Photo courtesy of HTA / Dana Edmunds

SPOTLIGHT ON:
MEETINGS, CONVENTIONS & INCENTIVES 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

United States | March 2017

In This Issue

The Current MCI Market

The U.S. Meetings, Conventions, and Incentives (MCI) market is, in a word, changing. After years of market conditions that favored sellers over meeting planners, recent evidence shows the market trending toward an equilibrium. New inventory coming online in cities like Austin, Cleveland, and Pittsburgh is increasing these cities' appeal to event planners. Meanwhile, companies such as Airbnb hope to further disrupt the market by introducing new lodging options to attendees.

All of this could be welcome news to MCI industry professionals, but sentiments are mixed. Though the industry is expected to see at least modest growth throughout the year, a Winter 2017 survey of such professionals found 58.0 percent were optimistic about future business conditions and 45.0 percent held favorable views about the future of their budgets. These sentiments, while still generally positive, are down -9.0 points and -12.0 points respectively from Fall 2016, and are the lowest reported in more than a year.

Hawai'i's MCI market has likewise faced mixed conditions recently. While MCI arrivals were stagnant in 2016, this expected slowdown came after five years of solid growth, and the effect on MCI visitor arrivals was less dramatic than originally anticipated. Moreover, early indicators point to a 2017 rebound. This month's *Market Insights Update* examines these trends in-depth, and the factors underlying them, while also taking a look at what the future holds for this important industry segment.

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Hotel Update

2016 brought with it higher occupancy, Average Daily Rate, and record-breaking revenue for Hawai'i's hotel industry. Conversely, higher operating costs and increasing visitor demand for alternative-lodging options have somewhat tempered these gains.

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Meetings, Conventions, & Incentives Travel

Hawaiʻi's Top Single Property MCI Markets

1. Pharmaceuticals
Share of Market: 19%

2. Healthcare
Share of Market: 12%

3. Insurance
Share of Market: 12%

4. Scientific Endeavors
Share of Market: 10%

5. High Tech
Share of Market: 10%

6. Trade Associations
Share of Market: 10%

Source: HVCB analysis of Meet Hawaiʻi data, 2013-2016

U.S. MCI Trends

While opinions within the MCI community are split as to what the rest of 2017 has in store – some experts anticipate modest growth while others expect the industry will remain level year-over-year – there appears to be a consensus that the industry is cooling off from the rapid growth exhibited in the wake of the Great Recession. Moreover, developments such a shift towards selecting mid-tier cities to host events and the promotion of alternative-lodging as an option for business travel continue to alter the industry landscape. These efforts are intended to offset increasing event costs, but only to limited effect; per-attendee cost is still anticipated to rise +3.0 to +5.0 percent in 2017. Given that budgets are expected to remain largely flat, resources will need to be stretched further than in the recent past. That is not to say the MCI market is in decline; rather, the impression is that businesses and event planners are trying to make their meetings more streamlined and efficient in the face of budget constraints and future economic uncertainty.

Hawaiʻi's MCI Market: Year in Review

2016 was a relatively flat year for Hawaiʻi's MCI visitor segment. Following an +8.4 percent increase in MCI visitor arrivals in 2015 and a +10.7 percent increase in 2014 – a pace that vastly outstripped growth in total visitor arrivals – MCI visitors were down -1.0 percent in 2016. This decline was seen in the ever-important U.S. market as well (-4.4%), which accounts for over half of all MCI arrivals. To an extent, last year's MCI slowdown had been anticipated even before 2016 began. In fact, U.S. MCI bookings were down -10.6 percent below target levels at the start of 2016, so for the year to close with U.S. MCI visitor arrivals down less than -5.0 percent speaks to the resiliency of the segment

Generally speaking, the Conventions sub-segment was the hardest hit in 2016, shrinking -11.8 percent in 2016, while Corporate Meetings arrivals were down -1.6 percent. Incentives travel, conversely, remained a bright spot within the broader MCI market. Visitor arrivals within the Incentives sub-segment grew +14.7 percent in 2016, the fifth double-digit increase in the past seven years. This is encouraging, because with an average daily spend of $240, Incentives visitor expenditures are +26.3 percent higher per day than the typical visitor.

Also encouraging is the mounting evidence that 2016 was a temporary pause in MCI growth, as opposed to the start of a new

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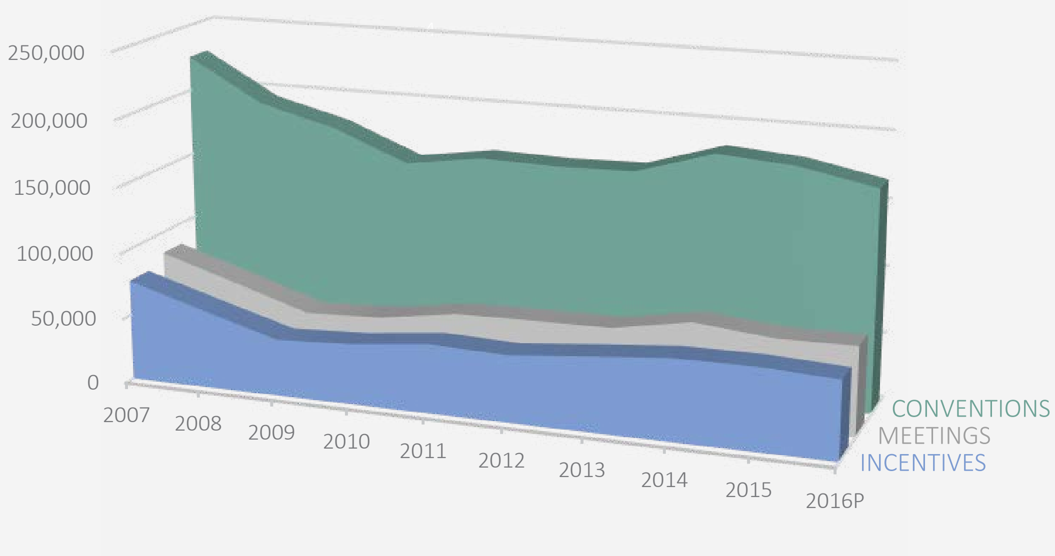
Historical U.S. MCI Visitors to Hawai'i



Source: HVCB analysis of Hawai'i Tourism Authority data, 2005-2016P

negative trend. In January 2017, total MCI visitor arrivals were up a respectable +4.0 percent from 2016 levels. U.S. MCI visitor arrivals increased an impressive +19.6 percent in the same period.

Looking Forward: MCI Bookings

MCI arrivals can be somewhat volatile on a month-to-month basis. With that said, Hawai'i Tourism United States and Hawai'i Convention Center data for January and February 2017 reinforce the notion that Hawai'i's U.S. MCI market is rebounding from the 2016 dip. Citywide and single property events are up +8.6 percent in the first two months of 2017, and room nights consumed are up +9.6 percent. Indeed, HTUSA and HCC bookings are looking strong throughout 2017 and beyond. There are already nearly 275,000 confirmed U.S. room nights on the books for this year, up +13.2 percent from the same point in 2016. Looking out across a ten-year horizon, there are more than 400 events and one million confirmed room nights for the U.S. market, with many more potential bookings in the pipeline.

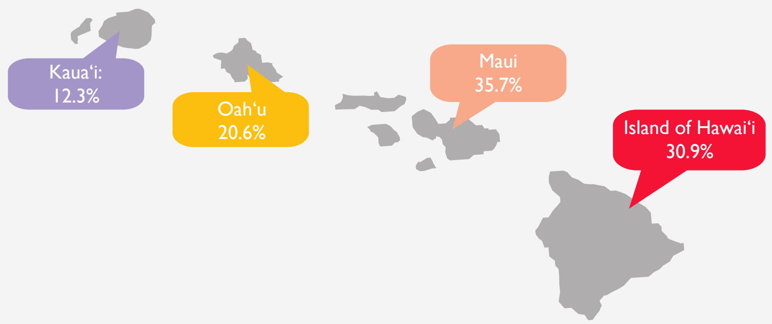
In short, things are looking up for Hawai'i's MCI market. While MCI travel has been slower to recover from the Great Recession, both in Hawai'i and in the U.S. as a whole, Hawai'i's MCI market is poised to resume its upward march in 2017. The arrival of these high-spending visitors will continue to be a significant boon to the visitor industry across the islands.

That is not to say Hawai'i does not face challenges. Indeed, cost and convenience still remain significant barriers, especially when compared to competitor destinations. However, with organizations such as Meet Hawai'i promoting the numerous *positives* of Hawai'i as a meeting destination, MCI visitation will remain an important facet of the broader visitor industry for many years to come.

Photo courtesy of HTA / Dana Edmunds

Source: HVCB analysis of Meetings Planners International, American Express, ibtm, Skift, Hawai'i Tourism Authority, and Meet Hawai'i data.

U.S. MCI Single Property Room Nights by Island, 2013-2016



Source: HVCB analysis of Meet Hawai'i data, 2013 - 2016

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Hotel Update

Sneak Peek at Next Month

- The Leisure Travel Funnel
- Traveler Sentiment

Broadly speaking, 2016 was another successful year for Hawai'i's hotels. Overall hotel revenues increased for the seventh straight year, climbing +5.7 percent to $5.73 billion. This record-setting take was driven by both higher occupancy and a higher Average Daily Rate (ADR). Statewide occupancy increased +0.5 points to 79.2 percent, while ADR grew +4.1 percent to $255.

Looking at the individual islands, ADR increased across the board, while occupancy rose on all of the islands except O'ahu. It should be noted that the -0.9 percent decline in occupancy on O'ahu was due more to added supply than lower demand. With that said, though, the strong occupancy growth outside O'ahu can be seen as an indicator that efforts to increase awareness of and visitation to the Neighbor Islands have been successful.

Expectations for Hawai'i's hotel industry remain strong for the rest of 2017. Overall occupancy statewide is forecasted to increase +0.8 percent year-over-year and ADR should grow +3.9 percent to $255. While hotels benefit from increasing occupancy and ADR, higher operating costs have and will continue to at least partially offset these gains. Likewise, changing consumer tastes continue to alter the accommodations landscape. Since 2000, hotels as a share of total accommodations supply have fallen -15.0 points to, 56.0 percent.

Hawai'i Hotel Occupancy and Average Daily Rate, 2016

	Occupancy	Points Change from 2015	ADR	% Change from 2015
O'ahu	84.2%	-0.9 pt(s)	$228	+3.6%
Maui	75.9%	+1.6 pt(s)	$332	+4.3%
Kaua'i	72.6%	+1.5 pt(s)	$254	+4.7%
Hawai'i Island	68.8%	+3.1 pt(s)	$242	+4.4%
Statewide	*79.2%*	*+0.5 pt(s)*	*$255*	*+4.1%*

Source: HVCB analysis of Hospitality Advisors Data,2015-2016