage points.

The vast majority of U.S. air leisure travelers (88%) plan to take at least one overnight trip in the next six months. More than one-third (35%) plan to take more trips in the next six months compared to the same time last year, while nearly 40 percent plan to spend more money while on vacation.

Strong traveler sentiment bodes well for Hawai'i and is a good indicator of near-term travel demand. At the same time, however, high traveler sentiment coupled with a strong U.S. dollar puts international travel more within reach, creating increased competition for Hawai'i.

Sneak Peek at Next Month

- + Spotlight On: Millennial Travelers
- + Latest hotel data
- + Competitor update

U.S. Air Leisure Traveler Sentiment

