

MEETING PLANNERS Resigned To a Seller's Market

by: Robert Mandelbaum

Given the strength of the U.S. lodging market, it is no surprise that meeting planners appear to have accepted the fact that it is a seller's market. Meeting planners have not abandoned their efforts to control their budgets. However, rising room rates, attrition clauses, and second-tier cities are no longer the "hot button" issues they once were.

Yes, the improving fiscal health of corporations and associations has put less pressure on meeting planners to curb their costs. However, based on our analysis of the attitude of meeting planners, as well as our discussions with hotel sales personnel, the expected shift in bargaining power from buyer to seller is well in evidence in 2007.

These observations were reached based on a survey of meeting planners conducted by PKF Hospitality Research (PKF-HR) on behalf of *ConventionSouth* magazine. PKF-HR received survey responses from a total of 121 meeting planners with an average of 13 years in the profession. Although the survey focused on meetings held within the southern states, the sample of respondents consisted of planners located throughout the nation. Association planners comprised 37.8 percent of the survey sample, followed by corporate planners (20.2 percent), independent (14.3 percent), government/non-profit (11.8 percent), and other (16.0 percent).

Slightly More

Based on meeting planner expectations for the number of events, attendance, and expenditures, we believe that the meetings market will look slightly better for hotels in 2008.

Slightly more than 50.0 percent of the planners surveyed will be organizing the same number of meetings in 2008 then they did in 2007, with another 39.8 percent expecting an increase in the number of meetings planned. The outlook for exhibitions in 2008 is more stable. Close to 78.0 percent of the respondents are planning the same number of exhibitions in 2008 as they planned in 2007.

Attendance patterns are expected to parallel event trends. Nearly 60 percent of the meeting planners are noticing flat attendance at their meetings, while 26.8 percent are observing more attendees than expected.

With the number of events and attendance expected to experience a slight increase, it follows that planners are also expecting to spend more in 2008. Due to increased meeting activity, as well as rising costs, just over half (50.4 percent) of the meeting planners are budgeting for greater expenditures at their meetings in 2008, with 39.8 percent expecting their outlays to remain the same as they were in 2007.

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IN THE HOTEL INDUSTRY



Cost Controls

PKF-HR is forecasting U.S. hotel room rates to rise 4.2 percent in 2008, the fifth consecutive year of growth above inflation. Given the fact that most U.S. markets are achieving occupancy levels above their long-term average, it is not surprising that only 10.6 percent of the meeting planners surveyed are attempting to control their costs by cutting hotel room rates. Instead, they are looking towards lowering the dollars spent on food and beverage (21.3 percent), audio/visual (16.6 percent), and off-site events, and parties (12.8 percent) to manage their budgets.

Other indicators that meeting planners have succumbed to tough market conditions include the reduced use of second-tier cities and the growing acceptance of onerous attrition clauses. From 2004 through 2006, the percent of meeting planners asked to consider a second- or third-tier city in an effort to control costs rose from 31.5 percent to 40.3 percent. In 2007, we observed the first decline in this statistic. Only 30.8 percent of the planners in this year's survey indicated they were receiving pressure to select a less expensive meeting destination.

Just under half (49.5 percent) of the respondents stated that attrition clauses affected their site selection process in 2007. This was down from 57.3 percent in 2006. We believe this is yet another indicator of the superior negotiating leverage hotel management now possesses.

Likes and Dislikes

While meeting planners may have conceded their negotiating leverage, they do expect high levels of service for the price premiums they are paying. As expected, the availability of meeting space was rated as the most important criteria mentioned when selecting a meeting site. At number two was service standards, followed by the price of the meeting space, number of available hotel rooms, and the price of the hotel rooms.

Fortunately, the event sites appear to be meeting most planners' service expectations. In 2007, the majority (69.6 percent) of planners surveyed felt they received the same level of satisfactory service that they encountered in 2006. On the positive side, 20.5 percent believed service levels had improved last year, while 9.8 percent had an inferior experience. Of those planners that were less satisfied in 2007 than they were in 2006, 53.8 percent sought a resolution to their bad service experience. Fortunately, 92.7 percent of those that sought restitution were happy with the end result.

When selecting hotels and meeting sites, it appears that planners desire a combination of amenities and services that will allow their attendees to conduct a productive meeting and enjoy the experience as well. Among all the different types of hotels, resort properties were favored over large urban hotels and conference centers. A fitness room and a 24-hour business center ranked as the second and third most important overall hotel amenities. On-site food and beverage was number one.

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Further illustrating the concept of “work and play”, coffee makers and work desks were ranked as the most important in-room amenities. In recognition of the promotional efforts of the major hotel chains, luxury bedding was rated as more than “somewhat important” as a guest room amenity. This is greater than the rating given to mini-bars and in-room exercise equipment.

The Cycle

Lodging is a cyclical industry, yet PKF-HR is forecasting an extended period of “better than average” growth in revenues and profits. While this is good news for U.S. hotel owners and operators, it does not bode well for meeting planners.

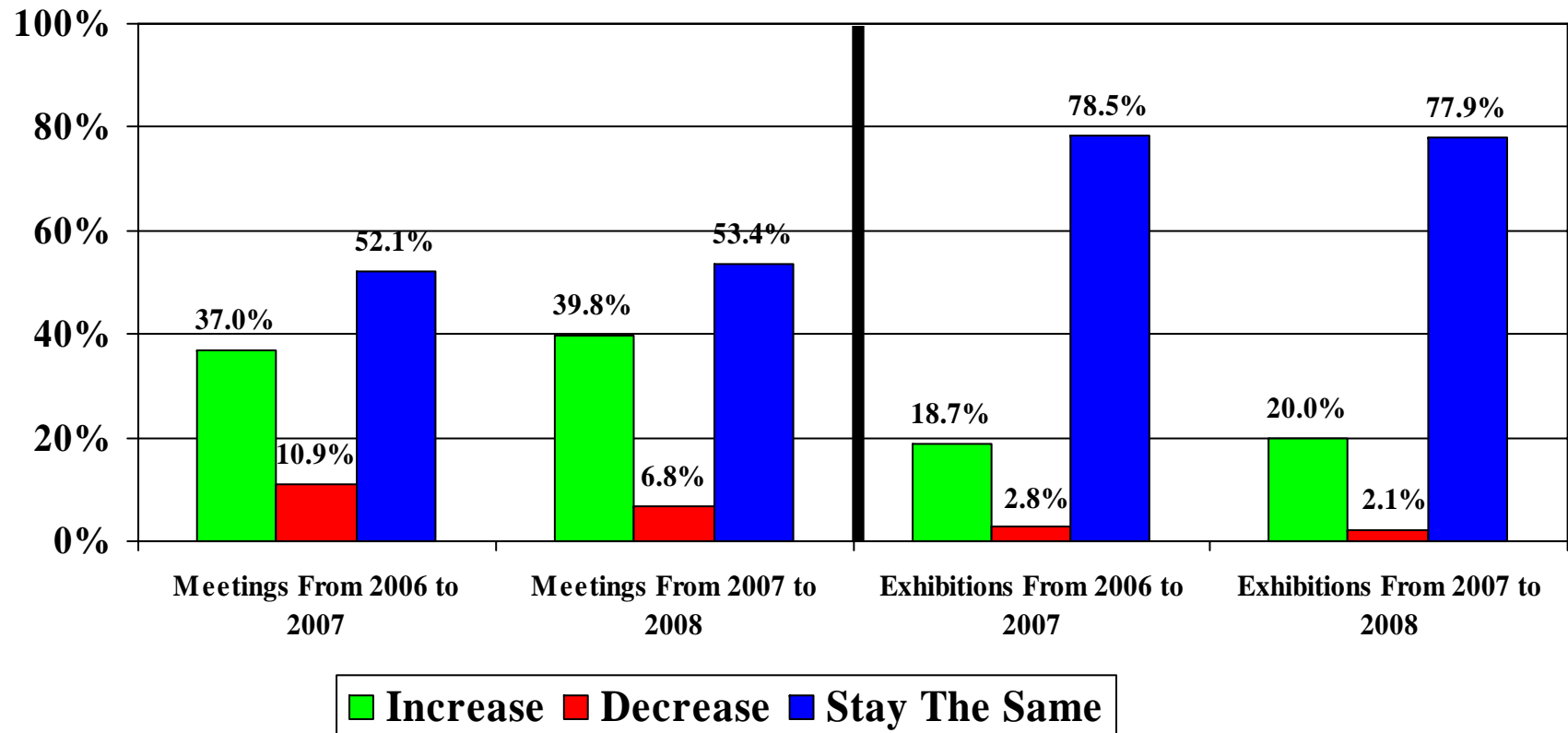
Hotel sales personnel should certainly maximize the financial benefits of the leverage they currently possess. However, they must also recognize that meeting planners are demanding a high level of service that is consistent with the premium prices they are paying. In the near-term, with price losing its importance with meeting planners, the quality level of services and amenities is now the differentiating factor in the meeting site selection process. In the long-term, when the next lodging industry recession eventually hits and pricing becomes competitive, the quality of service you deliver today will pay off in the future.

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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 ConventionSouth, for sponsoring the survey. This article was published in the December 2007 issue of Lodging magazine.

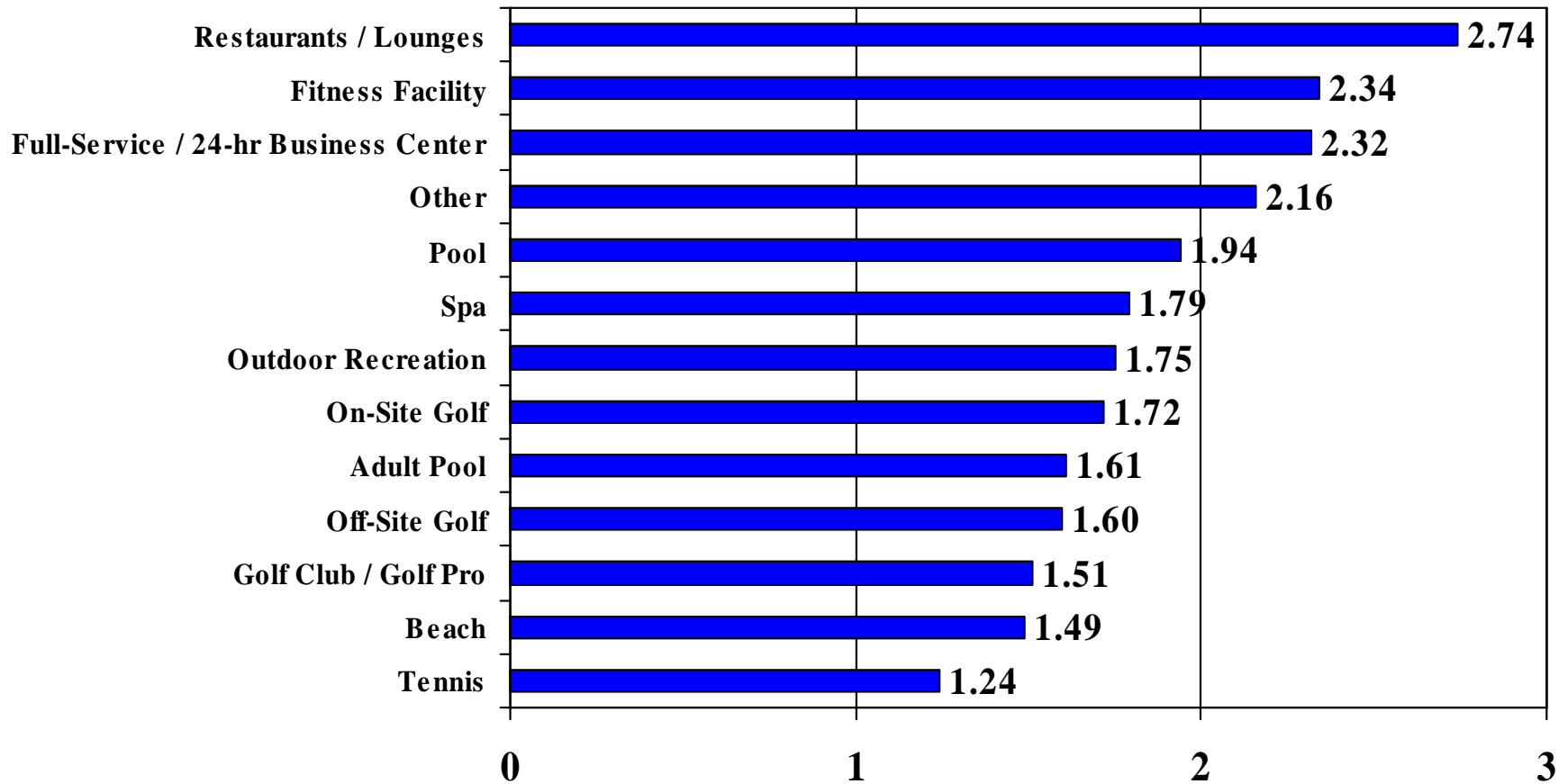
CHANGE IN NUMBER OF EVENTS

Percent of Meeting Planners



Source: Convention South, PKF Hospitality Research

IMPORTANCE OF HOTEL AMENITIES

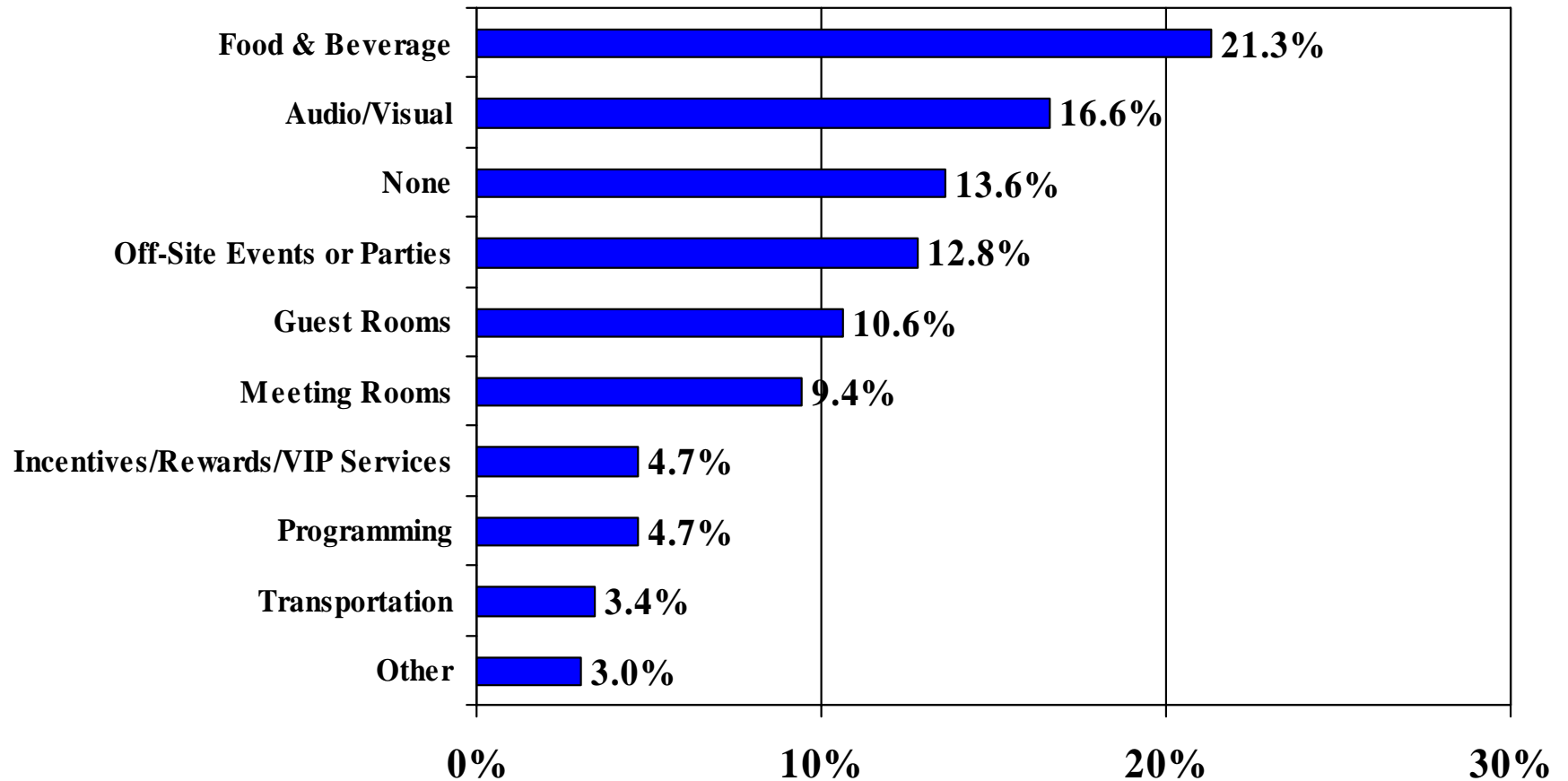


Scale: 1 = Unimportant, 2 = Somewhat Important, 3 = Very Important

Source: Convention South, PKF Hospitality Research

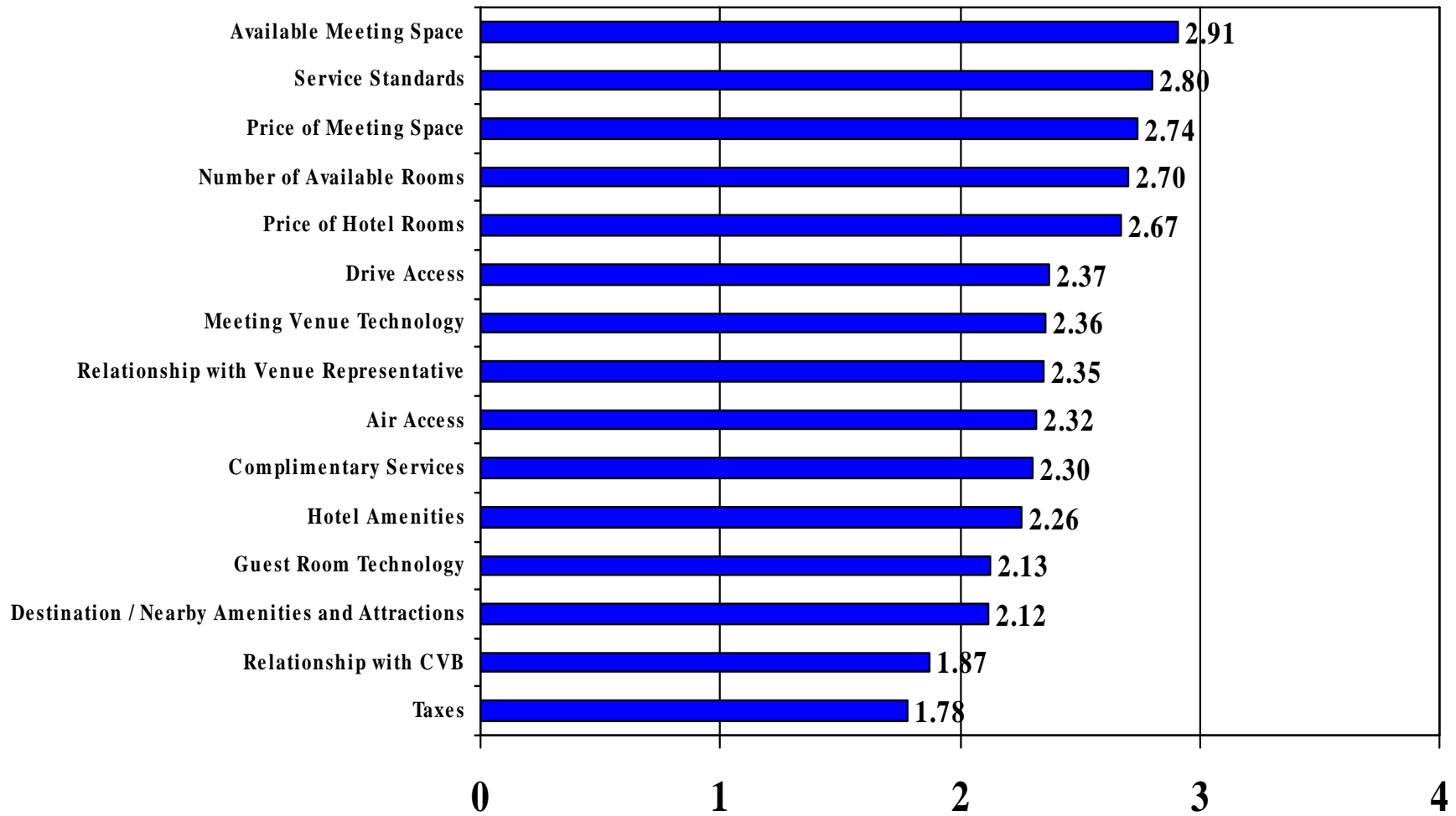
WHERE MEETING PLANNERS ARE CUTTING COSTS

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		
	2006	2007	Difference	2006	2007	%Var	2006	2007	%Var
Texas	55.6 %	55.1 %	-0.5	\$93.26	\$99.18	6.3 %	\$51.82	\$54.61	5.4 %
Houston Area	54.1 %	53.2 %	-0.9	\$96.50	\$103.58	7.3 %	\$52.22	\$55.10	5.5 %
Houston	55.8 %	54.8 %	-1.0	\$99.48	\$106.80	7.4 %	\$55.53	\$58.53	5.4 %
CBD Houston	43.9 %	48.4 %	4.4	\$143.60	\$146.22	1.8 %	\$63.11	\$70.70	12.0 %
Galleria/Post Oak	59.9 %	59.4 %	-0.5	\$124.63	\$136.56	9.6 %	\$74.65	\$81.16	8.7 %
Texas Medical Center	51.0 %	58.3 %	7.3	\$112.82	\$117.38	4.0 %	\$57.49	\$68.41	19.0 %
Intercontinental	69.3 %	70.2 %	0.8	\$78.76	\$82.50	4.8 %	\$54.62	\$57.88	6.0 %
Hobby Airport	52.8 %	51.3 %	-1.5	\$69.05	\$73.13	5.9 %	\$36.45	\$37.54	3.0 %
Clear Lake	60.8 %	59.2 %	-1.6	\$83.38	\$84.00	0.8 %	\$50.70	\$49.72	-1.9 %
Southwest Houston	49.5 %	48.2 %	-1.4	\$99.56	\$108.19	8.7 %	\$49.30	\$52.10	5.7 %
Stafford / Sugar Land	60.8 %	60.7 %	-0.1	\$65.47	\$72.93	11.4 %	\$39.80	\$44.28	11.3 %
Westchase	63.5 %	51.2 %	-12.3	\$99.67	\$102.31	2.7 %	\$63.26	\$52.36	-17.2 %
Katy Freeway	51.0 %	47.1 %	-3.9	\$83.74	\$89.88	7.3 %	\$42.71	\$42.33	-0.9 %
Northwest	58.1 %	55.5 %	-2.6	\$78.99	\$86.32	9.3 %	\$45.88	\$47.93	4.5 %
Reliant Park/South Mai	53.6 %	48.3 %	-5.3	\$76.39	\$80.79	5.8 %	\$40.97	\$39.02	-4.8 %
East/Baytown	47.1 %	45.1 %	-2.0	\$61.26	\$68.84	12.4 %	\$28.87	\$31.06	7.6 %
Montgomery Co.	45.3 %	42.0 %	-3.3	\$80.09	\$93.45	16.7 %	\$36.26	\$39.24	8.2 %
Galveston	49.1 %	49.0 %	-0.1	\$101.01	\$105.58	4.5 %	\$49.59	\$51.72	4.3 %
Beaumont	52.1 %	44.9 %	-7.1	\$81.43	\$83.65	2.7 %	\$42.40	\$37.58	-11.4 %
Bryan/College Station	34.6 %	46.9 %	12.3	\$61.84	\$67.35	8.9 %	\$21.38	\$31.60	47.8 %
Victoria	74.0 %	67.5 %	-6.5	\$60.10	\$67.30	12.0 %	\$44.49	\$45.44	2.1 %
Room Rate									
Under \$45.00	59.0 %	57.9 %	-1.1	\$37.15	\$38.72	4.2 %	\$21.92	\$22.42	2.3 %
\$45.00 to \$60.00	50.5 %	48.6 %	-1.9	\$54.72	\$49.92	-8.8 %	\$27.66	\$24.26	-12.3 %
\$60.01 to \$80.00	50.7 %	49.8 %	-0.9	\$69.51	\$71.42	2.7 %	\$35.24	\$35.56	0.9 %
\$80.01 and Over	54.4 %	53.6 %	-0.8	\$116.19	\$123.60	6.4 %	\$63.25	\$66.28	4.8 %
Property Size									
Under 120 Rooms	52.9 %	50.7 %	-2.2	\$69.72	\$75.77	8.7 %	\$36.92	\$38.45	4.1 %
120 to 200 Rooms	55.2 %	54.8 %	-0.4	\$66.71	\$72.09	8.1 %	\$36.81	\$39.51	7.3 %
201 to 300 Rooms	51.8 %	52.4 %	0.6	\$112.86	\$123.34	9.3 %	\$58.49	\$64.64	10.5 %
301 rooms and Over	54.7 %	53.3 %	-1.4	\$121.96	\$129.58	6.2 %	\$66.66	\$69.01	3.5 %
Property Type									
All Suite	56.1 %	62.7 %	6.5	\$100.71	\$104.21	3.5 %	\$56.55	\$65.31	15.5 %
Economy	53.4 %	49.5 %	-3.8	\$39.71	\$41.92	5.6 %	\$21.18	\$20.77	-2.0 %
Extended Stay	64.6 %	59.1 %	-5.5	\$62.31	\$67.79	8.8 %	\$40.27	\$40.07	-0.5 %
Full Service	51.1 %	49.9 %	-1.2	\$126.49	\$136.03	7.5 %	\$64.67	\$67.85	4.9 %
Limited Service	55.1 %	55.3 %	0.2	\$80.02	\$85.46	6.8 %	\$44.11	\$47.25	7.1 %

Data includes information from 118 participating properties with 22,833 rooms.

TRENDS

IN THE HOTEL INDUSTRY



Houston - For the 12 Months Ended December

	Occupancy			Average Daily Rate			RevPAR		
	2006	2007	Difference	2006	2007	%Var	2006	2007	%Var
Texas	68.9 %	67.6 %	-1.3	\$99.61	\$105.87	6.3 %	\$68.63	\$71.60	4.3 %
Houston Area	67.6 %	67.4 %	-0.2	\$102.35	\$109.65	7.1 %	\$69.15	\$73.87	6.8 %
Houston	68.5 %	68.1 %	-0.4	\$104.24	\$112.08	7.5 %	\$71.45	\$76.33	6.8 %
CBD Houston	66.4 %	64.7 %	-1.7	\$149.00	\$158.50	6.4 %	\$98.90	\$102.51	3.7 %
Galleria/Post Oak	70.7 %	70.9 %	0.2	\$138.42	\$145.40	5.0 %	\$97.93	\$103.12	5.3 %
Texas Medical Center	72.8 %	73.7 %	0.9	\$110.41	\$115.35	4.5 %	\$80.39	\$85.06	5.8 %
Intercontinental	72.4 %	74.2 %	1.8	\$72.92	\$81.01	11.1 %	\$52.78	\$60.13	13.9 %
Hobby Airport	64.8 %	61.9 %	-2.9	\$79.07	\$80.45	1.7 %	\$51.24	\$49.80	-2.8 %
Clear Lake	68.0 %	69.5 %	1.5	\$86.05	\$86.79	0.9 %	\$58.51	\$60.30	3.1 %
Southwest Houston	64.3 %	63.0 %	-1.3	\$104.38	\$110.04	5.4 %	\$67.15	\$69.37	3.3 %
Stafford / Sugar Land	71.1 %	73.4 %	2.2	\$62.59	\$70.12	12.0 %	\$44.51	\$51.44	15.6 %
Westchase	70.1 %	70.6 %	0.5	\$96.27	\$102.84	6.8 %	\$67.47	\$72.64	7.7 %
Katy Freeway	67.2 %	64.4 %	-2.8	\$86.88	\$91.32	5.1 %	\$58.36	\$58.77	0.7 %
Northwest	64.9 %	68.1 %	3.2	\$77.82	\$85.50	9.9 %	\$50.50	\$58.27	15.4 %
Reliant Park/South Mai	70.7 %	63.6 %	-7.1	\$78.87	\$84.81	7.5 %	\$55.79	\$53.94	-3.3 %
East/Baytown	64.3 %	61.7 %	-2.5	\$57.93	\$63.07	8.9 %	\$37.23	\$38.93	4.6 %
Montgomery Co.	61.8 %	60.8 %	-1.0	\$91.43	\$102.73	12.4 %	\$56.50	\$62.47	10.6 %
Galveston	64.7 %	64.8 %	0.1	\$119.11	\$123.68	3.8 %	\$77.02	\$80.11	4.0 %
Brazosport	72.2 %	81.4 %	9.2	\$68.53	\$67.21	-1.9 %	\$49.46	\$54.68	10.6 %
Beaumont	72.7 %	66.1 %	-6.6	\$82.27	\$84.32	2.5 %	\$59.81	\$55.70	-6.9 %
Bryan/College Station	51.3 %	59.8 %	8.5	\$67.55	\$70.28	4.0 %	\$34.69	\$42.06	21.3 %
Victoria	75.7 %	77.4 %	1.6	\$58.20	\$59.70	2.6 %	\$44.07	\$46.19	4.8 %
Room Rate									
Under \$45.00	64.5 %	66.3 %	1.7	\$37.35	\$38.35	2.7 %	\$24.10	\$25.41	5.4 %
\$45.00 to \$60.00	61.5 %	62.0 %	0.5	\$54.10	\$52.56	-2.8 %	\$33.29	\$32.58	-2.1 %
\$60.01 to \$80.00	69.4 %	65.6 %	-3.8	\$68.81	\$69.94	1.6 %	\$47.79	\$45.91	-3.9 %
\$80.01 and Over	68.3 %	68.3 %	0.0	\$125.29	\$131.40	4.9 %	\$85.59	\$89.77	4.9 %
Property Size									
Under 120 Rooms	68.0 %	68.2 %	0.2	\$80.21	\$84.15	4.9 %	\$54.54	\$57.37	5.2 %
120 to 200 Rooms	67.4 %	67.9 %	0.6	\$73.36	\$76.25	3.9 %	\$49.43	\$51.80	4.8 %
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301 rooms and Over	68.2 %	67.7 %	-0.5	\$129.46	\$140.68	8.7 %	\$88.26	\$95.25	7.9 %
Property Type									
All Suite	74.6 %	74.1 %	-0.4	\$109.93	\$117.85	7.2 %	\$81.97	\$87.36	6.6 %
Economy	57.6 %	61.2 %	3.5	\$40.26	\$41.88	4.0 %	\$23.20	\$25.62	10.4 %
Extended Stay	75.2 %	74.7 %	-0.5	\$64.86	\$68.96	6.3 %	\$48.79	\$51.53	5.6 %
Full Service	66.2 %	66.1 %	-0.1	\$130.36	\$140.72	7.9 %	\$86.34	\$93.01	7.7 %
Limited Service	68.0 %	67.0 %	-1.0	\$77.30	\$83.67	8.2 %	\$52.56	\$56.09	6.7 %

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