

Post-IMEX industry forecast: 'some booming, some gloomy'

Much-publicised global economic and financial challenges are not affecting all countries, nor all industries, and whilst some IMEX 2008 visitors offer a gloomy forecast for the MICE sector, many others suggest that boom times will continue. This balanced conclusion is drawn from research undertaken by email questionnaire amongst 515 attendees during the month following the exhibition in April. The poll attracted respondents from 46 countries and involved a complete cross-section of job responsibilities. These included: corporate buyers (e.g. finance, pharmaceuticals, electronics, automobiles etc); association leaders; industry professionals (PCOs, DMCs, incentive organisers, meetings agencies etc.); marketing specialists; plus suppliers (e.g. hotels, congress centres, airlines, convention bureaux etc.).

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Two central questions were put to survey participants: *'How do you think the current economic climate will affect the corporate/association meetings sector?'* and *'Do you think that the incentive travel sector benefits during challenging economic times because motivational programmes are essential for achieving corporate performance targets?'*

The headline statistic summarising views within the meetings sector is that 48% express optimism, with the balance believing that the effect will generally be 'adverse'. Within the incentive travel field the proportion agreeing that difficult economic circumstances can be advantageous reached 59%. However, neither of these figures is as polarised as they at first seem.

changes rather than challenges

Many experts engaged in the meetings market (buyers or suppliers) talk more of changes than challenges, an 'adjustment' rather than an impending downturn. Admittedly some anticipate shorter (and more concentrated) events that involve fewer delegates who will travel less far and to cheaper destinations (and in some cases possibly staying within their own country). Also, such meetings may be booked much later. Furthermore, it is acknowledged that the focus has switched to cost savings, getting better value, ensuring excellent Return on Investment, and maximising delegate productivity, but such trends are not viewed necessarily as negative. Moreover some explain the situation as owing as much to climate concerns or political influences (e.g. the Presidential election process in the US), as

to the economy. Elsewhere currency exchange rates are held most responsible for market swings, probably the weak dollar reducing US demand for Europe though proving attractive in the opposite direction, and with the strong Euro serving to reduce demand from the UK to the European continent. Some consider the most significant factor affecting the meetings market to be the anti-bribery legislation affecting the pharmaceutical industry in certain countries.

optimistic outlook

Some view decline as likely to be short-lived, perhaps for the next six to nine months only, whilst a few envisage up to a three-year dip. In contrast, for representatives of the MICE sector in emerging countries (e.g. parts of Eastern Europe, the Middle East, the Far East, and in India) the outlook is almost wholly optimistic; 'recession, what recession?' might well be their catchphrase. Similarly the more international the business, so the less the appropriate buyers believe it is likely that their event planning will be affected; such is the unstoppable momentum of the globalisation process! Furthermore, those organising meetings at the top of the market – for example, for directors, major clients or other VIPs – also anticipate a sense of business as usual.

Those buyers admitting that they now have to scrutinise their budgets more carefully explain that the cost of fuel and flights (and in some cases, associated environmental taxes) have often been the major trigger factors. Nevertheless, this hardly dents the prevailing optimism within a sector that emphasises the continuing need for people to meet face-to-face. That said, a minority intend to resort to web- and video-conferencing techniques in the short term.

Turning to the incentive travel sector, many agency specialists acknowledge that whilst in theory a challenging economy ought to pre-dispose companies more favourably towards motivational tools, in practice this is not always guaranteed. Their caveats therefore make reference to the 'need for corporate vision' ... how responses will vary 'country to country, culture to culture' ... and the reality that 'many clients regrettably view incentives as inessentials or luxuries'. The result, some fear, could be a switch of funds to more mainstream marketing strategies.

positives

That said, a significant proportion anticipate only positives arising from the new economic situation. Yes, they admit that the number of participants might slightly decline, that more free time could be included in the programme in order to save funds, and that more trips could be shorter in duration. Many also envisage the growing significance of 'meetcentives', with an educational or training dimension to the travel reward included in order to make the exercise more palatable to fellow colleagues. On the other hand there are those who believe that enlightened companies will want to entice their top performers into maintaining business levels and that therefore it is up to the incentive sector to make this argument stick. A smart compromise, some propose, is to offer programmes that feature new and more affordable destinations, are more creative and innovative and consequently even more guaranteed to work, and particularly also to incorporate those benchmarking and productivity-measuring approaches that help justify the investment. Viewed in these terms any anticipated difficulties in the incentive travel market would actually provide, according to some, a useful prompt 'for a re-think and a change of focus'. Incidentally, few such doubts circulate in emerging countries, notably Asia and the Far East, where the outlook for motivational travel sector generally looks buoyant.

verbatim comments

Finally, this report incorporates a number of selected verbatim comments that serve, hopefully, to convey the strength of feeling of respondents addressing all aspects of the two topics that underpin this research. These views follow:

'How do you think the current economic climate will affect the corporate/association meetings sector?'

** 'It will stay the same and not be affected in a positive or negative way: very steady business.'* (Austrian meetings agency)

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** 'I believe the current challenges within the industry will drive companies to provide a better ROI and work more closely within budgets and requirements.'* (UK-based airline)

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** 'I think the sector will grow further and become more important in the future.'* (German meetings buyer)

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* *'Increased use of telephone and video-conferences ... particularly given the further consideration of the environmental benefits.'* (French venue)

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* *'Have not seen any impact just yet – but hotels are offering many hot rates and dates and this leads me to believe that cancellations are already happening.'* (US meetings agency)

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* *'I think it will affect the sector negatively (cost-cutting etc.) – although this is not a good way to react to economic uncertainties.'* (Ireland corporate buyer)

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* *'Greater tightening of budgets, less free time, shorter meetings, more domestic locations.'* (US meetings buyer)

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* *'Not much – businesses will still have to meet in order to get things done. I think budgets and types of properties selected will become more important.'* (US meetings buyer)

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* *'Very little. Budgets may be trimmed a little, but conferences and incentives will continue to happen as normal.'* (UK meetings agency)

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* *'I think that budget-conscious associations will only meet within their geographic sphere. A lot depends on which corporations can afford what. I think we'll see more regional meetings and less of the international unless they are a must.'* (Canadian meetings agency)

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* *'Not been felt at present, but may cause more virtual meetings rather than physical meetings.'* (UK meetings buyer)

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* *'India, being an emerging market and having the world's largest younger generation, has a MICE market that is growing very fast and this sector will keep growing.'* (Indian meetings buyer)

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* *'Challenging economic times affect this business, but from my point of view, it is a kind of motivation that will lead our travel business to new areas, such as green event management, etc.'* (Hungarian meetings agency)

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* *'It's going to improve providing that we are able to position our industry as problem solver ...'* (Mexican meetings agency)

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* *'The Polish economy is still growing, and consequently the Polish corporate meeting sector will grow too.'* (Polish meetings agency)

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* *'So far in Europe we are not experiencing any recession. Business is going as usual.'* (Swiss meetings agency)

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* *'I believe clients will be more focused on the purpose of their meetings and therefore become better buyers.'* (Norwegian meetings agency)

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* *'Strong destinations will win, and many not well-known destinations will suffer.'*

(Norwegian hotel group)

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* *'Economic uncertainty leads to shorter lead times for bookings, smaller meetings of briefer duration, and 'image-conscious planning' wherein planners select hotel brands that do not appear to be as luxurious as some of the better-known 5-star brands. Rooms attrition on legacy contracts will increase, and cancellations of corporate conferences booked 12 months or more into the future will increase from 3.5% to nearly 6% of those bookings.'* (US meetings agency)

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* *'Very limited effect. Business meeting may evolve to take on new methods, but will still take place.'* (UK meetings buyer)

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'No less business, but more competition and pressure on quality.' (French meetings agency)

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'Companies may merge and there may be less sponsorship money for some associations. However, in my industry the trends are positive as there are many new and emerging markets, so it is positive but we cannot be complacent. Delegates are fussy and they have so many meetings to choose from so we have to focus on creating a fantastic customer experience, and make every association meeting a success through hard work, delivering value, and quality, ALL the time.' (Australian association planner)

'Do you think the incentive travel sector benefits during challenging economic times because motivational programmes are essential for achieving corporate performance targets?'

* *'Yes and no, because while motivational programmes are essential for achieving corporate performance targets, companies are also more cautious with spending during challenging economic times.'* (Cyprus incentive agency)

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* *'Depends on how a company determines the value of a travel incentive. If it is an integral part of their marketing strategy I suspect they will find the budget to accommodate their requirements. If they can use other types of*

incentive, they may well look at those options. Programmes will need to be particularly inventive and motivational, and incentive houses will have to work harder to achieve this by establishing new ideas and destinations. A good learning curve for all concerned.' (UK incentive agent)

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* *'I have clients who say they are taking reward programmes to more exotic locations as a thank-you to clients/staff for sticking with them during hard times.'* (UK incentive travel agent)

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* *'We do not think the economic climate will affect our business, as long as oil prices do not continue out of control. Euro exchange rates could also cause a slow-down in trips to Europe. We do not have any economic problems in Canada.'* (Canadian incentive agency)

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* *'Motivation will be aimed at the top 25% to keep them focused on maintaining and growing their business as opposed to engaging the entire sales force.'* (US incentive travel buyer)

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* *'Yes, I absolutely think motivational programmes are essential for achieving corporate performance targets.'* (Italian incentive agent)

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* *'Even when the economy is down, corporate incentives must go on to spark sales and momentum for the company or association.'* (Netherlands motivation agency)

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* *'Yes, even when the markets crashed in the '90s' we still had incentive trips.'* (South African motivation agency)

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* *'Incentive travel will be an excellent way to raise the motivation of the working teams to reach their targets, but I think the travel will switch to destinations closer to the companies' offices.'* (Spain incentive travel agency)

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* *'Incentives should also be held during difficult economic times, but experience shows that often the contrary happens (budget is drastically reduced or cut completely). However, instead of incentive trips there are other types of motivational programmes available!'* (Switzerland incentive agency)

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* *'No, it will be among the first to suffer setbacks because companies will not want to be seen as spending spurious money when cutting back on other expenses and perhaps freezing wages or creating redundancies.'* (Ireland incentive agency)

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** 'I feel that if clients are committed to incentive programmes they will carry on with them because they see them as important to their growth. The companies I worry about are those that organise the occasional incentive programme and would drop the programme at a stroke.'* (UK incentive agency).

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** 'I don't think it matters. I believe that motivational marketing initiatives should be a staple in companies' marketing tool chest. They should also be strategically aligned with overall corporate goals and measured to create positive benefits for a company at any time and not just during judgement day at the time of an economic slowdown.'* (US incentive agency)

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** 'Absolutely positive.'* (Brazil motivation agency)

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** 'I think that the current economic(al) situation will affect the market in a positive way since incentives and events will be recognised as the ideal tool with which to achieve new performance targets.'* (Denmark motivation agency)

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** 'Incentive travel as an investment proves to be one of the most powerful tools to improve performance and achieve targets. Even so, during periods of economic pressure, investment on incentive travel will certainly decrease, maybe not in the number of incentives offered by the companies, but the budget for incentives has to be reduced, as there are more risks. However, not all the sectors are in crisis at the same time, so maybe we get less business from some sectors and more from others. But I think that in general incentive travel can benefit, in the beginning, from some less favourable economic times.'* (Portuguese incentive agency)

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'We are experiencing a trend towards meetings + teambuilding activities rather than a cut-back in real incentives.' (Austrian incentive agency)

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'Incentives have to find the 3+ to 4-star hotels that have that little extra in service since I think some buyers will look a little more at hotel costs.' (Swedish incentive agency)

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'I think motivational programmes are essential for achieving corporate performance targets.' (Russian incentive agency)

Note: IMEX would like to thank the many hundreds of buyers and suppliers who replied to this research. Further comments for inclusion in a future version of this report will be very welcome.