



# 2016 Meetings and Events Forecast

September 2015

CWT  
Meetings&Events

## WELCOME



I'm excited to share with you our fourth annual 2016 Meetings and Events Forecast. In it, we provide regional price projections for hotels and dig a bit deeper to give you details on what's coming in terms of supply and demand. And we offer projections for group size and cost per attendee by region to help you plan for each market. Finally, you'll get supplier and technology tips to drive further savings, innovation and efficiency throughout your meetings program.

Wondering what 2016 will bring? We anticipate tighter hotel cancellation policies, growing food and beverage (F&B) costs and an increased focus on compliance—particularly for our pharmaceutical clients. Many companies will try to harness their combined spend as they look for ways to cut costs and improve program efficiency and control. This will continue to drive increased interest in Strategic Meetings Management (SMM) and consolidation. Technology is also top of mind for more clients than ever, with a younger generation of attendees spurring an interest in tools like meetings apps. Forward-thinking companies can consider working alongside *CWT Meetings & Events* to develop a personalized app strategy to improve the attendee experience while enabling you to measure meeting ROI.

I'm confident that this publication, combined with consultation from your team at *CWT Meetings & Events*, will help you prepare for the year ahead. Thank you for trusting *CWT Meetings & Events* with your business. We promise to keep striving to find new ways to take you from ideas to results in 2016 and beyond.

All the best,

David Moran  
Executive Vice President  
*CWT Meetings & Events*

**CWT**  
Meetings&Events

The 2016 Meetings and Events Forecast is a supplement to the 2016 Global Travel Price Outlook, which was produced jointly by Carlson Wagonlit Travel (CWT) in partnership with the GBTA Foundation.

## INDUSTRY SPOTLIGHT FROM OUR SPONSOR

Carlson Rezidor Hotel Group is honored to once again sponsor the 2016 Meetings and Events Forecast and to partner with *CWT Meetings & Events*. This year is particularly special for Carlson Rezidor, following 2014, when our parent company Carlson reacquired full ownership of CWT, bringing both companies even closer together.

Carlson Rezidor is a global leader in the meetings, incentives, conferences and events sector, with unrivaled expertise in planning and executing every type and tenor, size and sort of event. As one of the world's largest and most dynamic hotel groups with more than 1,370 hotels in operation and under development and a footprint spanning 110 countries and territories, we leverage our global reach with the best people and services. Our Radisson Blu®, Radisson® and Park Inn® by Radisson brands offer signature meeting and events programs.

We are optimistic about 2016 and in agreement with the overall industry outlook, which expects to see strong performance as demand continues to grow this year at quadruple the rate of supply, according to industry sources. Overall demand remains strong in the M&E segment, with attractive pricing in the secondary and suburban markets.

Kaaren Hamilton  
Vice President  
Global Group Sales

  
**CARLSON**  
**REZIDOR**  
HOTEL GROUP

# GLOBAL MACROECONOMIC OVERVIEW

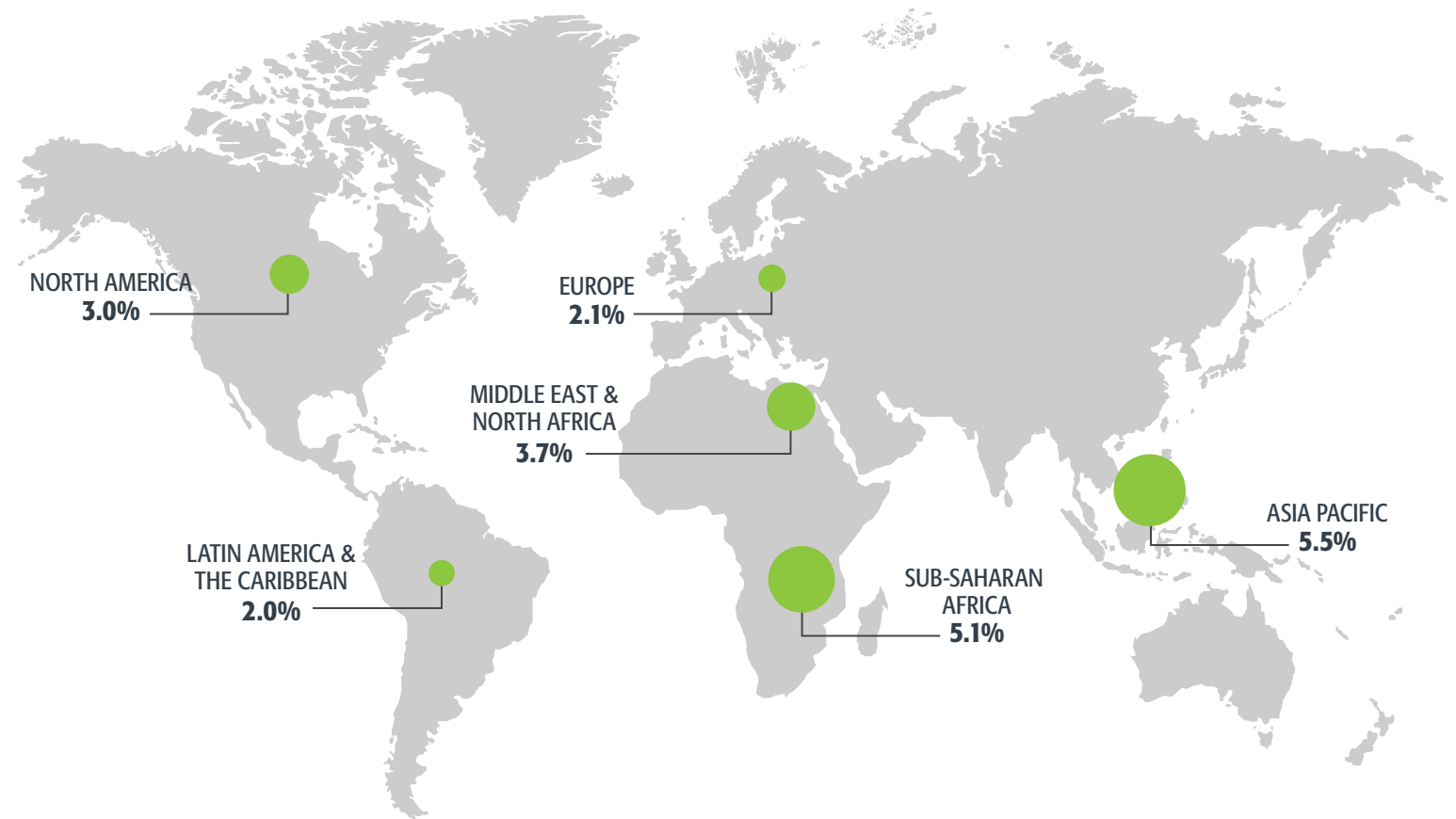
## Stronger U.S., recovering Europe & improved outlook for developing economies

In 2015, improved economic performance in the U.S. has been counteracted by economic weakness in Europe and Japan, a slow-down in China's growth rate and recession in some emerging economies (eg. Russia, Argentina and Brazil). The resulting divergence in performance, inflation rates and monetary policy has caused global trade to slow and the U.S. dollar (US\$) to appreciate considerably.

One of the biggest factors shaping the global economy is lower oil prices. Countries that are net importers of oil are slowly receiving the benefits of increased household disposable income and lower business costs. But net exporters are suffering from plummeting revenues, a sharp decline in investment activity and strained fiscal balances. Geopolitical challenges may appear quiet at the moment, but the situation in Ukraine or conflicts in the Middle East and Africa could quickly erupt, causing spikes in oil prices, financial market turmoil and additional trade restrictions.

### 2016 GDP PROJECTIONS

Globally, we'll see GDP rise to **3.8%** by the end of 2016. The map below depicts regional GDP projections.



SOURCE: International Monetary Fund, *World Economic Outlook Update*, April 2015

SOURCE: IHS Global Insight, International Monetary Fund, Wells Fargo Securities, Rockport Analytics

## M&E OUTLOOK

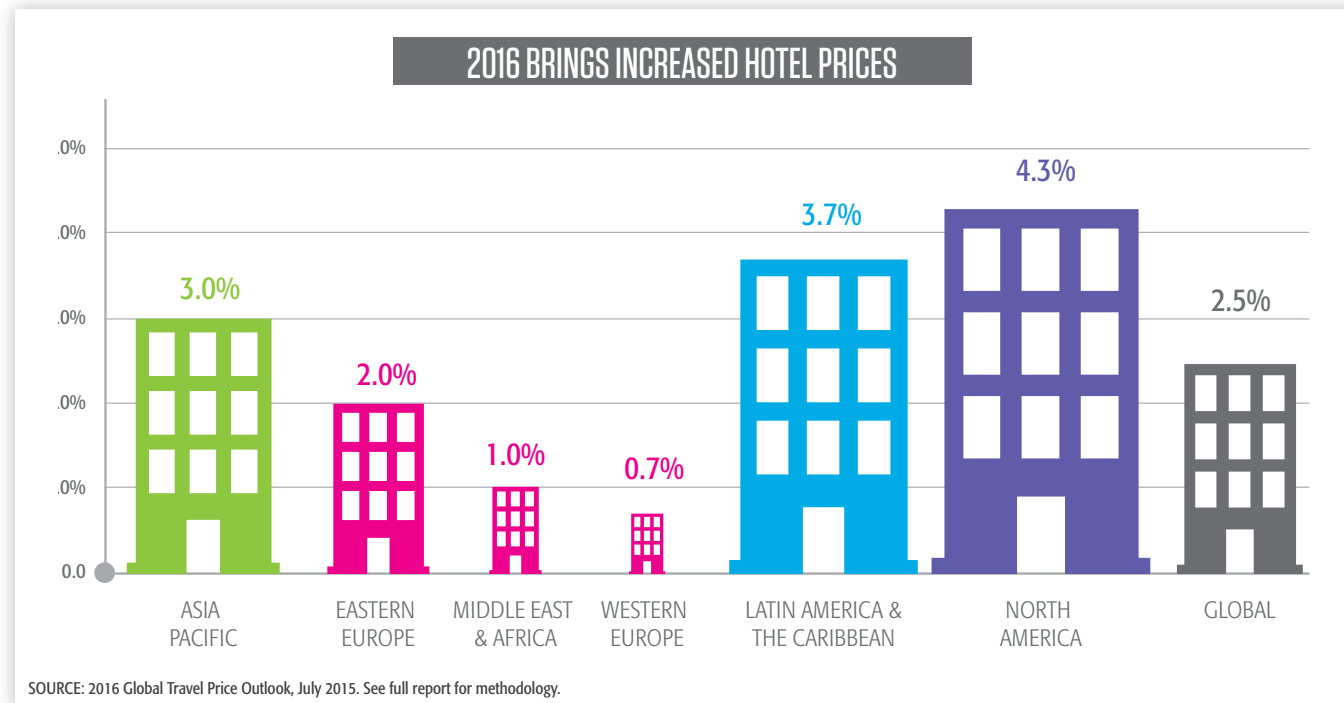
### Hotel prices up globally in 2016

Globally, the M&E price outlook will be varied. Demand in North America, both transient and group, continues to grow at a rate that exceeds new supply, and the result is a seller's market causing challenges for meeting owners. Europe is seeing slow but steady growth with buyers gaining greater leverage. In Asia and Latin America, economic challenges are causing uncertainty.

For meeting owners who seek to hold a meeting in a high-demand market where suppliers hold the control, we're seeing a number of trends. Hotels are omitting or reducing flexibility in key clauses related to cancellation and attrition in both rooms and F&B, and they've limited rebooking for future dates or the ability to resell unneeded rooms. Attrition clauses are under significant pressure in compressed tier 1 markets. In these mega cities with large airport hubs, we're seeing upfront offers in the 10-15% range, compared to a traditional 20-25%.

In addition, planners should be aware that hotels in high-demand markets are beginning to stop holding space when responding to availability requests. Meeting owners should alert internal decision makers of this market shift, as the risk of lost space will increase and date flexibility will be crucial as events are sourced. European hotels, although more hesitant to hold space, are typically doing so with 2-week limits.

As with transient travel, hoteliers are increasing their yield management on group rates. With demand increasing, now more than ever, CWT recommends providing as much lead time and date flexibility as possible to manage costs and obtain your destination and venue of choice.



## ASIA PACIFIC

### China & India dominate spend for the region

The unpredictable economy and health-related scares threaten to limit overall growth for the region. However, strong demand from China and India will drive prices and group size up, which should mitigate the challenges we're seeing in the rest of Asia Pacific. Increased governance and focus on compliance is being driven by the pharmaceutical industry, prompting these companies to look for ways to gain the best control of their overall M&E programs.

As of June, there are 2,363 hotels offering 554,532 rooms under contract in the region, representing a 6.7% increase compared to June 2014, and a 0.6% year-over-year increase in rooms under construction.<sup>1</sup> And Indonesia and China are constructing a strong pipeline of hotels, with large global chains expanding even further into China. Overall, supply is growing in the region, which is helping to moderate the cost increases driven by growing demand.

In particular, global M&E clients with a presence in Asia Pacific are becoming more interested in SMM programs, but they seek to balance the improved control and potential cost savings generated by SMM strategies with local business needs.



In China, many pharmaceutical companies are implementing processes to ensure governance and compliance with ethical business practices for health care provider (HCP) interactions and meetings. CWT is the only travel management company with in-house travel management and M&E operations in China, which means our clients there benefit from both our global expertise and our strong understanding of local regulations.

<sup>1</sup> "STR Global: Asia/Pacific pipeline for June," Hotel News Now, July 2015

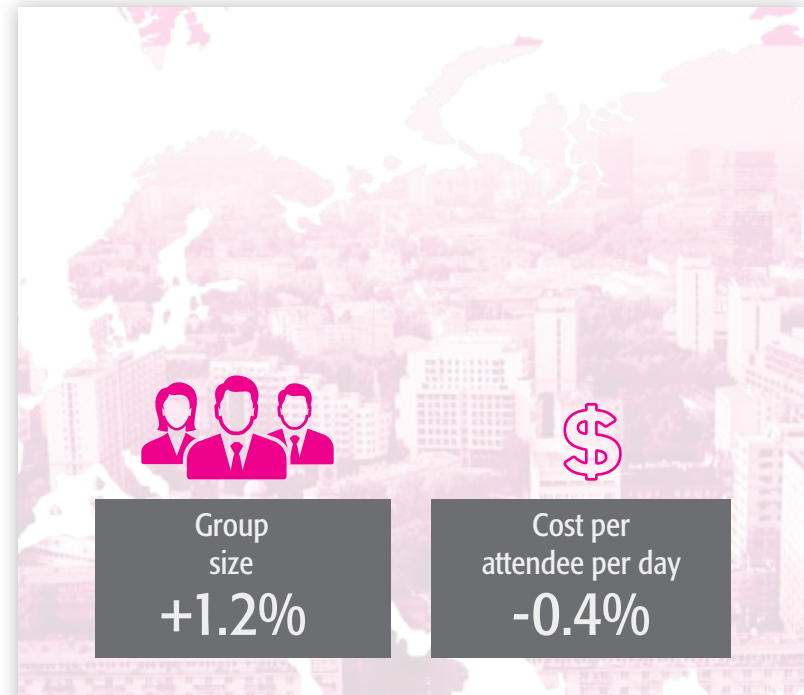
## EUROPE

### Fragile economic recovery prompts caution

While the European economy has seen slight improvements, buyers remain cautious due to a potential backslide into recession. This is driving a trend toward domestic meetings as companies seek to contain costs.

In terms of supply, 805 hotels totaling 130,652 rooms are under contract in Europe as of June 2015, representing a 10.2% decrease compared to June 2014. Further, we've seen a 7.6% year-over-year decrease in rooms under construction.<sup>2</sup> As economic conditions improve and demand grows, prices may increase due to lack of supply.

Regarding SMM, interest throughout Europe is growing. However, companies continue to experience challenges when implementing these strategies due to the diversity of countries and cultures in the region—as well as a more dispersed existing stakeholder base. The benefits realized by a successful SMM strategy remain compelling and include double-digit savings percentages, risk mitigation, transparency, regulatory compliance and improved attendee satisfaction. Much of the current successes realized within the European market stem from global companies with SMM strategies that span other regions.



**With the exception of Russia and Spain, suppliers in the region have become stricter with their attrition and cancellation clauses. They are insisting on their own terms, particularly in peak seasons, in destinations with reduced room night capacities and in locations with high-demand venues.**

<sup>2</sup> "STR Global: Europe pipeline for June," Hotel News Now, July 2015

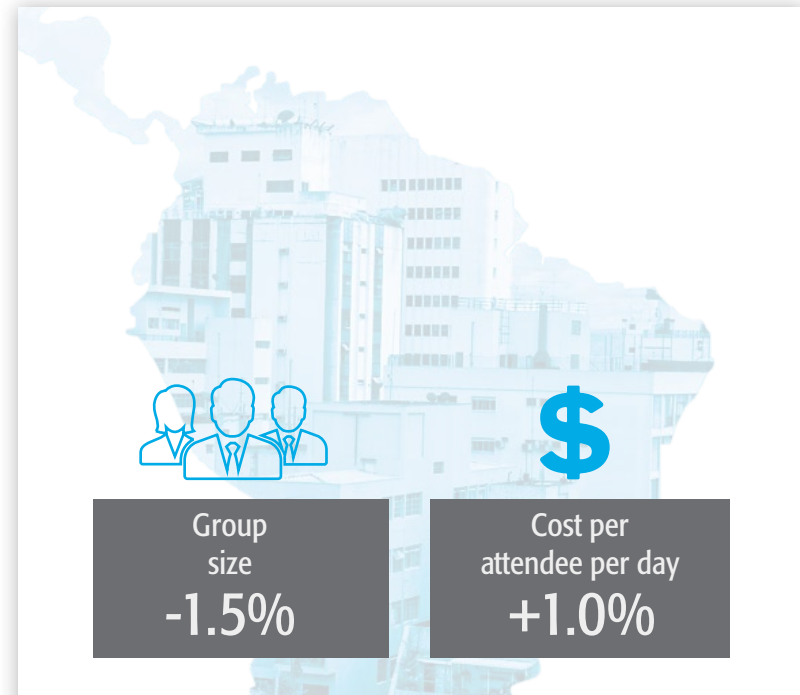
## LATIN AMERICA

### Supply pipeline coming online

The landscape is changing as suppliers offer better prices and more favorable agreements for meeting planners. Growth in pharmaceutical industry meetings should continue as companies based in North America expand their M&E programs and visibility to Latin America. However, economic challenges are driving a trend toward domestic meetings. And we've also observed a move toward midscale hotels as clients look to cut costs.

As of June 2015, there are 438 hotels with 68,618 rooms under contract, representing a 4.8% increase compared to June 2014. And there is a 24.9% year-over-year increase in rooms under construction.<sup>3</sup> However, demand has flattened in Brazil for non-pharmaceutical clients, which could drive down costs and cause a shift to a buyer's market. In 2015, corporate group size has dropped by almost 10% year over year in Latin America due to deteriorating economic conditions in major economies Brazil and Argentina. The industry remains hopeful that the Olympics in Brazil, elections in Argentina and economic improvements in the region will bolster confidence and encourage more travel.

Interest in SMM continues to grow, primarily in Argentina, Brazil and Colombia, but individual event management remains the most common strategy.



There will be 85 new hotels—and about 25,000 new rooms—opening in Rio de Janeiro by 2016, in addition to the significant inventory that was added for the 2014 World Cup.<sup>4</sup> However, these projects began when Brazil's economy was growing. Suppliers now worry about a lack of post-Olympics demand, which may drive down costs after the ceremonies end.

<sup>3</sup> "STR Global: C./S. America pipeline for June," Hotel News Now, July 2015

<sup>4</sup> "Com previsão de 12 mil quartos na Barra, novos hotéis começam a ser inaugurados," O Globo, May 2015

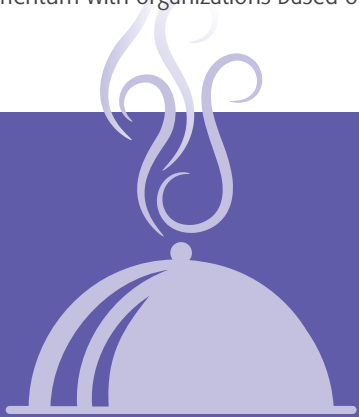
## NORTH AMERICA

### A seller's market

In general, we expect North American meetings held domestically to increase in 2016. However, for select meeting categories such as incentive trips, international destinations will remain more popular.

The supply pipeline is picking up significantly, with 3,511 projects totaling 426,043 rooms under contract in the U.S. in June 2015. This represents an 11.1% increase compared to June 2014 and a 20.9% year-over-year increase in rooms under construction. Of the major markets in the U.S., New York City boasts the most rooms under contract (31,191), with Houston (18,573) and Dallas (12,285) rounding out the top 3 in terms of supply pipeline.<sup>5</sup> Demand is also increasing, with U.S. lodging occupancy projected to reach 65.7%, the highest level seen since 1981.<sup>6</sup> Therefore, pricing power will remain in the hands of hoteliers for the foreseeable future.

North America is still the most mature market for SMM; however, more global organizations based in NORAM are extending these strategies into other regions. And we expect to see SMM gain momentum with organizations based outside of the U.S. in 2016.



F&B continues to be a significant driver of per-attendee costs, and we're seeing a continued focus on providing locally grown, sustainable and organic menus. Planners are adjusting F&B patterns to manage budgets while promoting healthful alternatives.

<sup>5</sup> "STR Global: US hotel pipeline for June," Hotel News Now, July 2015

<sup>6</sup> "Hospitality Directions US: Our updated lodging outlook," PricewaterhouseCoopers, May 2015

# RECOMMENDATIONS

## Top 5 tips for success with suppliers

# 1

### Consolidate for control and savings



An enterprise-wide SMM program will help you realize cost savings while creating a big-picture strategy that drives efficiencies in other areas of your program. This holistic approach allows you to streamline M&E processes while creating fewer financial and legal risks for your organization. Additionally, you can deploy a consolidated hotel strategy that leverages meetings and business travel spend by identifying opportunities based on travel patterns, key markets and emerging markets. Doing so will also drive savings and operational efficiencies across both your M&E and business travel programs.

# 2

### Plan ahead



Lead time for registration and venue contracts continues to shrink. However, by increasing the lead time for larger events, you can boost your negotiation power, particularly if there is a shift to a buyer's market in regions like Latin America.

## Carlson Rezidor continues to serve your M&E needs

As we look ahead to 2016, our customers want even greater coverage in the Americas and emerging markets. Carlson Rezidor Hotel Group continues to expand our presence with not only a strong global pipeline, but the largest pipeline in Africa and in countries like India, Russia and Turkey. We are also proud to have recently announced that our Radisson Blu brand, which is core to our global M&E business, has expanded into Latin America.

Our clients seek brands and hotels that reflect the “meetings means business” philosophy. They are looking closely at the cost of travel, safety, security and value for all attendees. In many major markets, we are seeing that the availability of room inventory and meeting space is reflective of the continued demand. We continue to encourage our clients to work with their stakeholders to plan their schedule of events as far in advance as possible to provide more options for meetings during these high-demand times. This is where a global sales organization can make a real difference and act as a consultant, having a deep knowledge of the global destinations, pricing and product.

With the ever-increasing emergence of the millennial meeting planner and desire for web-based interactivity, we keep a sharp focus on our hybrid meetings offerings. Expectations around connectivity continue to rise, so our hotels must continue to broaden offerings such as bandwidth, connectivity, social media and apps.

Finally, with widespread global adoption of SMM, we are in an ideal position to optimize our partnerships in the M&E segment. Our clients are driving compliance and an increased use of meeting procurement technology, which helps us be a better partner and not only deliver but exceed expectations.



## RECOMMENDATIONS

### Top 5 tips for success with suppliers

3

#### Look at your F&B costs



Pressure on F&B continues to have a significant impact on cost per attendee per day. In the U.S., we've seen an increase of 2.9% year over year for F&B.<sup>7</sup> Consider trading down on menu items that don't heavily impact attendees (eg, moving to tap water vs. bottled) or reducing the number of breaks to contain or even save on F&B despite general cost increases.

4

#### Limit your risk with hotels



We're seeing continued pressure on cancellation clauses while attrition remains relatively stable. To counter this, establish an addendum for desired cancellation terms with preferred suppliers, using it as a baseline when negotiating. By rolling out preferred supplier programs and strategic partnerships—and establishing compliance KPIs—you won't only get the best terms, you'll limit your risk. And you'll gain visibility to as much spend as possible for better negotiations and increased future buying power.

5

#### Engage in strategic contract management



By streamlining the process for managing all meeting-related agreements, you'll get a broader, more connected view of commitments and supplier use across your organization. And you'll ensure alignment with legal, bypassing lengthy reviews for time-sensitive agreements. Additionally, you'll benefit from efficiency and cost savings by aligning your company's risk mitigation strategies, creating the foundation to roll out or negotiate master service agreements with key suppliers. Finally, consider developing customized negotiation strategies for high-volume markets to increase your buying power and ensure your rates are competitive.

<sup>7</sup> Consumer Price Index, Bureau of Labor Statistics, April 2015

## RECOMMENDATIONS

### Considering innovative technology

Whether you're ready for an online platform such as Cvent or simply plan to use websites or apps, technology is probably on your radar.

### Which solutions are right for your company?

**Online registration tools.** As more organizations roll out small meeting strategies, we will see online adoption, tracking and monitoring increase. Online registration continues to grow as organizations seek to gain better visibility and transparency, as well as leverage their combined spend for greater savings. We're also noticing more companies look to integrate their group air online booking tools with online attendee management tools to improve the attendee experience and reduce fulfillment costs. A key consideration here is ensuring meeting level policies are monitored prior to ticketing.

**Social media and meetings apps.** Social media use will continue to grow, driven by a younger generation that appreciates immediate connection. While many channels will be used, apps will play a key role. More clients are seeking to understand how apps can be used in planning (eg, registration), on site (eg, check-in, instant feedback, networking and surveys) and after an event (eg, reporting). New technology will emerge to create a more connected, innovative experience as well as to measure meeting ROI and effectiveness.

Technology helps you gain visibility and collect the right data to improve or enhance your meetings program. Technology solutions continually improve inefficiency, create clarity and enable reporting—helping you better manage the cost of meetings.



The *Meet by CWT M&E* app provides a single source for all event needs. It allows users to receive relevant messages before, during and after events—and can be used to host surveys, meeting details and sponsor information. We can work with you to design and implement an event app strategy to ensure you're getting the most from your program.

**Tools to address unmanaged spend.** You can increase adoption for your meetings program and gain visibility by implementing a self-service small meetings solution that creates a simple user experience and helps you take control of currently unmanaged spend. If you're looking to improve efficiency, be sure to educate your planners and choose intuitive solutions.

**Virtual and hybrid meetings.** This technology has been available for some time, but it isn't the right solution for every company or every meeting. Consider whether your company culture would support virtual meetings. If a more personal approach is required, think about holding face-to-face meetings in local offices or in lower-cost markets.

# CWT Meetings&Events

Where ideas meet results