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

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In This Issue

The U.S. MCI Market

Simply put, the U.S. business travel market is not what it was 20 years ago. Per-employee U.S. business trips are down some 30 percent since 1994, while leisure travel has exploded over the same period. Transient hotel demand is through the roof, yet group demand has not recovered to pre-recession levels. Even seemingly optimistic projections carry with them the seeds of concern over where the market is headed. While Meeting Professionals International (MPI) forecasts live event attendance to grow a modest but respectable +1.6 percent in 2018, virtual attendance is expected to grow at an even faster rate of +2.4 percent. This is just one data point of many that highlights how the meetings industry must adapt to changing business travel trends.

With all of that said, however, Hawai'i's Meetings, Conventions, and Incentives (MCI) industry continues to make strides. Not only is U.S. MCI visitor traffic up from 2016 levels, but the 10-year bookings outlook for both citywide and single property business has also improved from where it stood last year. That is not to say the headwinds facing the global MCI industry can be dismissed outright. Leveraging Hawai'i's considerable assets as a destination is critical to maintaining the success of the MCI segment as a meaningful source of growth for Hawai'i's visitor industry. Explore the challenges facing the business travel market at both the local and national levels in this month's *Market Insights Update*.

Continued on PG2

COMPETITOR UPDATE

The Caribbean continues on the path to recovery after suffering devastating effects from the recent spate of hurricanes in the region. While news reports speak of widespread damage and closures, the region's travel and tourism industry is expected to suffer only a small net loss.

PG4

Photo courtesy of HTA / Dana Edmunds

Meetings, Conventions, & Incentives Travel

At a Glance: The Travel Ban Effect

Since the start of 2017, travel industry experts have been concerned that the Trump Administration's policies towards foreign travelers would dampen international visitor arrivals to the U.S. In some instances, such as the Global Business Travel Association's assessment that the "travel ban" policies had resulted in $1.3 billion loss for the U.S. travel industry, this hypothesis was validated.

A recent data release from the U.S. Travel Association (US Travel) adds new evidence that there may, in fact, be a "Trump Slump." Revising their own previous findings with new data from multiple sources, US Travel's new research shows that international visitor arrivals were down four out of the first seven months of 2017, with realized declines reaching as high as -8.2 percent.

Continued on PG3

The Year So Far

Despite an anemic 2016 performance that saw U.S. MCI visitor arrivals to Hawaiʻi fall -4.0 percent, this year has brought a steady resumption of growth to the post-recession meetings segment. Year-to-date through September, U.S. MCI visitors to Hawaiʻi have totaled more than 228,000 arrivals, a +2.3 percent increase over 2016 levels. International MCI visitor arrivals, however, have fallen -4.9 percent during this same time period, largely due to the International Union for Conservation of Nature (IUCN) conference being held in the fall of last year. As it stands, total MCI visitor arrivals to Hawaiʻi are now pacing -0.6 percent behind 2016.

More encouraging, however, than the growth exhibited by the U.S. MCI segment thus far in 2017 is how business is being generated. Generally speaking, Incentive travel has been the primary driver of MCI growth in the years since the Great Recession. In 2016, for instance, it was the only sub-segment that saw positive increases, and it is likewise the only sub-segment that has surpassed 2007 visitor levels. This has not been the case year-to-date in 2017. Instead, Conventions and Corporate Meetings visitors from the U.S. have increased by +1.6 percent and +5.2 percent respectively, compared to a -1.7 percent drop in Incentive arrivals. Similar trends are also playing out across Hawaiʻi's broader MCI market.

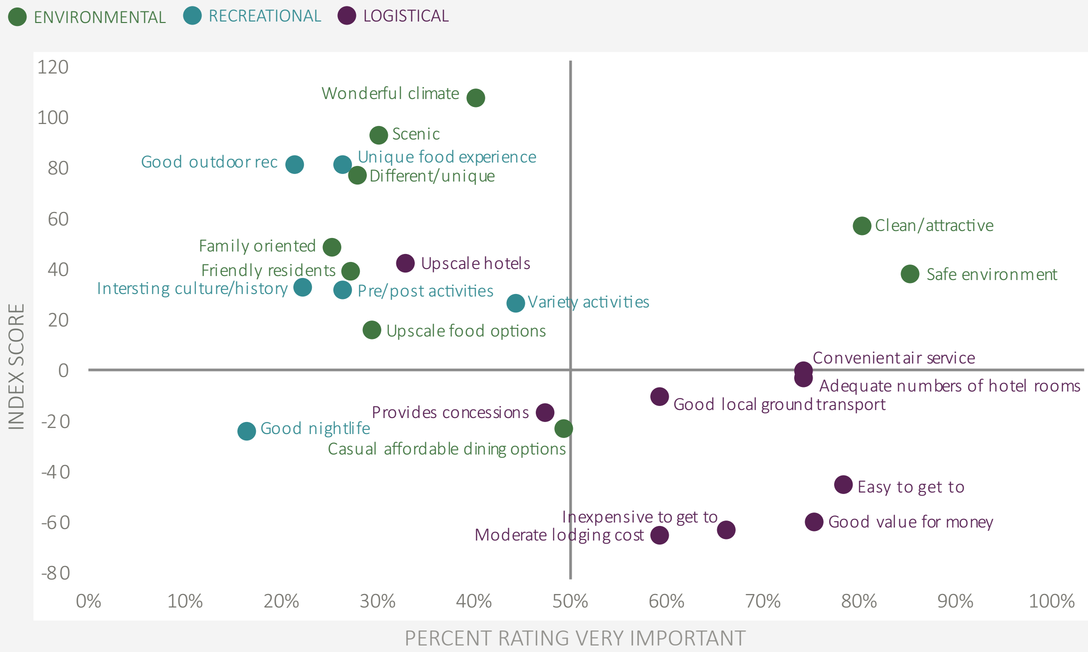
It is important to note that Conventions and Corporate Meetings are generally more volatile year-to-year than Incentive travel. The substantial growth of these sub-segments should, therefore, be viewed with cautious optimism. Nevertheless, after 2016 saw a drop of -12.3 percent in total Conventions arrivals, this reversal comes as a welcome sign that efforts to improve performance across the entire MCI segment have proven to be at least somewhat successful.

Looking Ahead: Bookings

As with year-to-date visitor arrivals, the picture painted on future bookings facilitated by the Hawaiʻi Convention Center (HCC) and the Hawaiʻi Tourism United States (HTUSA) is considerably brighter this year than it was in 2016. In the short-term, total citywide and HTUSA single property bookings suggest that 2017 will finish with a stronger performance for the MCI segment than the year prior. A total of 249 events, accounting for 265,000 room nights, have been booked for 2017, translating into annual growth rates of +18.6 percent and +11.6 percent respectively.

Peering out further to the 10-year horizon, the gains observed are less drastic but still positive. To date, 483 citywide and HTUSA single property programs have been confirmed through 2027, a +5.5 increase from the same time last year. Improvements to the number of rooms nights is less discernible; year-to-date, 1,118,000 rooms are on the books, an increase of only +6,000 from 2016 levels.

Perceptions of Hawaiʻi as a Meeting Destination



Source: HVCB analysis of STR DestinationMAP 2017 data

Overcoming Challenges

As positive as recent trends have been, the reality remains that Hawaiʻi's total MCI visitor arrivals are only now getting back to where they were prior to the start of the Recession. This stands in stark contrast to the U.S. leisure market, which has seen arrivals increase +19.6 percent from pre-recession levels. It is true that this difference in performance is largely reflective of differences in the business and leisure travel markets at large. However, that does not change the fact that Hawaiʻi faces other major hurdles as a MCI destination and that it will consequently affect MCI's performance across the islands if they are not countered.

Much of Hawaiʻi's 2017 MCI growth can be attributed to strong sales efforts from hotel partners, HCC, and HTUSA in previous years. Continued success moving forward is by no means certain. In fact, the HTUSA MCI team is experiencing a slowdown and production in single property business is behind pace compared to the same-time-last-year. It is likely that organizations are taking a "wait and see" approach towards future meetings, an attitude that has resulted in slower conversions from tentative to definite bookings.

The greatest challenge for Hawaiʻi's MCI market still remains cost, a fact laid bare yet again by a recent study conducted by hotel research firm Smith Travel Research's (STR) DestinationMAP. Compared against 39 other major North American business travel destinations, Hawaiʻi ranked 36th in hotel costs and 38th in food and beverage costs. In other words, 40 percent of meeting planners surveyed report that cost factors were a major deterrent when it came to choosing Hawaiʻi for their next event. Likewise, the difficulty of getting to the islands is a significant hurdle for Hawaiʻi MCI industry.

The best way to counter these negative trends is, therefore, to focus on what the destination does well. In this category, there is no shortage of options to choose from. Unique food, a safe environment, beautiful scenery, and an unbeatable climate; these are all factors in which Hawaiʻi ranks very favorably among meeting planners. Indeed, the ability to leverage these positives to encourage business travel is seen in both the recent success of the Hawaiʻi's MCI segment and the fact that the STR survey found that Hawaiʻi ranked 3rd of the top ten overall business meeting sites.

In short, yes, both Hawaiʻi in specific and the U.S. MCI industry at large face challenges ahead. On top of shifting market conditions, heightened geopolitical tensions, changing travel policies, and increased security concerns will all complicate Hawaiʻi's efforts to remain a premier destination for business travel. Complacency cannot set in. But neither should fear for the future. Given Hawaiʻi's competitive advantages as a Meetings, Conventions, and Incentives destination, HTUSA is committed to continuing to overcome cost-perception challenges amongst meeting planners while strategically working with industry partners to grow Hawaiʻi's MCI industry in the long term.

At a Glance Continued

What this means for the U.S. Meetings, Conventions and Incentives (MCI) market is uncertain. While business travel in the U.S. fell in July, this decline came after several months of steady growth. Moreover, the new US Travel dataset shows that the U.S. MCI industry can expect to see some positive if modest gains through the end of the year. But that only tells part of the story. Given the nature of modern, multi-national corporations, it is possible that the effect of the "Trump Slump" may disproportionately impact the U.S. MCI industry relative to the number of international attendees. That is, some companies and associations have looked to shift their meetings to international venues to accommodate foreign attendees who are unable or unwilling to travel to the U.S. under the new policies. At the very least, organizations are inclining to cautiously hold off on booking future meetings.

Source: HVCB analysis of HTUSA and HCC MCI data, HTA Visitor Highlights 2016 data, MPI Summer 2017 Outlook, STR DestinationMAP 2017, and the U.S. Travel Association data.

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Photo courtesy of HTA / Mark Kushimi

Competitor Update

Coming in the wake of the one-two punch delivered by Hurricanes Irma and Maria, there is a widespread perception that the Caribbean has been devastated both as a home and as a travel destination. The reality is somewhat more complex. It should go without saying that the powerful September storms will have an impact on tourism to the region. For some islands, that impact could be as devastating as the storms themselves. For example, the U.S. Travel Association predicted that Puerto Rico could see up to a 50 percent decline in visitor arrivals and a loss of 36,000 jobs.

But that only tells part of the story. The Caribbean spans a million square miles, and 75 percent of the islands were largely unaffected by the storms. Most of the cruise ports are still open for business, and those that are not, plan to be back in operation come December. Aside from the relatively few islands that bore the brunt of the storms' destruction, the region is physically ready for the winter travel season.

The problems that the Caribbean's tourism industry is currently facing is twofold. First, the perception of the hurricanes' impact can still affect the industry by discouraging would-be visitors from considering a Caribbean vacation at all. Second, the storms had a restricting influence on overall supply, which in turn will raise the cost of a Caribbean vacation. None of these problems are insurmountable, but there will still be some decline in overall tourism to the region over the course of the next six months to a year. However, the net loss to the region as a whole will likely be smaller than one might expect, given the truly alarming stories from the islands that were impacted.

Sneak Peek at Next Month

- Spotlight On: Shoulder Season Travel
- Airfare Update