

TOURISM ECONOMICS

**How Many Rooms Does Your
Convention *Really* Use?**

The Event Room Demand Study

July 2015



**TOURISM
ECONOMICS**

AN OXFORD ECONOMICS COMPANY

A Letter of Thanks....

Dear Industry Colleague:

My passion for this study began in the late 1990s, when I had the great fortune of working for the San Diego Convention & Visitors Bureau and the San Diego Convention Center Corporation. We hosted the first destination customer advisory board and I learned so much from the brightest meeting professionals who served on our board. One particular frustration stuck with me and became the foundation of this study, we, as an industry, did not recognize the total number of overnight attendees and room demand their events generated for the destination, and this really seemed like an injustice to our industry. We only relied on the rooms we could count, inside the contracted room block. As an advocate for planners who bring tremendous economic impact to destinations, I thought we could do better than this.

In those early years of working through a methodology for quantifying the total room demand of an event, I am grateful to Sue Davis, SPIE and Skip Hull, CIC Research who helped me cull through event registration data to explore a new practice. Fast forward to today (and who would ever believe that I could remain passionate about this topic for all these years), I'd like to thank the members of DMAI's Meeting Professionals Advisory Board for participating in the test phase of this study and providing advice and recommendations along the way toward a new solution.

In addition, thank you to Experient, Orchid Event Solutions, SmithBucklin, Talley Management Group, and Visit DENVER for contributing anonymous event data and to the individual organizations who contributed individual event data for this study. A special recognition to my friend and colleague, Kevin Kamenzind for orchestrating all the data collection.

What really makes this project special is the industry collaboration that provided the necessary funding. Thank you to the following organizations who felt this was important work to accomplish and made this landmark study possible.



And finally, I am forever grateful to Adam Sacks, President, Tourism Economics and Christopher Pike, Director, Impact Studies, Tourism Economics for lending your guidance and expertise.

A handwritten signature in black ink, appearing to read "Shimo".

Christine "Shimo" Shimasaki, CDME, CMP
DESTINATION MARKETING ASSOCIATION INTERNATIONAL
@shimosan

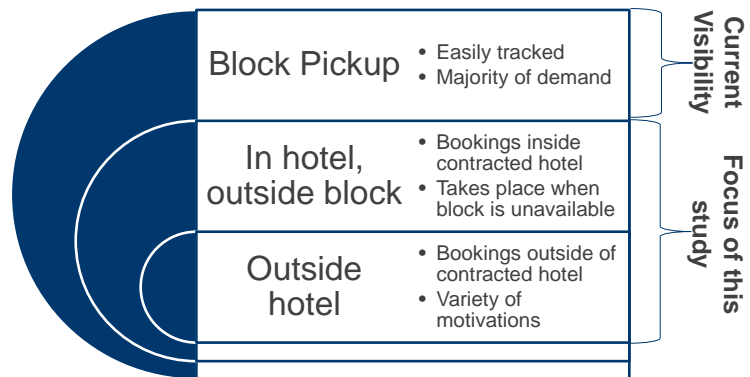
Contents

1	Introduction.....	4
2	Data Collection	5
3	The Set Up.....	6
4	Key Results	7
5	What seems to influence shares?.....	8
5.1	Size of Event.....	8
5.2	Facility Size.....	9
5.3	Event Facility.....	9
5.4	Market Segments.....	10
5.5	More in-depth analysis.....	10
6	Conclusion	12
7	About Tourism Economics.....	13

1 Introduction

The objective of this report is to quantify the degree attendees and exhibitors book hotel rooms outside of the organizer’s contracted room block. In addition, the study will provide a better understanding of any influential factors or conditions which may lead attendees to book more or less rooms around the room block. The purpose of this project is to introduce to the meetings industry a new metric—of event room demand, which articulates the volume of rooms sold by an event versus relying only on the guest rooms we can count.

The industry still continues to focus on the room block and the room block pick-up as the primary measure to value the event, even in light of general agreement that many attendees book outside the room block. In other words, the supply-side of the industry continue to use the historical room block pick-up as one of the most important factors in valuing an event. This continued practice has consequences, especially when suppliers utilize booking guidelines designed to maximize room night production for the venue. If an event has a high percentage of attendees booking outside the room block, then that event may be undervalued, the meeting planner may find difficulty securing first-option space several years in advance, and hotels may not be prepared for the actual impact of the event.



In addition, stakeholders such as media and local politicians unfamiliar with industry trends, could misinterpret the events value. All of this points to the need for the industry to document the extent to which “rooms outside the block” is occurring and provide a foundation and catalyst for other changes to occur.

Key findings of the analysis include:

- One out of every three rooms is booked outside the room block
- There is significant variation in the share of rooms booked outside the block
- Certain event characteristics help explain the variation and provide a finer analysis of the share of rooms booked outside the block

This report quantifies the extent attendees and exhibitors book hotel rooms outside of the organizer room block.

This report is organized as follows. Section 2 reviews the data collection exercise. Section 3 details the projection method. Section 4 presents the results of the analysis with Section 5 providing analysis by event characteristics and Section 6 concludes the report.

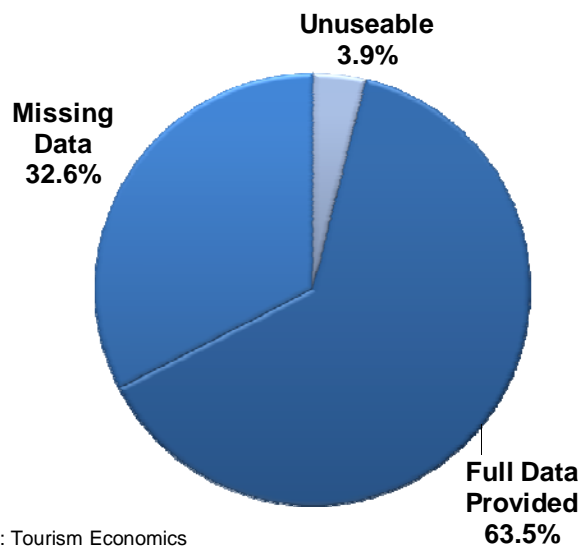
2 Data Collection

Data was collected from housing and registration companies, association management companies, a DMO and individual meeting planners and event organizers.

The data fields requested included:

- Organization Type (association, corporate, other)
- Organization Market Segment (medical, agriculture, government, etc.)
- Event Facility Type (hotel only, convention center)
- Event Destination
- Event Dates
- Zip codes of all registered participants
- Registration type of registered participants (exhibitor, full day attendee, day only, etc.)
- Housing total number of guests
- Housing total rooms reserved
- Day by day pick up report

Source: Tourism Economics



In total, information from more than 200 events was collected. Data cleaning procedures were then employed to ensure the results were as accurate as possible.

These procedures included:

- Removal of international or Hawaiian events; and
- Removal of events where the ZIP code data was inconsistent with event parameters;

In the end, 174 events and over 880,000 attendee origin data points were used in the analysis. Of those 174, 115 provided enough information to complete the outside the block analysis. The other 59 did not have information for the persons per room calculation. For those events, the average persons per room from the completed events were used. This compilation and cleaning of data yielded 174 events with enough information to calculate rooms booked outside the block.

3 The Set Up

With the data in hand, the analysis needs to analyze the attendee origin ZIP code and room block data in order to enumerate rooms booked outside the block. The first step is to analyze registration data to isolate out-of-town participation in each event. This is done by assuming that attendees from within a certain distance did not need a guest room. In this case, the distance used was 100 miles. Any attendee with a ZIP code within 100 miles of the meeting locale was considered to not need a guest room. By using this distance, the results of the study remain conservative.

By subtracting the number of attendees not needing a guest room from the total attendance, overnight attendees – attendees needing housing is calculated. One more factor that needs to be considered to link up attendance to rooms is to consider rooms with multiple occupancy. Information from housing companies was used to estimate the number of persons per room.

Dividing overnight attendees by the number of persons per room provides a total room demand generated by the event (both inside and outside the block).

Comparing this with room block pick up provides a calculation of peak room night demand outside the block.

To do this requires several assumptions, including:

- Each destination would have a “X” mile radius as a basis of assuming those attendees probably did not need a guest room.
- The number of guests and number of rooms reserved by the housing company for contracted hotels is reflective for all guests (even outside the block).
- The persons per room data is a key parameter, would need to analyze the housing data for guests and the inclusion guests in the registration data.
- Does not account for attendees staying with friends and family.



4 Key Results

The average event had over 5,735 attendees of which nearly 715 were considered day attendees – i.e., attendees whose ZIP codes were within 100 miles of the meeting location. This projects to one of eight attendees – 12% being day attendees for the average event. This leaves just under 5,000 attendees as overnight attendees for the average event.

On average, an organizer for an event of this size booked 2,200 rooms at peak demand. According to the housing corporations, 1.29 people stayed in a room at the average event.

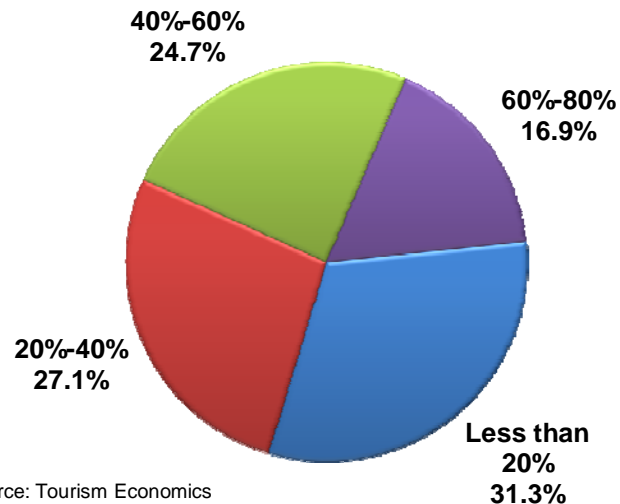
With 5,000 overnight attendees and 1.29 people per room, peak room demand for this event was just 3,900 rooms.

Averaging the events, 34.1% of all rooms were booked outside the block. Said another way – one out of every three rooms is booked outside of the contracted room block.

But while the results average to a neat ratio of one out of every three rooms booked outside the block, this does not mean that every event will have 33% of the rooms booked outside the block. The analysis shows that nearly a third of the events studied had less than 20% of the rooms booked outside the block. Another quarter had between 20-40% of the anticipated peak room demand booked outside of the block. Nearly 17% of the events studied had more than 60% of rooms booked outside the contracted room block.

So while more than one out of three rooms for the average event is booked outside of the contracted room block, the variability between events suggests that certain event characteristics may show differences in the number of rooms booked outside the block.

Rooms booked outside block



Source: Tourism Economics

5 What seems to influence shares?

Every third room is booked outside of the contracted room block. But, across the sample of events studied, the variation of the share of rooms outside the block was quite large. What event characteristics influence a higher share of rooms booked outside the block?

Most of the events provided certain key event characteristics, not just including attendance and room data but also city, length, event facility and market segment, among others. Relationships were found that show higher shares of rooms booked outside the block including:

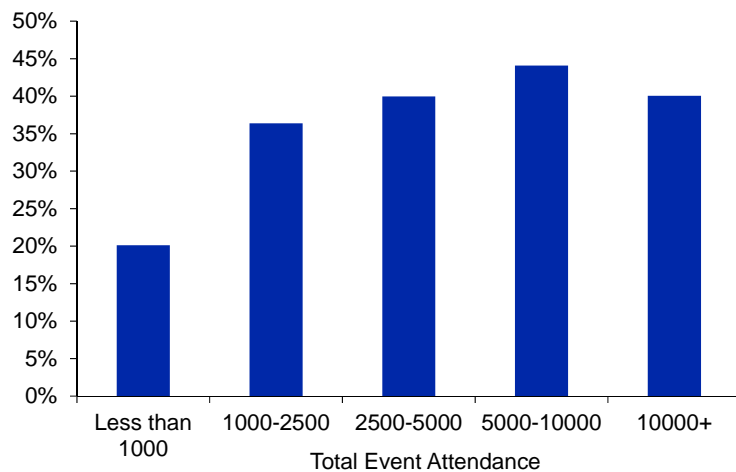
- The larger the event, the higher the share of rooms booked outside the block – but only up to a point
- Facility size – with significant share differences between small and mid-sized facilities leveling off after mid-sized facilities
- Convention Center events vs. events contained in single hotels
- Tradeshows vs. meetings
- Length of an event – shorter events had a higher share of rooms booked outside the block

The following sections take a more in-depth look at several of these relationships.

5.1 Size of Event

Higher shares of rooms booked outside the contracted room block were correlated with larger event sizes. While the share of rooms booked outside the block was only about 20% for events under 1,000 attendees, the share quickly jumped to more than 35% for events with 1,000-2,500 attendees. But above that event size, the jump in shares slows, rising to nearly 45% of rooms booked outside the contracted room block for events between 5,000 and 10,000 attendees. The share of rooms booked outside block declines slightly as events get larger than 10,000 attendees, likely due to capacity constraints: as events take up a larger percentage of all rooms in the destination organizers need to block more rooms to ensure availability for their attendees.

Share of rooms outside block by event size



Source: Tourism Economics

5.2 Facility Size

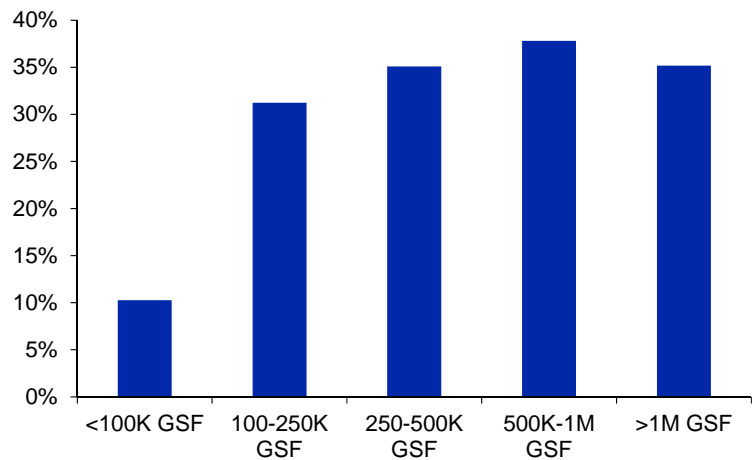
Changing the focus slightly – from event attendance to facility size – the larger the facility the higher share of rooms that are booked outside the block. Note that events are classified by the gross square footage of the convention facility in the city, not necessarily where the event is taking place. The sample size allowed facilities to be broken out into five segments: facilities under 100,000 gross square feet (GSF), facilities between 100-250K GSF, 250-500K GSF, 500K-1M GSF and facilities larger than 1M GSF.

For events in cities with smaller facilities, about 1 in 10 rooms can be expected to be booked outside of the contracted room block. This quickly jumps to around 30% of all rooms outside block for cities with convention facilities between 100-250K GSF.

The share of rooms booked outside the block levels off as facility sizes grow, reaching 37% for cities with facilities between 500K-1M GSF before declining slightly to 35% for cities with facilities larger than 1M GSF.

One reason for the jump in the share of rooms booked outside the block between Regional and National cities would be variety of hotel options available in those types of cities.

Share of rooms by facility size



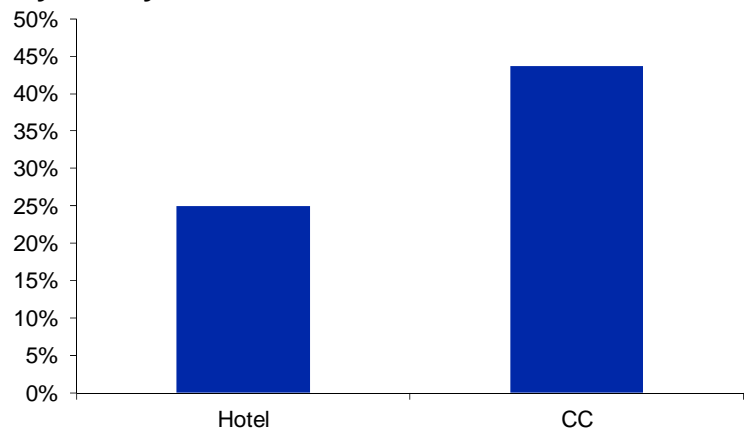
Source: Tourism Economics

5.3 Event Facility

Another event characteristic that was provided by the event organizer was the facility in which the event occurred. For the purposes of this breakout, any event utilizing a convention center – even if the organizer cites both hotel and convention center as being used by the event – was classified as a convention center event.

In probably the ‘not surprising’ result of the study, convention center events had a larger share of rooms booked outside the block. For hotel-centered events, the share of rooms booked outside the block averaged one out of

Rooms booked outside the contracted room block by facility



Source: Tourism Economics

every four rooms. This jumped to 45% of rooms for convention center events.

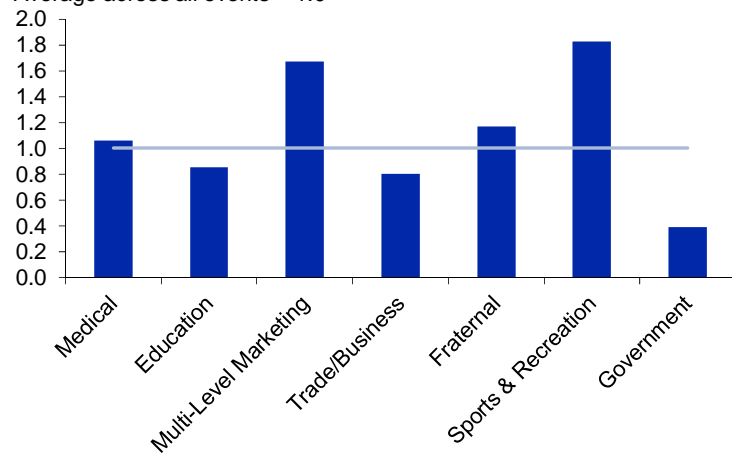
5.4 Market Segments

Most of the events provided information on the market segment of the event. Medical events, education, sports & recreation, trade/business and fraternal events were a few of the market segments that could be selected. The data showed significant differences between several market segments and the average event.

Indexing events to the average event, where the average event has an index of 1, several market segments stood out. While the average medical event had a similar share of rooms booked outside the block to an average event, both the multi-level marketing and sports & recreation market segments had a much higher share of rooms booked outside the block. Multi-level marketing events saw an outside the contracted room block share nearly 70% higher than the average event with sports & recreation events 80% higher. Balancing those results, governmental events had a share of rooms booked outside the block 60% lower than an average event.

Index of rooms by event type

Average across all events = 1.0



Source: Tourism Economics

5.5 More in-depth analysis

As has been mentioned, readers should be cautious on a blanket use of one out of three rooms booked outside the block for all events. Similarly, the information presented above are averages for those event characteristics. The data shows that, limiting the analysis to certain event characteristics provides a different average share of rooms booked outside the block.

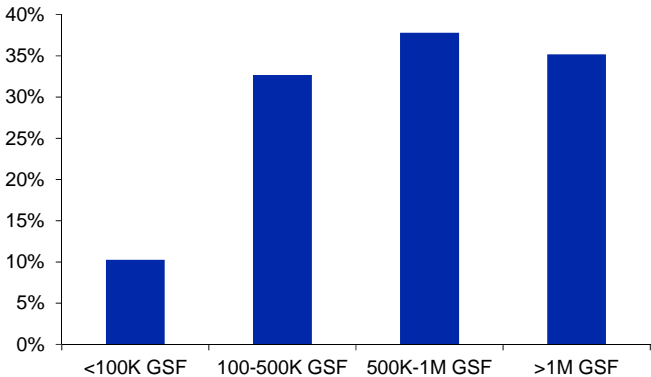
As an example, the analysis by facility size changes when limiting the sample to hotel only events. Including all events, including convention center events, there was a clear jump in the share of rooms booked outside the block between events in cities with small facilities and mid-sized facilities with the growth in shares leveling off after 250K GSF. This relationship changes when limiting the analysis to events contained in hotels.

When viewing hotel only events, there is a clear difference in the share of rooms booked outside the block than with all events included. Including convention center

events, the share of rooms booked outside the block jumped from 10% in cities with facilities under 100K GSF to 33% for cities with facilities between 100-500K GSF. When limiting the analysis to hotel only events, the share of rooms has a much smaller rise to only 18% - fewer than one in five rooms – for cities with facilities between 100-500K GSF.

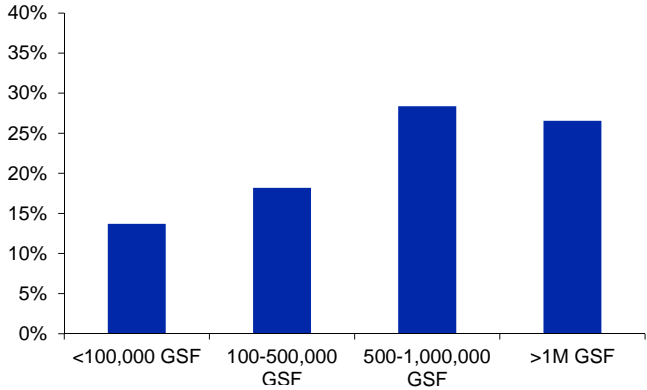
The difference in shares of rooms booked outside the block at events in hotels vs. all events in cities with facilities between 500K-1M GSF show similar trends. With all events included, the share of rooms booked outside the block reached 37% - one out of every 2.6 rooms was booked outside the contracted room block. Limiting the focus to events contained in hotels dropped the share to 28% - or one out of every 3.5 rooms. For an event contracting 1,000 rooms at peak, this is a difference of nearly 100 EXTRA rooms at peak booked for an average event vs. a hotel event.

Share of rooms by facility size



Source: Tourism Economics

Share of rooms outside block for hotel events by facility size



Source: Tourism Economics

6 Conclusion

DMOs and hotels have traditionally relied on the contracted room block as the base of analysis of an event. However, there is a significant share of rooms being booked outside of the contracted room block – more than one out of every three rooms. Proper evaluation of an event needs to include rooms being booked outside of the contracted room block and this study puts the DMOs in a unique position to conduct an analysis and reinforce this point to meeting planners/event organizers, hoteliers, convention facilities and local politicians.

While the average event has 34% of all rooms booked outside of the contracted room block, DMOs should not use that information as a universal metric for all events. Individual event characteristics provide opportunities to more closely match the share of rooms booked outside the block with an event. Event characteristics that can influence the share of rooms booked outside the block include event facility, event type, market segment, facility size, event size and event length. Higher shares outside of the block are found in convention center events, larger cities, shorter length events and higher attendance.

Further study of the share of rooms booked outside the block can bring even more knowledge including breakouts by market segment, analysis within city designations and more.

7 About Tourism Economics

Tourism Economics is an Oxford Economics company with a singular objective: combine an understanding of tourism dynamics with rigorous economics in order to answer the most important questions facing destinations, developers, and strategic planners. By combining quantitative methods with industry knowledge, Tourism Economics designs custom market strategies, destination recovery plans, tourism forecasting models, tourism policy analysis, and economic impact studies.

With over four decades of experience of our principal consultants, it is our passion to work as partners with our clients to achieve a destination's full potential.

Our parent company, Oxford Economics, is one of the world's leading providers of economic analysis, forecasts and consulting advice. Founded in 1981 as a joint venture with Oxford University's business college, Oxford Economics enjoys a reputation for high quality, quantitative analysis and evidence-based advice. For this, it draws on its own staff of 70 highly-experienced professional economists; a dedicated data analysis team; global modeling tools, and a range of partner institutions in Europe, the US and in the United Nations Project Link.

PHILADELPHIA

303 Lancaster Avenue, Suite 2E
Wayne PA 19087, USA
Tel: +1 610 995 9600

OXFORD

Abbey House, 121 St Aldates
Oxford, OX1 1HB, UK
Tel: +44 1865 268900

LONDON

Broadwall House, 21 Broadwall
London, SE1 9PL, UK
Tel: +44 207 803 1400

BELFAST

Lagan House, Sackville Street
Lisburn, BT27 4AB, UK
Tel: +44 28 9266 0669

NEW YORK

817 Broadway, 10th Floor
New York, NY 10003, USA
Tel: +1 646 786 1863

SINGAPORE

No.1 North Bridge Road
High Street Centre #22-07
Singapore 179094
Tel: +65 6338 1235

PARIS

9 rue Huysmans
75006 Paris, France
Tel: + 33 6 79 900 846

email: info@tourismeconomics.com

www.tourismeconomics.com

www.oxfordeconomics.com