

## **SAME MEETINGS – MORE MONEY**

*by Robert Mandelbaum*

For several quarters now, PKF Hospitality Research (PKF-HR) has observed that the U.S. lodging industry is approaching a peak in the long-term business cycle. At the peak, hotel occupancy levels either stabilize, or decline slightly. Concurrently, management strives to aggressively increase room rates. The net result is fewer occupied rooms, but more revenue.

Looking to 2007, hotel managers can expect a similar outcome in the conventions market. Based on a recent survey conducted by PKF-HR and *Convention South* magazine, 64.6 percent of meeting planners expect the number of meetings they organize in 2007 will be comparable to the 2006 level. An even greater number (86.1 percent) believe the number of exhibitions year over year will remain the same.

However, the attendance at these events should be greater, as well as the total dollars spent by the sponsoring organization. Because of the combination of more attendees and rising prices, a majority of planners (51.2 percent) plan on spending more to stage their events in 2007 compared to 2006.

PKF-HR, in conjunction with *Convention South* magazine, surveyed a total of 131 meeting planners. Although the survey focused on meetings held within the southern region, the sample of respondents consisted of planners located throughout the nation. Association meeting planners comprised 46.6 percent of the survey sample, followed by corporate planners (19.8 percent). The remaining respondents were evenly divided among government/non-profit, independent, and other meeting organizers.

### **Cutbacks?**

While increased expenditures are virtually inevitable, 63.4 percent of the planners did state they were feeling some degree of pressure to control their event budgets. For those planners being asked to cut costs, the areas of focus for reduction are off-site events (36.6 percent), food and beverage (32.1 percent), and audio-visual (24.4 percent). Conceding that the pendulum of negotiating leverage clearly favors hotel sales managers, only 21.4 percent of the planners looked to trim guestroom rates, while 17.6 percent have attempted to reduce the cost of meeting room rental.

# TRENDS

## IN THE HOTEL INDUSTRY



Another indication of the challenges meeting planners face in negotiating lower room rates is the fact that an increasing number of organizers are now looking to hold their events in second or third-tier cities. In 2006, 40.3 percent of the planners surveyed indicated that they looked beyond the nation's first tier of meeting destinations. This number has grown from 31.5 percent in 2004 and 35.5 percent in 2005.

### **Selection Criteria**

The inability to negotiate hotel room rates frustrates meeting planners. When asked to rate the importance of nine criteria when selecting a meeting site, the price of hotel rooms tied with the number of available hotel rooms as the second most important site selection criteria. The size of available meeting space was ranked as the most important factor determining the location of an event.

Attrition clauses were a concern for the majority of meeting planners. More than half (57.3 percent) of the planners surveyed stated that the severity of hotel attrition clauses have affected their site selection process. On the other hand, the recent increases in gas prices and airfares were not as significant. Only 16.9 percent of the respondents stated that gas prices influenced their site selection, while increased airfares was a determining factor for just 23.8 percent of the planners.

### **Productive and Happy Attendees**

Typically, the planner's role when organizing a meeting is to achieve the stated goals of the event within a given budget. This may, or may not, be consistent with the expectations of the attendees.

The planners in our survey were asked to rate the importance of 13 on-site hotel amenities to meeting attendees. The offering of restaurants and lounges within the confines of the property was rated by 86.3 percent of the planners as an important amenity for attendees. Delegates may want a night on the town, but they'd prefer to do most of their eating and drinking within the hotel.

While attendees want to enjoy their time away from home or their business, they also want to remain productive. Second on the list of most important hotel amenities was access to a business center (73.3 percent). Meeting planners recognize the desire of attendees to be both productive and happy. Therefore, the availability of guest room and meeting room technology (i.e. wi-fi, high-speed internet access, video conferencing, high-tech entertainment) was consistently rated as an important hotel feature.

Remaining healthy is another important feature for meeting attendees. The only other on-site amenities rated by more than half of the planners as being important to their attendees were swimming pools and fitness facilities. While downtown full-service and convention hotels were the favored lodging facilities for 32.1 percent of the respondents, resort hotels were rated as the preferred type of hotel by 24.0 percent of the planners.

# TRENDS

## IN THE HOTEL INDUSTRY



This is yet another indication of the desire to blend recreation and enjoyment with business and learning.

### **Yield Meeting Management**

While short and near-term market conditions certainly favor hotel sales managers, don't expect meeting planners to be totally submissive. Expect some groups to move to secondary destinations, while others will cut event activities.

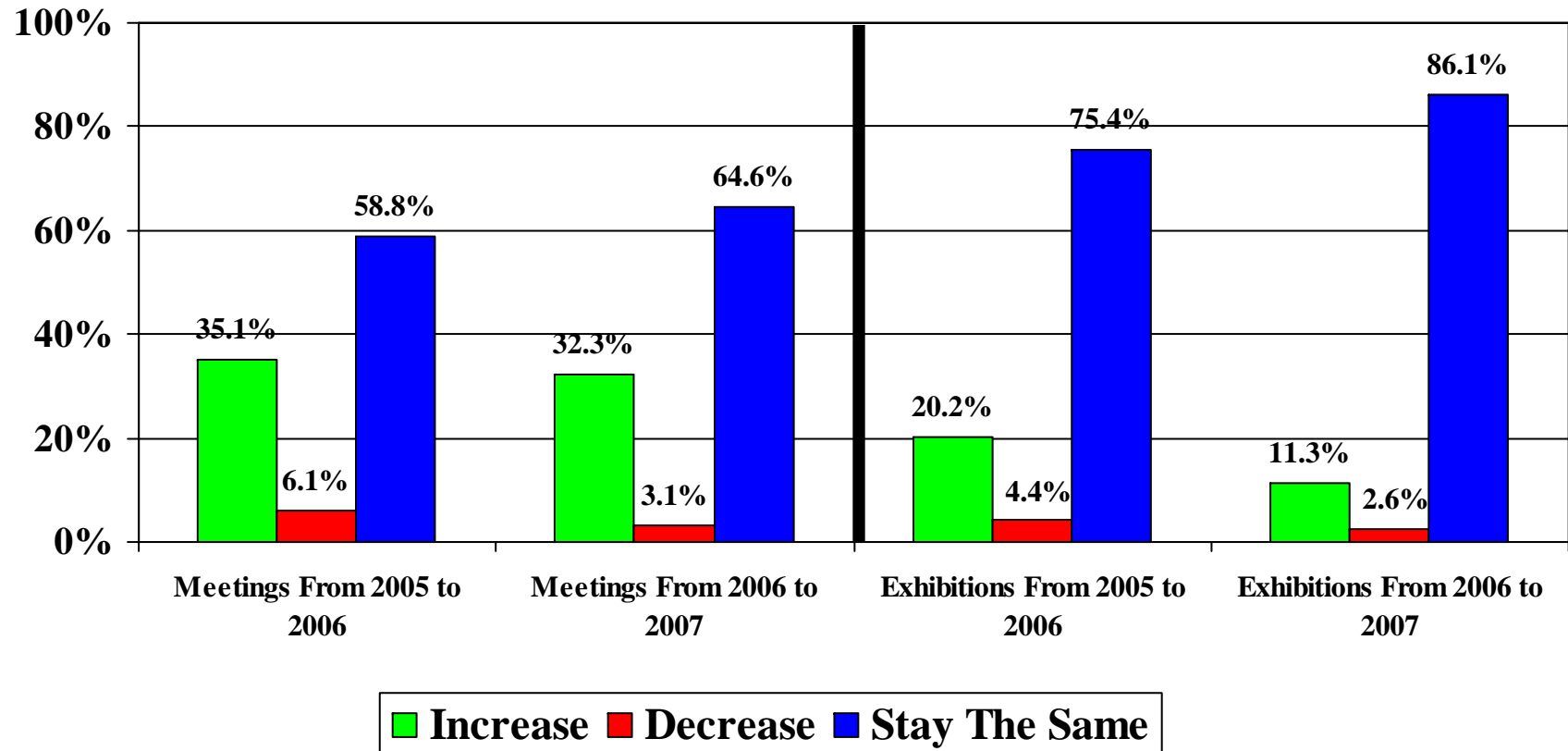
Operating at the peak of the business cycle allows hotel operators to be more selective in the groups they decide to accommodate. A few less events can be offset by increases in attendance and prices. However, being a cyclical industry, lodging operators must be aware that meeting planners will remember the current tough negotiating stance when the next industry recession occurs.

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*Robert Mandelbaum is the Director of Research Information Services for PKF Hospitality Research. Special thanks to Kristen McIntosh, vice president and editor of Convention South, for sponsoring the survey. This article was published in the December 2006 edition of Lodging magazine.*

# CHANGE IN NUMBER OF EVENTS

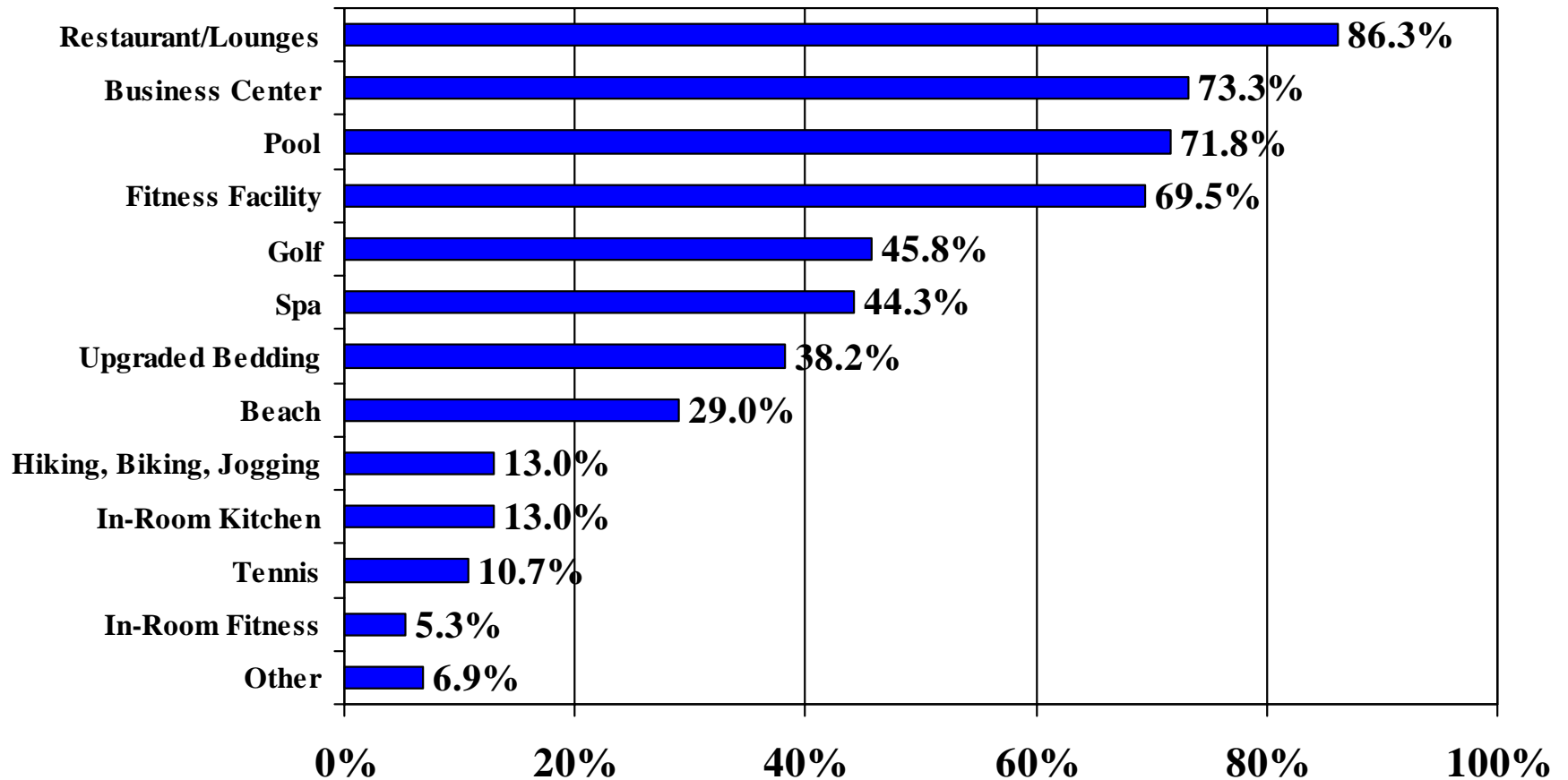
## Percent of Meeting Planners



Source: Convention South, PKF Hospitality Research

# ON-SITE AMENITIES DESIRED BY ATTENDEES

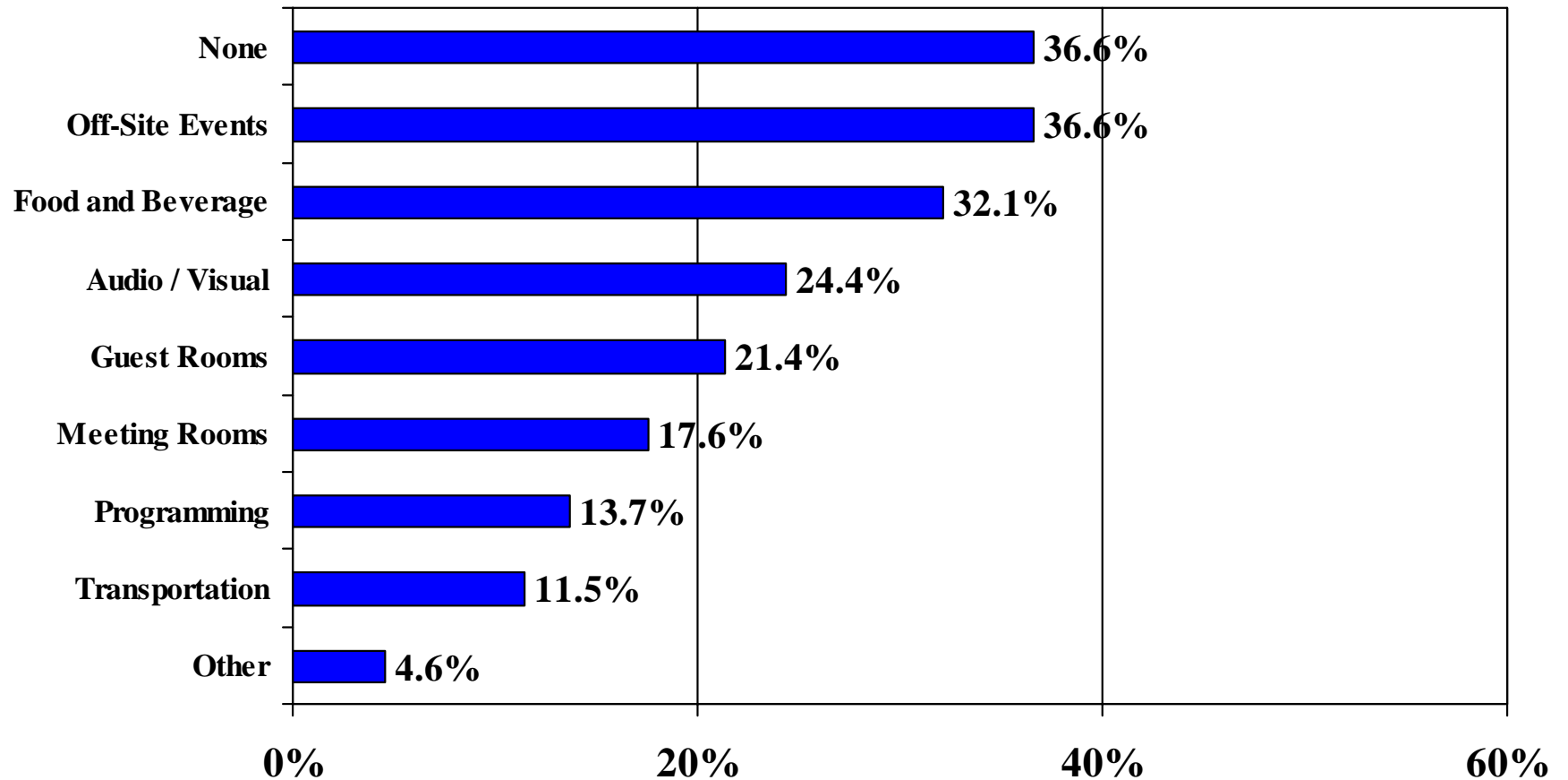
## Percent of Meeting Planners



Source: Convention South, PKF Hospitality Research

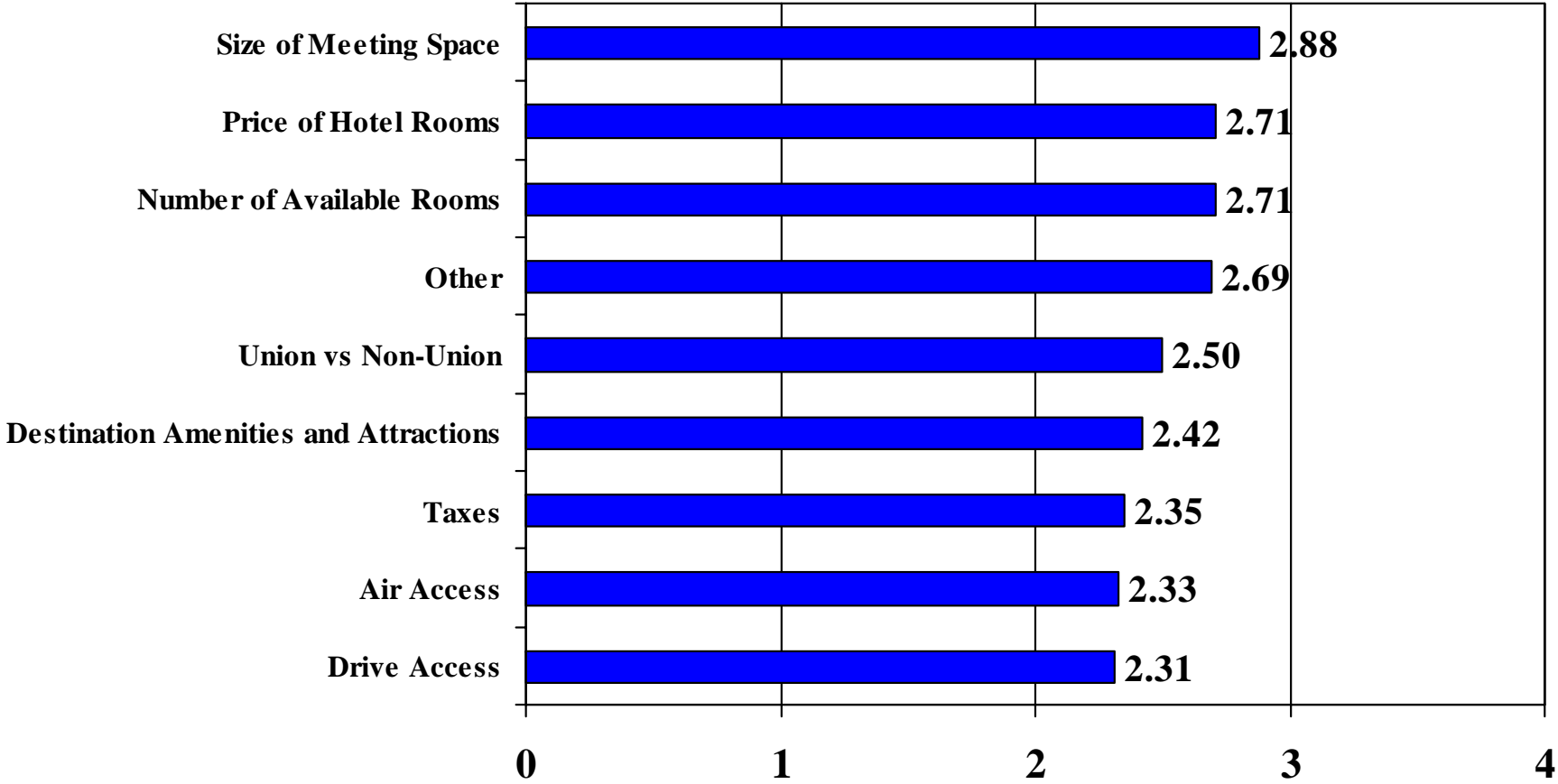
# WHERE MEETING PLANNERS ARE CUTTING COSTS

## Percent of Meeting Planners



Source: Convention South, PKF Hospitality Research

# IMPORTANCE OF CRITERIA WHEN SELECTING A MEETING SITE



Scale: 1 = Unimportant, 2 = Somewhat Important, 3 = Very Important

Source: Convention South, PKF Hospitality Research

# TRENDS

IN THE HOTEL INDUSTRY



## Houston - For the Month of December

	Occupancy			Average Daily Rate			RevPAR		
	2005	2006	Difference	2005	2006	%Var	2005	2006	%Var
<b>Texas</b>	57.4 %	55.8 %	-1.6	\$88.29	\$95.61	8.3 %	\$50.67	\$53.34	5.3 %
<b>Houston Area</b>	58.4 %	53.8 %	-4.7	\$89.76	\$95.25	6.1 %	\$52.45	\$51.23	-2.3 %
<b>Houston</b>	61.0 %	55.8 %	-5.2	\$90.74	\$96.33	6.2 %	\$55.32	\$53.73	-2.9 %
<b>CBD Houston</b>	48.9 %	45.0 %	-3.9	\$136.66	\$146.16	7.0 %	\$66.83	\$65.82	-1.5 %
<b>Galleria/Post Oak</b>	64.7 %	61.7 %	-3.0	\$120.97	\$125.77	4.0 %	\$78.27	\$77.55	-0.9 %
<b>Texas Medical Center</b>	63.6 %	58.1 %	-5.5	\$106.03	\$117.23	10.6 %	\$67.46	\$68.16	1.0 %
<b>Intercontinental</b>	69.2 %	61.4 %	-7.8	\$70.32	\$70.15	-0.2 %	\$48.66	\$43.05	-11.5 %
<b>Hobby Airport</b>	66.5 %	60.0 %	-6.4	\$54.84	\$49.27	-10.2 %	\$36.45	\$29.57	-18.9 %
<b>Clear Lake</b>	56.9 %	58.1 %	1.3	\$78.10	\$80.91	3.6 %	\$44.40	\$47.02	5.9 %
<b>Southwest Houston</b>	58.5 %	49.5 %	-8.9	\$83.34	\$99.56	19.5 %	\$48.72	\$49.30	1.2 %
<b>Stafford / Sugar Land</b>	61.7 %	59.1 %	-2.6	\$56.75	\$54.73	-3.6 %	\$35.01	\$32.35	-7.6 %
<b>Westchase</b>	67.6 %	61.4 %	-6.3	\$75.97	\$81.78	7.6 %	\$51.39	\$50.20	-2.3 %
<b>Katy Freeway</b>	58.9 %	52.1 %	-6.8	\$68.05	\$79.17	16.3 %	\$40.05	\$41.22	2.9 %
<b>Northwest</b>	63.6 %	59.7 %	-3.9	\$62.13	\$69.96	12.6 %	\$39.54	\$41.77	5.6 %
<b>Reliant Park/South Mai</b>	58.1 %	53.6 %	-4.5	\$75.17	\$76.39	1.6 %	\$43.66	\$40.97	-6.2 %
<b>East/Baytown</b>	63.0 %	51.9 %	-11.1	\$56.08	\$54.57	-2.7 %	\$35.34	\$28.30	-19.9 %
<b>Montgomery Co.</b>	49.3 %	44.4 %	-4.9	\$75.28	\$80.45	6.9 %	\$37.14	\$35.72	-3.8 %
<b>Galveston</b>	47.2 %	51.4 %	4.2	\$103.51	\$112.42	8.6 %	\$48.85	\$57.76	18.3 %
<b>Beaumont</b>	90.7 %	61.6 %	-29.1	\$84.92	\$75.82	-10.7 %	\$77.00	\$46.69	-39.4 %
<b>Bryan/College Station</b>	35.1 %	33.7 %	-1.4	\$62.98	\$59.87	-4.9 %	\$22.12	\$20.20	-8.6 %
<b>Room Rate</b>									
<b>Under \$45.00</b>	58.6 %	58.7 %	0.1	\$38.29	\$36.95	-3.5 %	\$22.43	\$21.70	-3.3 %
<b>\$45.00 to \$60.00</b>	68.9 %	45.3 %	-23.6	\$54.61	\$53.67	-1.7 %	\$37.64	\$24.30	-35.4 %
<b>\$60.01 to \$80.00</b>	59.7 %	53.2 %	-6.5	\$70.58	\$70.23	-0.5 %	\$42.15	\$37.34	-11.4 %
<b>\$80.01 and Over</b>	56.3 %	54.1 %	-2.2	\$116.09	\$122.24	5.3 %	\$65.38	\$66.17	1.2 %
<b>Property Size</b>									
<b>Under 120 Rooms</b>	62.2 %	55.2 %	-7.1	\$74.26	\$78.45	5.6 %	\$46.22	\$43.27	-6.4 %
<b>120 to 200 Rooms</b>	62.4 %	54.2 %	-8.2	\$66.03	\$65.88	-0.2 %	\$41.23	\$35.72	-13.4 %
<b>201 to 300 Rooms</b>	58.3 %	56.8 %	-1.5	\$101.60	\$107.46	5.8 %	\$59.27	\$61.04	3.0 %
<b>301 rooms and Over</b>	51.9 %	51.5 %	-0.3	\$126.94	\$134.27	5.8 %	\$65.84	\$69.21	5.1 %
<b>Property Type</b>									
<b>All Suite</b>	73.1 %	66.0 %	-7.2	\$104.09	\$111.51	7.1 %	\$76.14	\$73.57	-3.4 %
<b>Economy</b>	55.1 %	52.3 %	-2.8	\$41.88	\$39.70	-5.2 %	\$23.08	\$20.76	-10.1 %
<b>Extended Stay</b>	66.2 %	64.5 %	-1.7	\$57.04	\$56.16	-1.6 %	\$37.75	\$36.20	-4.1 %
<b>Full Service</b>	50.2 %	50.2 %	-0.0	\$122.57	\$130.15	6.2 %	\$61.55	\$65.34	6.2 %
<b>Limited Service</b>	63.9 %	53.1 %	-10.8	\$72.31	\$74.48	3.0 %	\$46.22	\$39.56	-14.4 %

Data includes information from 108 participating properties with 17,612 rooms.

# TRENDS

IN THE HOTEL INDUSTRY



## Houston - For the 12 Months Ended December

	Occupancy			Average Daily Rate			RevPAR		
	2005	2006	Difference	2005	2006	%Var	2005	2006	%Var
<b>Texas</b>	67.8 %	69.3 %	1.5	\$91.54	\$99.56	8.8 %	\$62.03	\$68.99	11.2 %
<b>Houston Area</b>	68.0 %	67.7 %	-0.3	\$92.78	\$100.63	8.5 %	\$63.12	\$68.16	8.0 %
<b>Houston</b>	68.8 %	68.9 %	0.1	\$93.89	\$101.14	7.7 %	\$64.62	\$69.69	7.8 %
<b>CBD Houston</b>	62.7 %	66.5 %	3.8	\$138.10	\$149.32	8.1 %	\$86.52	\$99.28	14.8 %
<b>Galleria/Post Oak</b>	70.9 %	72.3 %	1.4	\$129.47	\$133.16	2.9 %	\$91.86	\$96.30	4.8 %
<b>Texas Medical Center</b>	76.4 %	73.6 %	-2.7	\$98.38	\$110.85	12.7 %	\$75.12	\$81.63	8.7 %
<b>Intercontinental</b>	76.6 %	73.7 %	-2.9	\$73.20	\$74.13	1.3 %	\$56.07	\$54.65	-2.5 %
<b>Hobby Airport</b>	68.5 %	67.0 %	-1.6	\$67.24	\$68.57	2.0 %	\$46.08	\$45.92	-0.4 %
<b>Clear Lake</b>	60.7 %	66.3 %	5.6	\$79.88	\$87.21	9.2 %	\$48.48	\$57.82	19.3 %
<b>Southwest Houston</b>	68.4 %	65.4 %	-3.1	\$81.87	\$99.84	22.0 %	\$56.02	\$65.28	16.5 %
<b>Stafford / Sugar Land</b>	64.7 %	68.8 %	4.1	\$59.21	\$59.78	1.0 %	\$38.33	\$41.16	7.4 %
<b>Westchase</b>	70.5 %	70.0 %	-0.5	\$83.94	\$90.58	7.9 %	\$59.15	\$63.37	7.1 %
<b>Katy Freeway</b>	69.3 %	66.5 %	-2.7	\$77.16	\$87.72	13.7 %	\$53.43	\$58.36	9.2 %
<b>Northwest</b>	66.5 %	65.4 %	-1.2	\$67.01	\$76.15	13.7 %	\$44.57	\$49.77	11.7 %
<b>Reliant Park/South Mai</b>	69.9 %	70.4 %	0.6	\$72.14	\$78.29	8.5 %	\$50.41	\$55.15	9.4 %
<b>East/Baytown</b>	67.3 %	64.5 %	-2.8	\$54.71	\$56.80	3.8 %	\$36.80	\$36.63	-0.5 %
<b>Montgomery Co.</b>	62.7 %	61.5 %	-1.2	\$77.36	\$89.81	16.1 %	\$48.53	\$55.23	13.8 %
<b>Galveston</b>	64.0 %	64.5 %	0.4	\$114.68	\$127.51	11.2 %	\$73.40	\$82.18	12.0 %
<b>Beaumont</b>	78.1 %	78.0 %	-0.0	\$67.36	\$77.88	15.6 %	\$52.59	\$60.77	15.6 %
<b>Bryan/College Station</b>	57.5 %	51.1 %	-6.4	\$62.20	\$65.51	5.3 %	\$35.75	\$33.49	-6.3 %
<b>Room Rate</b>									
<b>Under \$45.00</b>	65.8 %	63.2 %	-2.6	\$36.74	\$37.22	1.3 %	\$24.18	\$23.53	-2.7 %
<b>\$45.00 to \$60.00</b>	65.5 %	59.8 %	-5.7	\$53.67	\$54.13	0.9 %	\$35.14	\$32.35	-7.9 %
<b>\$60.01 to \$80.00</b>	69.7 %	68.4 %	-1.3	\$70.03	\$69.24	-1.1 %	\$48.82	\$47.39	-2.9 %
<b>\$80.01 and Over</b>	68.3 %	69.3 %	1.0	\$118.73	\$123.72	4.2 %	\$81.15	\$85.76	5.7 %
<b>Property Size</b>									
<b>Under 120 Rooms</b>	69.8 %	67.6 %	-2.2	\$72.62	\$79.85	10.0 %	\$50.69	\$53.98	6.5 %
<b>120 to 200 Rooms</b>	69.3 %	66.8 %	-2.5	\$68.56	\$72.05	5.1 %	\$47.54	\$48.13	1.3 %
<b>201 to 300 Rooms</b>	64.6 %	67.3 %	2.7	\$115.18	\$117.27	1.8 %	\$74.41	\$78.97	6.1 %
<b>301 rooms and Over</b>	67.2 %	68.7 %	1.4	\$116.30	\$130.07	11.8 %	\$78.19	\$89.31	14.2 %
<b>Property Type</b>									
<b>All Suite</b>	77.0 %	75.7 %	-1.3	\$101.48	\$113.06	11.4 %	\$78.17	\$85.60	9.5 %
<b>Economy</b>	62.6 %	56.0 %	-6.6	\$38.56	\$40.43	4.8 %	\$24.15	\$22.65	-6.2 %
<b>Extended Stay</b>	74.0 %	74.3 %	0.3	\$56.18	\$59.33	5.6 %	\$41.56	\$44.08	6.1 %
<b>Full Service</b>	65.3 %	67.1 %	1.8	\$117.11	\$127.80	9.1 %	\$76.44	\$85.72	12.1 %
<b>Limited Service</b>	70.6 %	67.9 %	-2.8	\$69.77	\$76.51	9.7 %	\$49.27	\$51.92	5.4 %

Data includes information from 108 participating properties with 17,612 rooms.