

6TH ANNUAL

STATE OF THE INDUSTRY SURVEY

BY JOEL SCHESSLER,
AMANDA FRETHEIM GATES,
& ELLIE M. BAYRD

With the economy on such shaky ground, it's hard to tell what the future will bring. It's not an understatement to say the road recently traveled has been the most treacherous the hospitality industry has ever seen: Budget cuts, recession, not to mention the newly coined "AIG-effect," all left their mark in 2009. What's next? ¶ Even if hospitality is already improving, many believe the road to recovery will not lead the industry to familiar ground. Once business returns and the storms have passed, what will the playing field look like? ¶ In this sixth annual survey, we measured the state of our industry's health from many viewpoints, soliciting information and comments from creative hospitality professionals across the industry. We didn't aim to simply measure the economic struggles of the past year. Nor did we intend our survey to serve as a crystal ball to accurately map our path to economic recovery. Instead we set out to identify some of the ideas that will be having an impact on hospitality and the people who work in it. Some of the trends will be important to you right now, while other data may only hint at what may still be years away. We hope the survey serves as a framework from which to generate new ideas and start new conversations as we welcome the new year. >

ABOUT THE SURVEY:

The sixth annual *Meetings: Minnesota's Hospitality Journal* Industry Survey was posted on www.mn-meetings.com from July through September 2009. Respondents could opt into one of two versions of the survey: the first designed for general meeting planners, and the second designed for vendors/suppliers to the industry. Response was driven by mailings to 8,000 randomly selected industry professionals, upon which 166 usable surveys were received (113 planner surveys, 53 vendor/supplier surveys).

THANK YOU:

Meetings: Minnesota's Hospitality Journal would like to thank everyone who took the time to participate in this year's survey. Your insight and knowledge allows us to bring you our best possible coverage of the state's hospitality industry. Our thanks also go to this year's survey sponsor: The Bloomington Convention & Visitors Bureau. Finally, we would like to thank Cove Point Lodge in Beaver Bay, Minn., for providing the survey incentive prize of a weekend getaway at their beautiful Leech Lake property. Congratulations to winner Joan Rausch, director of special events, Minnesota Chamber of Commerce.

ILLUSTRATION BY STOCKXPRT



RECOVERY > 48

IN MINNESOTA > 52

GREEN > 56

VALUE > 60

The recession has caused corporate and leisure travel cutbacks, leaving hotels and other venues to fight hard for what business remains. Yet the economy has seemed to stabilize in recent months. Some signs even show that people are starting to travel once again. Is it too soon to be bullish about the hospitality industry's future?

RECOVERY

AN INDUSTRY ON THE MEND

Ever since the word recession re-entered our discussions over the past two years, every segment of the hospitality industry has fought to find its footing and adjust to a "new normal." Last year, research by the National Business Travel Association found that 85 percent of all companies cut corporate travel in some fashion. By many measures the current economic downturn is the most difficult for our industry since 9/11.

A majority of this year's State of the Industry Survey planner respondents (51 percent) report budgets decreasing, while 55 percent of vendors see business from meetings and events decreasing. Nevertheless, 55 percent of planners and two-thirds of vendors believe that recovery is on the horizon for the Minnesota hospitality industry. In some ways the industry has already begun to turn around.

In October 2009, evidence of recovery came in the form of new gross domestic product data from the Commerce Department. Technically, the recession that began in December 2007 ended during the summer of 2009, when the economy grew at 3.5 percent annual rate from July to September. While that's a good sign, full recovery is a slow process. "Everything that we are seeing and hearing is again that 2010

is going to be better, however we shouldn't expect a massive rebound," says Michael Krebsbach, president of the North Central Business Travel Association (NCBTA).

While the short term may bring more bad news, the hotel industry reports some incremental improvements. Occupancy rates are coming around. A snapshot peek at hotel market data for the early weeks of October reveals that the country's 25 top hotel markets are starting to show growth. According to a report by Smith Travel Research (STR),

69%
of travel managers expect business travel volume to grow in 2010. *-NBTA Survey*

10 of the top 25 markets experienced occupancy growth during the week of Sept. 27 to Oct. 3, 2009; Minneapolis' occupancy rate grew by 3.8 percent over the previous year. During the following week ending Oct. 10 occupancy grew 12 percent (reaching 69 percent) over the previous year. Revenue per available room (RevPAR) increased 6.8 percent during the same period the previous year.

While some economic signs point upward,



full economic recovery still might take some time. Nine consecutive quarters of declining lodging demand is expected to end coming into 2010, according to PFK Hospitality Research. However, the report explains that price discounting has taken hold and rates will continue to decline. Year-to-year average daily rates are off 10 percent, STR data reports.

More and more, those in the industry are looking at flat as the new up, according to a new report from PhoCusWright, "Travel is Growing Again." News that leisure travel has likely bottomed out may be read as a predictor that the situation won't get worse. "The U.S. hotel industry's occupancy and average daily rate (ADR)—and therefore revenue per available room (RevPAR)—appears to have stabilized during the course of the summer, albeit at low levels," the report says. Year to date through the third quarter 2009 RevPAR for U.S. hotels remains at \$55.48, according to STR calculations, down 18 percent for the year.

While hotel occupancy rates will increase in 2010, ADR levels will likely remain below those of 2009, according to predictions by PricewaterhouseCoopers. A survey by Deloitte conducted before the holidays also provides cautious optimism about the growth of demand. Of those surveyed, 45 percent of respondents plan to take a vacation that

includes an overnight stay at a lodging facility. The same percent of respondents say they plan to take the same number of trips compared to a year ago, while one-quarter of respondents plan to take more.

Though spending on tourism is down, around 9 percent in the first quarter of 2009, that decline has slowed. There was a substantial deceleration in the decline of tourism spending during the second quarter, according to the Bureau of Economic Analysis. Spending dropped only 1.4 percent

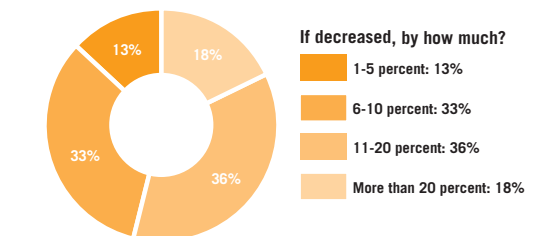
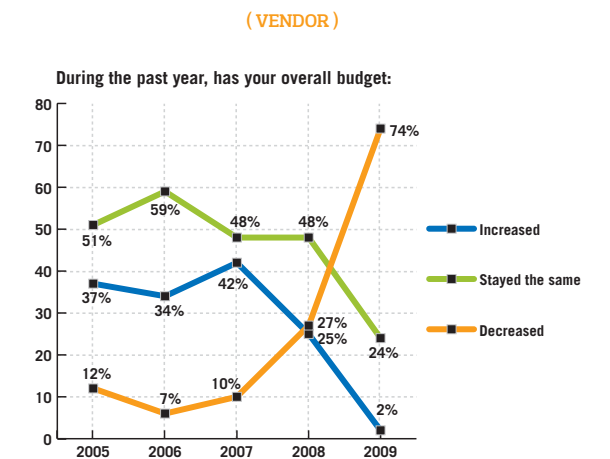
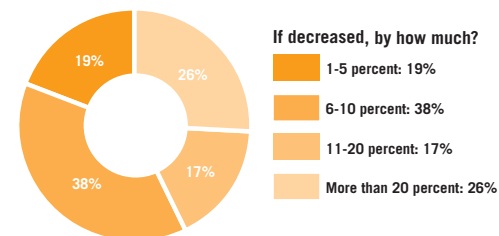
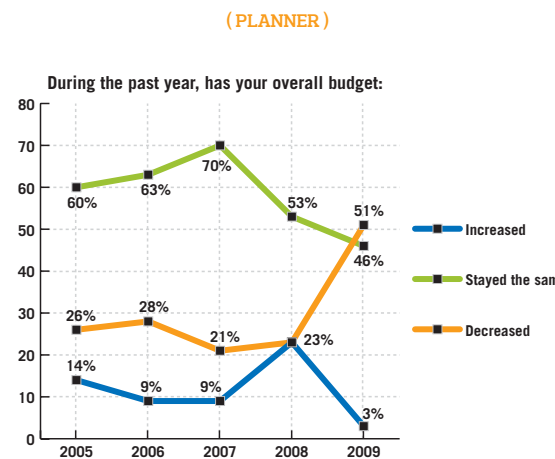
when compared with spending levels during January through April 2008.

What companies must understand, according to the NCBTA, is that for every travel dollar you spend, you get a return of \$17. It is the hospitality industry's wish that this fact will encourage companies to start spending again and reignite business travel.

But corporate travel has a longer road to travel on the road to recovery. "Few segments are as challenged as corporate travel," reports PhoCusWright. That segment of

the hospitality industry will have declined 15 percent through 2009. "While corporate travel has historically comprised approximately 40 percent of the total travel market," PhoCusWright reports, "this share will decrease as the fall in corporate travel demand far outpaces the decline in leisure/unmanaged business travel."

Perhaps it's time to rethink the business, as many reports have concluded. MPI's *Future Watch* predicts that the key driving factors of success in the future will be cost



INDUSTRY SEGMENTS:

Breaking it down

A quick look at a few segments of the industry.

EXHIBITIONS

The exhibition industry experienced a 13.5 percent decline in the third quarter of 2009 compared to the same time in 2008, according to the Center for Exhibition Industry Research. That's a slightly larger drop than the previous quarter, the

sixth consecutive quarter with negative numbers. The CEIR Index measures year-over-year changes in four key metrics to measure overall performance: professional attendance, net square feet, number of exhibitors and revenue. Taken alone, attendance figures paint a

better picture, declining only 3.8 percent.

CONVENTIONS

International association meetings have stayed strong during the recession, according to a survey from the International Congress and Convention Association. Executives surveyed reported significantly higher attendance (9.3 percent), slightly higher attendance (15.5

percent) or no change in attendance (37.1 percent) at events in the last year.

INTERNATIONAL EVENTS

Compared to August 2008, 4 percent fewer international travelers visited the United States this summer, according to the U.S. Department of Commerce. They spent 21 percent less as well. That's the 10th month of spending decreases.

savings, value, flexibility and innovation. As it stands, planners have the advantage currently, working to negotiate favorable deals, according to a PFK Hospitality Research survey. Among the top criteria the research found for planners selecting meeting spaces was the search for lower room rates and a willingness to negotiate.

Companies are sending fewer people or shortening trips, says Kari Schroeder-Bigot, vice president of corporate travel at Advantage Performance Network. That fits with NCBTA reports of companies decreasing travel spending by about 85 percent. It's all a part of companies making sure they are traveling for the right reasons. She sees a slow rebound in 2010, but a more encouraging 2011. "We are seeing meetings that were

cancelled back at the beginning, at end of 2008 or beginning of 2009, being put back on the books, whether that's for 2010 or 2011," she says.

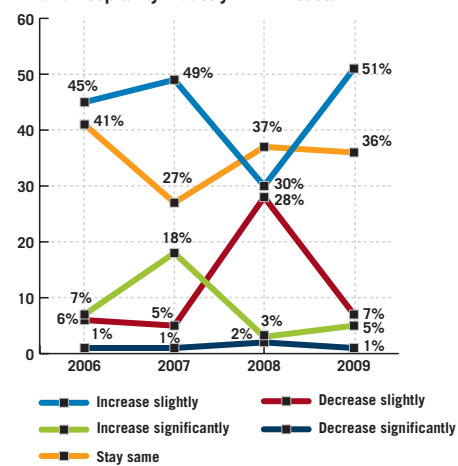
(PLANNER)
During the past 12 months, which trend has had the greatest impact on how you conduct business as a meeting planner?

38%

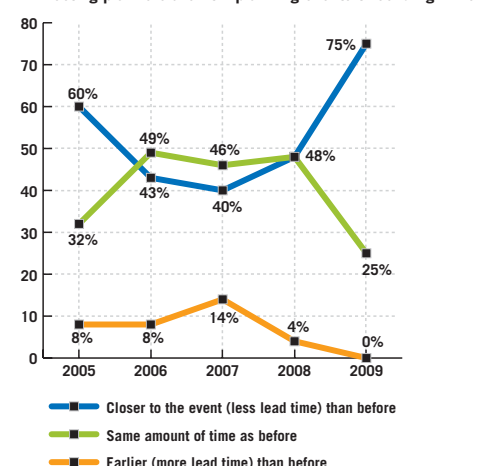
Event or budget downsized

Many experts believe pent up demand will influence growth in 2010, making them optimistic about the state of the hospitality industry in the near future. ■

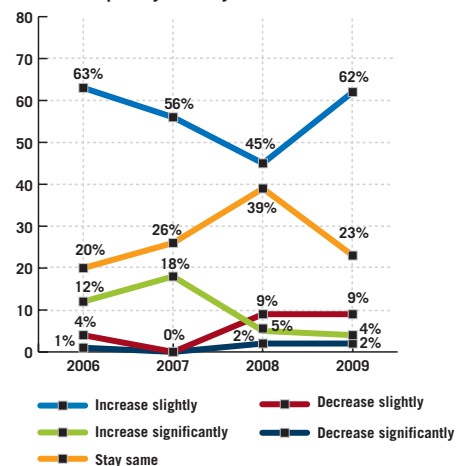
(PLANNER)
In the coming year (2010), I predict that the meeting and hospitality industry in Minnesota will:



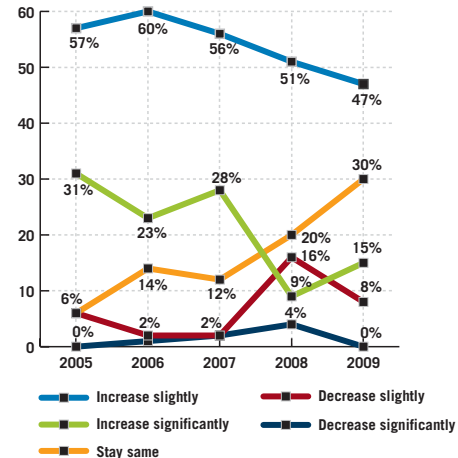
(VENDOR)
Compared to the meetings/events conducted in the past year meeting planners are now planning events or sending RFPs:



(VENDOR)
In the coming year (2010), I predict that the meeting and hospitality industry in Minnesota will:



(VENDOR)
In the coming year (2010), I predict my company's revenue will:



LEAD TIME > TIME RUNNING OUT

One major development in a year filled with cancelled meetings and stress over economic downturn: less lead time. Twenty-seven percent of State of the Industry survey planner respondents report they plan events closer to the date of events than before, continuing a rise since 2006. Of those who plan events with less lead time, 37 percent say it's due to the amount of time managers and clients use to make decisions, while 27 percent say it's due to the lead time they are given to plan events. In 2008, most credited less lead time to event size and attendance changes.



Clearly budget plays into this trend. Sixty-three percent of those planners working with less lead time had their budgets decrease over the past year, up from one-third last year. It just takes longer for budgets to get approved in this economy and everyone spends more time trying to find the best deals. Planners also cited avoidance of attrition and cancellation fees as a reason to wait closer to an event's date to finalize details.

Vendors are feeling the effects, too. Seventy-five percent of vendor respondents report getting less lead time from planners. All of those vendor respondents attribute shrinking lead times to meeting planners getting attendee confirmations late.

The same is true for leisure travel, according to Explore Minnesota Tourism. "The trend of last-minute, shorter vacations is continuing," according to EMT's 2009 Strategic Plan.

Less lead time often stems from planners knowing whether a meeting will happen at all. According to MPI's *FutureWatch*, organizations cancelled an average of 3.4 meetings in 2009.

EMPLOYMENT > JOB LOSS RISES AND FALLS

The travel and tourism industry is in transition. As companies cancel meetings, reduce budgets and adjust expectations, these changes filter back to affect those working in the hospitality industry. In the first quarter of 2009, tourism-related employment decreased by 149,000, according to the U.S. Department of Commerce Office of Travel and Tourism Industries. The Commerce Department called it the worst since the last quarter of 2001 on record.

In the second quarter of 2009, 96,000 industry-related jobs were lost due to the economy. The industry, with 8.3 million American jobs, is down from 2008 when employment levels were up to 8.6 million. In a narrower measure, that of direct tourism employment, industry jobs dropped to 5.74 million. The Commerce Department connected that to the 90,000 jobs cut during the first quarter.

"If the industry continues to eliminate jobs at the present rate, this would translate into a loss of 581,000 industry-supported jobs for the year and would effectively erase over a decade's

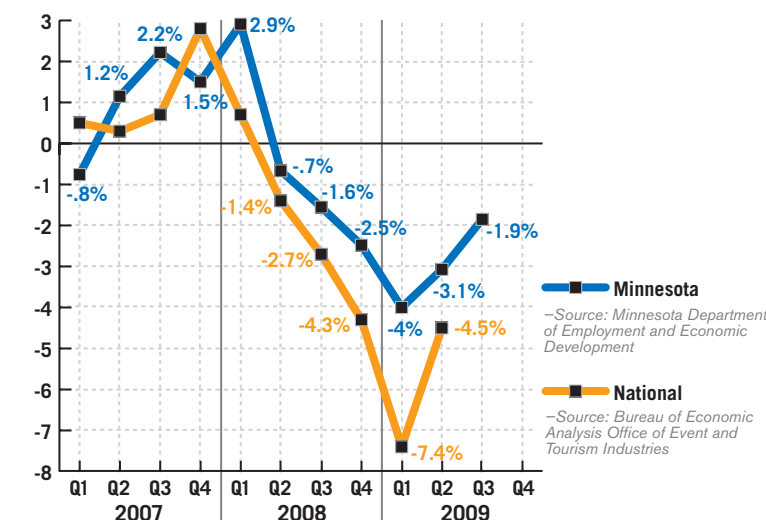
worth of job growth in the industry," the U.S. Travel Association (USTA) announced in August.

Locally, employment for the leisure and hospitality industry, as of October 2009, dropped down near the average for 2004, according to the Minnesota Department of Employment and Economic Development (DEED). At 237,144, employment in the local hospitality industry is well below heights reached before the recession began in 2007. In August 2007, at the height of the industry locally, the DEED shows Minnesota hospitality employment reached 265,152.

However, more jobs are likely to come back this year and some segments of the industry are showing signs of growth. In the second quarter of 2009, food services and drinking places rose .5 percent, after dropping negative 4.1 percent in the first quarter. Traveler accommodations employment rose from negative 9.6 percent to negative 5.7 percent from the first quarter to the second quarter of 2009, according to the Commerce Department.

In November 2009, USTA predicted modest increases in leisure, business and international travel for 2010. Such growth is likely to help add nearly 90,000 American jobs, they believe. Growth, it seems, is on the horizon.

Leisure and Hospitality Industry Employment:



FROM OUR SURVEY:

"Although I am sad to see the negative effects of the sour economy on venues, it has brought hotel pricing and policies to a more realistic level. More importantly, hotels are now much more interested in partnering with a planner/organization as opposed to the take-it-or-leave-it mindset/response to RFPs that preceded the economic downturn."

—JO ANGELA MANIACI, CMP
SPECIAL EVENTS PLANNING, LLC

Forecast Change in Key Metrics, U.S. Lodging Industry

YEAR	Occupancy	ADR	RevPAR	Supply	Demand
2009	-9%	-10.4%	-18.5%	3%	-6.3%
2010	4%	-3.1%	-2.7%	1.2%	1.6%

Source: PFK Hospitality Research, September-November 2009 Edition of Hotel Horizons(R)

Q+A What keeps you up at night?

"It being a few years until the event business gets back to where it used to be where companies were a bit more frivolous with spending on employee functions/events/parties instead of being on extremely tight budgets that make it almost impossible to hold their event."

— Marisa Morchinek, event manager at Brunswick Zone

PHOTO BY TODD BUCHANAN

Throughout 2009, as the industry worked hard to restore its image and its footing, the message was clear to our region: Meet in Minnesota. So, are we? Meeting planners are slowly starting to work again as meeting-related business returns within our state borders.

IN MINNESOTA

ON LOCATION

When meetings and conventions started getting a bad reputation in the media and in Congress this past year, the U.S. Travel Association stepped up to the plate, trying to debunk the myths as best it could. The group wanted the country to know that, in fact, nationally, meetings and events are responsible for 15 percent of all travel-related spending, creating nearly \$40 billion in tax revenue at the federal, state and local levels and generating more than 1 million jobs. Meetings and conventions aren't frivolous. They hold meaning and purpose and exist as an important part of the economy.

The hospitality industry is of great importance to Minnesota's economy as well. The leisure and hospitality industry accounts for 15 percent of Minnesota's state sales taxes, according to the Minnesota Department of Revenue. And through a study conducted between June 2007 and May 2008, David-Peterson Associates found that Minnesota's hotel and motel managers estimate that 20 percent of their total room-nights were sold to meeting and convention travelers.

When it comes to boosting the regional economy in Minnesota, it makes sense to first bolster meetings within our borders. Last year, Explore Minnesota Tourism launched its Meet in Minnesota campaign, encouraging local businesses to keep their meetings in state. While it may be too early for definitive

results, early signs show the initiative might be having an impact. Forty percent of meeting planners say they plan 100 percent of their meetings in Minnesota, according to this year's survey. This is up from 34 percent in 2008, which was down 5 percent from the previous year. This upward trend may at least indicate more meetings are taking place overall, if not in Minnesota as well.

And the Twin Cities metro area seems to be getting the biggest boost. Of those meetings held in Minnesota, 88 percent of survey respondents conduct their meetings in Minneapolis, St. Paul and the surrounding metro area. It's also interesting to note that

(PLANNER)

What is the most important factor you consider when deciding to bring a meeting inside the Twin Cities?

43%
A site that is centrally located

when meeting planners consider a location within the Twin Cities, a centrally located site (43 percent) far outweighs costs (11 percent).

Site location is also the biggest factor for respondents when they decide to bring their meetings outside of the metro. Twenty-nine percent of respondents say they look for a

site that's centrally located first, then they consider budget concerns (18 percent) and whether it's appropriate for attendees to get away from the office (16 percent). If site location plays the biggest role in a planner's decision-making, no matter where she plans her meeting, perhaps that means the most important thing is *just to meet*, and getting people together as conveniently as possible actually beats cost.

A meeting's physical location makes a difference, but how many meeting planners actually seek out new locations for their meetings? A majority of survey respondents either always (36 percent) or sometimes (47 percent) look for new venues, which is only good news for local properties and venues seeking more meetings business. And similar to years past, the factors for considering a new destination for a meeting are first based on site satisfaction for their current location (39 percent), client feedback (27 percent) and competitive rates (19 percent).

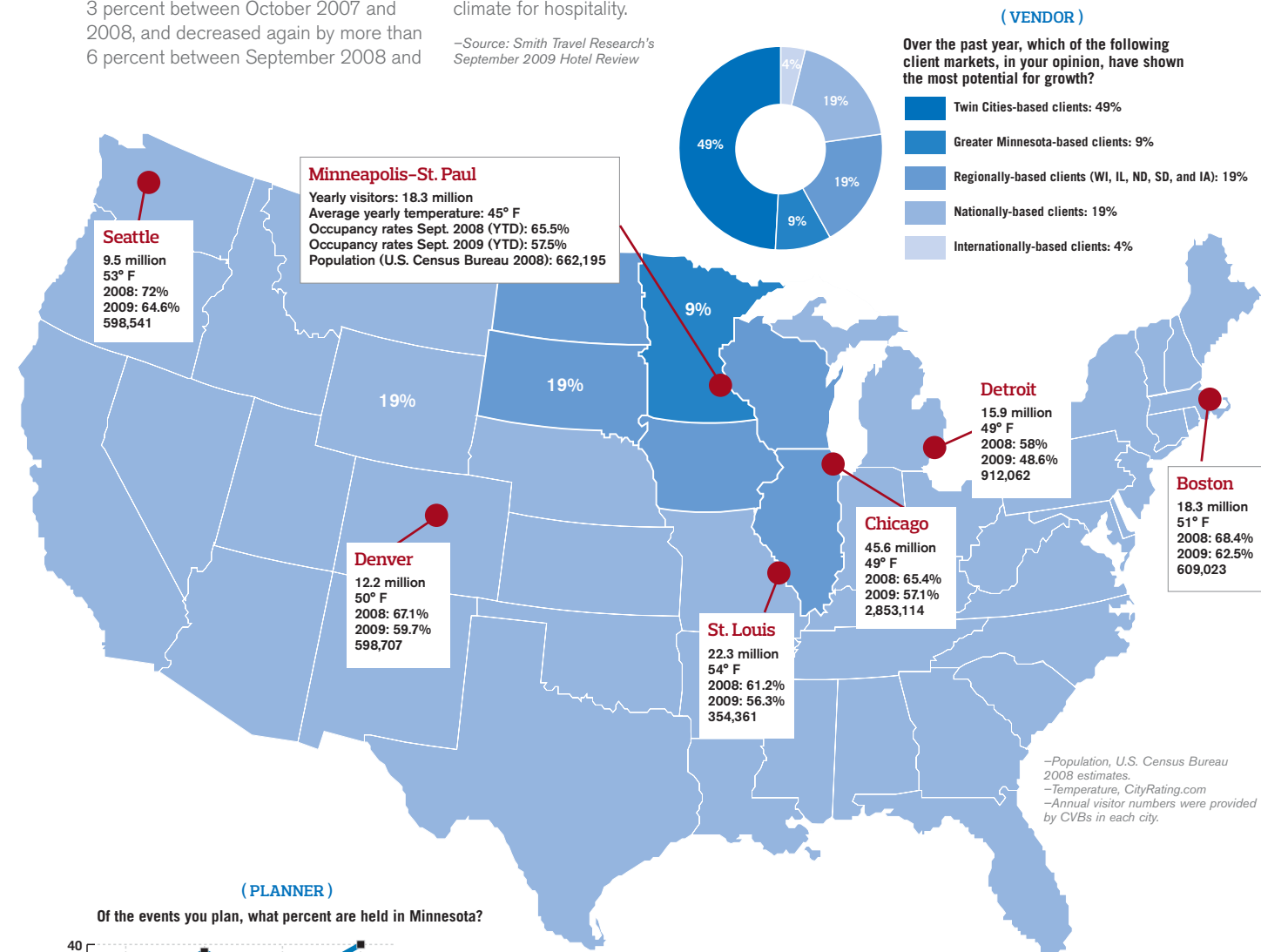
Are local vendors seeing an uptick in business as more meetings begin taking place again, and as Minnesota businesses are encouraged to meet at home? The results are mixed. Forty-nine percent of local vendors say Twin Cities-based clients have shown the most growth potential in the past year. However, this is down 12 percent from 2008, which may indicate that it's taking longer for vendors to see a reverse in the economic downturn. Does this force them to find business outside of Minnesota? It just may.

Cross-Country Comparison

Last year was a difficult time for the nation's hotels. Occupancy rates across the country's top 25 markets, which include the Twin Cities, decreased by 3 percent between October 2007 and 2008, and decreased again by more than 6 percent between September 2008 and

September 2009 across all markets. Low demand was coupled with double-digit declines in average daily rates to create a rather hostile economic climate for hospitality.

—Source: Smith Travel Research's September 2009 Hotel Review



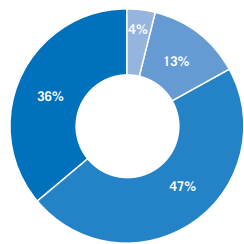
Nineteen percent of vendors who responded believe regional clients (Wisconsin, Illinois, North Dakota, South Dakota and Iowa) show the most growth potential, which is a big leap from just 11 percent last year.

The state and national economic situation isn't the only factor that brings people down. Apparently our Minnesota winters

are getting worse. While local vendors who took our survey don't have a high percentage of national and international clients—more than half of the survey respondents say clients outside of the Midwest make up less than 25 percent of their business, if any at all—they do believe our brutal winters keep outside planners away. This year, 64 percent of readers

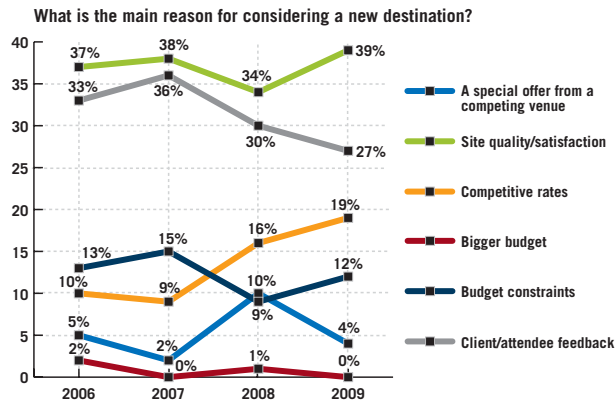
blame the cold and snow, up a whopping 19 percent from last year. Other factors included the cost of doing business here compared to other cities (26 percent) and the lack of public transportation (17 percent). One-fourth of vendors are not sure why we don't receive more national and international business. ■

(PLANNER)



For the meetings and events that you plan on a regular basis, how often do you search for new sites/destinations?

(PLANNER)



A GOOD SIGN:

In October, **Meet Minneapolis** announced that it achieved **166 percent** of its third-quarter goal for meeting and convention booking, securing **54 future events** that could bring in more than **\$54 million**.

Q+A

John Connelly, Director of Sales & Development, National Sports Center

As corporate travel and events suffered from budget cutbacks, hospitality venues sought to fill restaurants and hotel rooms by reaching out to new markets. John Connelly, director of sales and development for the National Sports Center in Blaine, and former CVB executive, talks about one such niche, amateur sports, and the impact it can make by bringing hospitality consumers to our state.

Q: We've noticed that CVBs are starting to really market to sports teams. Is this area of group marketing growing?

A: Sports seem to be, not recession-proof, but a little more insulated. People are willing to still sacrifice for their kids to do things. When there's a bump down in travel and meetings business, other markets are a little more resilient. This sports market seems to be one of those markets.

One of our missions for the National Sports Center is economic development for the state of Minnesota, because we are a state of Minnesota facility. We see ourselves not only as a provider of opportunities for amateur athletics, but as an economic impact component that the state likes to see. We've been fairly successful in generating out-of-town people.

Q: Why is this a good place to bring sports teams?

A: We have quality venues, but it's also the ability to pull resources together. Take a soccer tournament, for instance. They might play one or two games in one day. You've got 24 hours in a day, that means they're probably playing, preparing or on the field for three of those hours. All that other time they're either sleeping, eating or doing something else. It's not like a meeting where you may be in there from eight until four. There's a lot of leisure time with opportunities to



go spend money in entertainment areas, in retail and all the other things that come with a little more leisure time.

Q: What are the challenges in marketing our area to teams?

A: We can't always have a November [like 2009] where we don't have snow on the ground. The weather is obviously something you can't control. But we can control how we package these sporting events. You have to have

a relationship amongst the venue and also hotels, restaurants or transportation. It's been helpful to have a hub here, whether it's Northwest or Delta, to be able to serve this market. Getting here, and then making sure that their stay here is hospitable, all of those things packaged together are an opportunity for Minnesota to showcase itself in a positive light.

Q: How has business been in this economy?

A: We're fairly flat going through 2009. We're forecasting 2010 to be a positive year. Ice events are up because we've been really aggressive in the marketplace. We're trying to attract more out-of-town teams for hockey. We're hosting, I believe, three broomball events next year. In Minnesota, it's part of the social culture. People plan vacations around their kids' and their own hockey schedules.

We're going to face the same challenges that every industry does in managing expenses, trying to make yourself more productive and doing things better and quicker.

PHOTO BY TODD BUCHANAN

CAREER OUTLOOK > PREDICTING THE FUTURE

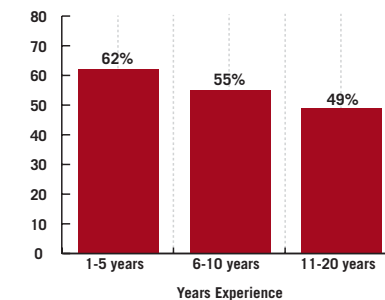


Even as more colleges offer hospitality programs, a majority of meeting planners still fall into the industry with no educational background to lead their way. This is true for 57 percent of survey respondents with less than five years in the industry, 75 percent with six to 10 years in the industry, 70 percent with 11 to 20 years and 50 percent for veterans with more than 20 years in the industry. Very few, including 5 percent of planners with six to 10 years and 13 percent of those with more than 11 years in the industry, actually went to school specifically for meeting planning.

During tough economic times, it's interesting to compare work experience with career outlook. Do veteran meeting planners have a more optimistic view of the industry's future or does experience darken their outlook? Are new planners more or less worried about their jobs? The results are

(PLANNER)

In the coming year (2010), I predict that the meeting and hospitality industry in Minnesota will improve:



mixed. Sixty-two percent of planners who have been in the industry for less than five years predict the Minnesota hospitality industry will improve slightly in 2010, while 33 percent of them think it will stay the same. The optimism decreases slightly from there, with 50 percent of planners with six to 10 years of experience and 45 percent of planners with 11 to 20 years in the industry thinking the situation will improve slightly, and 30 percent and 45 percent, respectively, of planners thinking things will stay the same. Veterans of more than 20 years remain more hopeful with 58 percent thinking the local industry will improve slightly next year.

PHOTO BY COPPERSMITH PHOTOGRAPHY



ISES Restaurant Tour, 2009

CONTINUED EDUCATION > IS THERE VALUE IN LEARNING?

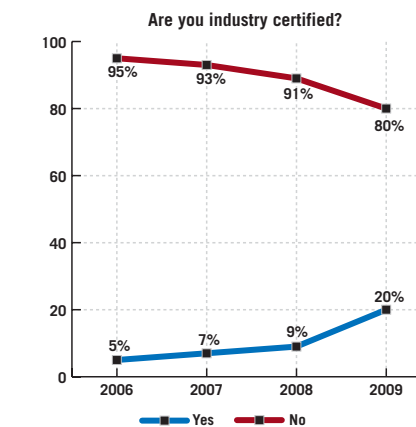
Many local hospitality professionals agree that belonging to an association helps them in their day-to-day jobs. They meet valuable contacts and learn tips of the trade from fellow members, in the end often saving themselves, and their companies, time and money. Understanding these benefits, it's surprising that almost half (42 percent) of meeting planners don't belong to an association. Though it makes sense that 30 percent of those who do, belong to Meeting Professionals International (MPI).

More vendors (75 percent) belong to associations though, which demonstrates how much value they find in the opportunity to hobnob and learn alongside potential clients. A majority of vendors belong to MPI (49 percent), followed by Midwest Society of Association Executives (MSAE) (38

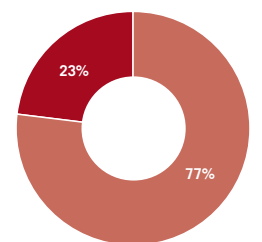
percent), and International Special Events Society (ISES) (25 percent).

Meeting planners are also beefing up their resumes in greater increments each year, adding designations and certifications behind their names. While only 20 percent of survey respondents are industry certified, this number is a 15 percent jump from 2006. Of those certified, 52 percent of planners hold a Certified Meeting Professional (CMP) designation, while 9 percent each hold a Certified Administrative Professional (CAP) designation, a Certified Meeting Manager (CMM) designation and a Certified Special Events Professional (CSEP) designation. One-third of meeting planners who hold a CMP work for corporations, while another third work for associations. The remaining third who hold CMPs is split by those who are independent meeting planners and those who work for meeting planning services companies. Vendors follow a similar pattern, with 77 percent not yet industry certified, but the majority of those who are hold a CMP (25 percent) and a CMM (17 percent).

(PLANNER)



(VENDOR)



Are you industry certified?
 Yes (23%)
 No (77%)

Since the economy is tight, you might think it has been difficult for meeting planners to adopt environmentally sustainable initiatives over the past year. Instead going green is growing; the recession hasn't stood in the way of many of the hospitality industry's environmental efforts.

GREEN

GROWING GREEN

Environmental efforts and sustainable practices continue to take hold in the hospitality industry. Around 30 percent of corporate travel managers incorporate green into their events, 30 percent of managers plan to use hotels that act in an environmentally friendly manner and nearly 25 percent of managers prefer green meeting suppliers, according to an annual survey of corporate travel managers conducted by the National Business Travel Association (NBTA). And that's improving. This year, those who said environmental practices are important in choosing travel companies rose 16 percent to 21 percent.

Economic instability hasn't stopped this growth. "We thought when the economy tanked that green was going to go away," says Nancy Wilson, principal, Meet Green, and founder, Green Meetings Industry Council. "What we are seeing is people taking advantage of green for the cost-cutting measures that it provides." Yes, green most often is budget-friendly, says Wilson, who works to educate about that misconception.

Going green should either be cost neutral or cheaper, says Wilson. Cost no longer serves as an excuse for failing to make the step. However, many venues use green packages as a way to charge their clients higher fees, says Wilson. Yet, many green initiatives, such as reusing cloth napkins instead of paper and recycling, actually save venues money, she says, and should actually be less expensive,

not more. Some environmentally friendly practices such as local food sourcing depend on factors such as location to determine price. In a Minnesota winter getting fresh, organic food might add cost, but adding a vegetarian option, which saves on the cost of more protein, could balance the scales.

Meetings Strategies Worldwide agrees. "The good news is that what makes the best financial sense is many times the environ-



mental choice as well," says the group's recent study, "The Economy and the Environment: One Solution for Two Meeting and Event Industry Issues," a white paper released at the end of 2008. Bulk containers (instead of individual packets) save caterers 50 percent to 62 percent, according to the paper. "I think the cost issue is the biggest [misconception] right now. I think if we could get that urban myth to go away, I would be so happy I'd

probably retire," Wilson says.

Promoting efforts toward being green at events is part of the package. You can't just quietly take action. "It's really about educating the attendees," says Wilson. If you recycle behind the scenes, how's an attendee going to know or appreciate the effort. It's about engaging in both visible and behind-the-scenes efforts and making sure you share those actions.

The demand is there. Choosing hotels, venues and vendors that understand green practices is becoming more valuable to planners and all travelers. Environmentally friendly lodging is important to 38 percent of American travelers surveyed by TripAdvisor, who said they have stayed at such properties. Hotel practices, such as reduced towel and sheet changing programs, are catching on. The same survey found that 78 percent of travelers take advantage of that option when offered. And 66 percent of travelers believe these measures in the travel industry are making a difference.

However, there's still a disconnect between travelers' dedication to environmental responsibility on the road versus at home, according to a study by Virginia Tech's Pamplin College of Business. Nearly 60 percent of respondents say they recycle at home, but only 30 percent of travelers do so at hotels. The report concluded that perhaps travelers believe taking those extra steps detracts from the visitor experience.

State of the Industry survey respondents

cite a growing awareness of environmental issues in business practices as their highest motivation for going green. And those surveyed point to recycling and reducing paper through e-marketing as the biggest ways they have taken action. Those are the easy ways to make a difference. "A lot of people say: I recycle and I'm done," says Wilson, but that's only the start; environmentally friendly practices need to be systemic.

Today planners and vendors could recycle a few aluminum cans and still call their events green, but once APEX (Accepted Practices Exchange) standards come out, that should change. The Convention Industry Council (CIC) panel on green meetings and event practices released a draft of the standards in August 2009, with the final version to be released later this year. The standards will address environmental best practices in

nine categories: accommodations, audio-visual, communication, destinations, food and beverage, meeting venues, on-site office and transportation.

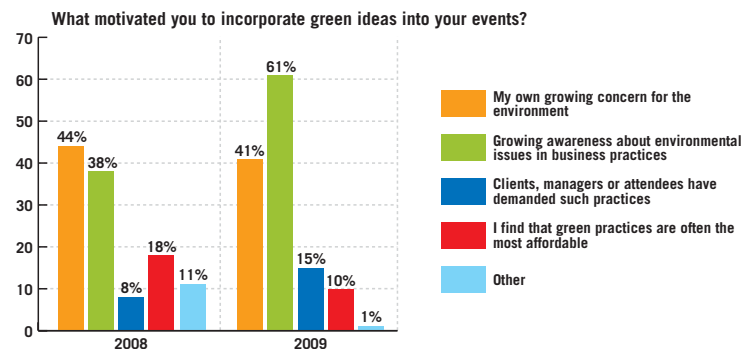
The CIC intends these standards to establish measurable criteria that would help gauge the level of green for planners and events. "You will have a way to say that you are green or where you are on your journey of green, because no one is 100 percent green; we are not 100 percent green," says Wilson. After the standards are out, she predicts many event planners will scramble toward certification later in the year. In addition to establishing sets of measurable green criteria, many professionals in the industry have focused on green hospitality's social effects. Cynthia Messer, extension professor at the University of Minnesota Tourism Center (see sidebar), works to educate about

the triple bottom line of sustainable tourism, which adds social and environmental measures to the traditional economic benchmark for calculating success.

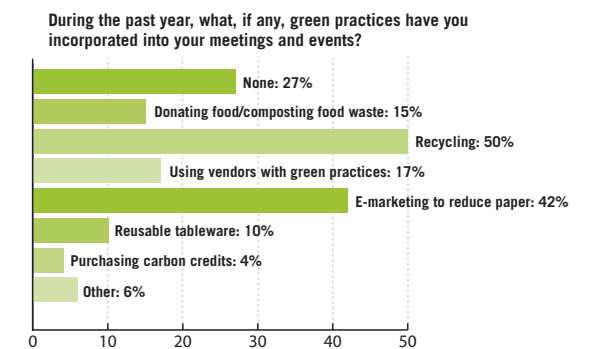
Though there are plenty of ways to take action, some face greater scrutiny, among them the use of carbon offsets. Calling carbon offsets a "dangerous distraction," one Web site, Responsibletravel.com, recently took a stance against the practice. "They are still controversial," says Messer. "The question is whether they are valid in reducing carbon emissions or simply making people feel better." Carbon offsets are fine as long as you work to conserve first, says Wilson.

On a national level, one in 10 meeting planners predict a continuing trend toward making meetings and events green, according to MPI's *Future Watch 2009*. So expect industry attention to this issue to grow. ■

(PLANNER)



(PLANNER)



MARK YOUR CALENDAR:

Green Conferences

These events aim to inspire further commitment to green efforts in the hospitality industry.



EXPLORE MINNESOTA TOURISM CONFERENCE

January 26-27, 2010, Cragun's Resort, Brainerd, Minnesota

Green and sustainable tourism will feature into several segments of this annual EMT event, including one panel discussion that will focus on local sustainable tourism efforts. industry.exploreminnesota.com

SUSTAINABLE MEETINGS CONFERENCE

February 9-11, 2010, Denver, Colorado

Goals for this Green Meetings Industry Council event include addressing the ROI of sustainable meetings and events, the new APEX standards and how to market green efforts. www.sustainablemeetingsconference.com

ECOTOURISM AND SUSTAINABLE TOURISM CONFERENCE 2010

September 8-10, 2010, Portland, Oregon

The International Ecotourism Society joins together business leaders, travel and tourism professionals and community members to

provide the latest trends in ecotourism and sustainable tourism. www.ecotourism.org

GREENBUILD INTERNATIONAL CONFERENCE AND EXPO

November 16-19, 2010, Chicago, Illinois

Each year thousands of building professionals join together to share insight into how to continue to improve green building initiatives at this U.S Green Building Council event. Former Vice President Al Gore, Nobel laureate and Oscar winner for *An Inconvenient Truth*, served as keynote speaker in 2009. www.greenbuildexpo.org

On Sustainable Tourism

Cynthia Messer, extension professor at the University of Minnesota Tourism Center

"If you went with the UN World Tourism Organization's definition, 'sustainable tourism meets the needs of present tourists and host regions while protecting and enhancing opportunities for the future.' That's the larger definition. I think green is a term that is easy for people, but it has a greater emphasis on the environmental benefits rather than sustainable, which is the more holistic.

"There is still confusion around the terminology, because there are many great programs and efforts that are similar in their intent, but the holistic approach is a healthy approach because it involves not only the environmental benefits but it also recognizes the economic benefits as well as the social side by working with our local communities.

"I think there's a much greater awareness today on the part of the public in general and

I think it will continue to grow. And I think that the industry is showing a much stronger understanding and desire to implement green practices. We see local events greening up; we see business taking action. We see a strong and growing interest on the part of both the consumers and industry to implement and utilize sustainable tourism practices.

"It's important for business to look at sustainable tourism practices that are holistic, if you will. Certainly a business is in business and so they need to look at it from bottom-line benefit. But it also benefits their local economy, because it engages both the environment and the local people. We want to ensure that the practices create positive relationships for not only local business but the visitors. It's helping to educate visitors and to get visitors engaged with local communities.

"Every organization can begin to implement sustainable or green practices that are cost beneficial. There are also wonderful incentives and rebates out there that might be applicable as they look to do this. So it does not have to cost a business a great deal of money to begin the process of implementing sustainable practices.



"There will continue to be an increase in travelers seeking experiences that provide either green or sustainable opportunities, whether it's looking to the hotel they are staying at, or looking to events that provide recycling. But I think it's really important for those in tourism industry to communicate what they are doing, that they let their consumers know."

Green Space

To date, 28 lodging or resort properties across the United States have received Leadership in Energy and Environmental Design (LEED) certification, according to the Minnesota Chapter of the U.S. Green Building Council. However, more than 900 hospitality projects registered with LEED are working toward certification. Only two registered hotel projects are located in Minnesota, none of which are certified. However, these local venues are among those that make a contribution toward greener standards.

LANDMARK CENTER

The Landmark Center's non-profit organization, Minnesota Landmarks, works to separate food waste from catered events, like weddings. The food scraps then feed pigs at a north metro



family farm. Landmark Center, 651-292-3225, www.landmarkcenter.org

SAINT PAUL RIVERCENTRE

The conference center is working to reduce the 2.8 million pounds of garbage produced annually. Their recycling program, called "50-50 in 2" promotes new recycling and composting efforts to reduce its waste in two years. Currently the venue recycles 15 percent of its waste. More recycling bins were placed during 2009 as well as a place to compost. Saint Paul RiverCentre,

651-265-4800, www.rivercentre.org

RED STAG SUPPER CLUB

The first LEED-CI-certified (Leadership in Energy and Environmental Design-Commercial Interior) restaurant in Minnesota, the Red Stag Supper Club in Minneapolis uses LED lighting throughout. Booths, chairs and flooring were constructed with salvage materials. Plus, the kitchen composts leftover food. Red Stag Supper Club, 612-767-7766, www.redstagsupperclub.com

TCF BANK STADIUM

The new Gopher stadium is the first collegiate or professional sports facility in the country to earn LEED certification (silver). The facility earned the honor by initiatives such as adding a storm water management system that captures rain water, using recycled materials (such as steel) in its construction, adding a reflective roof and recycling construction waste. TCF Bank Stadium, 612-626-4653, stadium.gophersports.com

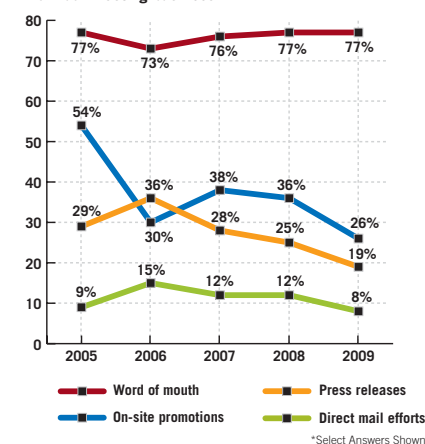
DULUTH ENTERTAINMENT CONVENTION COMPLEX (DECC)

The DECC earned the governor's Minnesota Great Award in 2008 for its environmental efforts to reduce pollution and waste. Besides recycling, the DECC composts biodegradable waste, institutes a "turn off the lights" policy and donates surplus food to Second Harvest. DECC, 218-722-5573, www.decc.org

THIS PAGE PHOTOS BY TODD BUCHANAN

(PLANNER)

What are the three most effective advance marketing channels to help you solicit conference/tradeshow/annual meeting business?



MARKETING >

A LOOK AT EFFECTIVE METHODS

Are vendors putting more effort into marketing now? It seems so, as 85 percent of State of the Industry respondents have a sales or marketing department directed toward gaining meetings and group business (up from 80 percent last year). Perhaps in down times, vendors are formalizing efforts to capture meetings and events business.

Over the past six years, vendors' opinions regarding most effective marketing channels have changed. The effectiveness of direct mail efforts, according to respondents, continues to drop, from 36 percent in 2006 to 19 percent this year. The confidence in familiarization tours has also dropped, down to 26 percent after reaching 54 percent in 2005. Word of mouth continues to be the most effective for our respondents, staying steady at 77 percent in this year's vendor survey.

This year's survey added social media to the question about Web site postings, and feelings about its effectiveness as a marketing channel rose from 25 percent to 34 percent. Nationwide, social media as a marketing tool was also found to be effective for exhibitors in a recent Center for Exhibition Industry Research (CEIR) study.

More than 40 percent of exhibitors use social networking for exhibit promotion, according to CEIR's "Effective Methods for Visitor Promotion." As to social media's effectiveness, 55 percent of exhibitors say it's effective, surpassing some more traditional methods. Of those exhibitors who use social networking, a quarter of them use virtual events and microblogs (such as Twitter) and more than a third of them use blogs and videos. More anticipate using these tools three years from now, rising to 44 percent for blogs.

STAFF SIZE >

ON MY OWN

Feel like you are on your own? Well, you are not alone in feeling that way. According to this year's survey most planners work solo or in departments with up to only five staff members. In fact, it's pretty common for planners, even within larger companies, to work on their own or with a small staff.

Eighty-one percent of State of the Industry planner survey respondents work with staffs of five or less. Of those who work for a corporation, 80 percent have a staff of five or less; that rises

to 83 percent for association planners. It also comes as no surprise that 94 percent of independent planners work with planning staffs with fewer than five members.

Smaller staffs means planning fewer events as well. Thirty-six percent of planners with staffs up to five people planned between one and five meetings each year; 26 percent of them planned six to 10 meetings. Following that trend, most planners with staffs of six to 10 planned 11-25 meetings (23 percent) or 26-50 meetings (also 23 percent).



LUXURY >

NO FRILLS

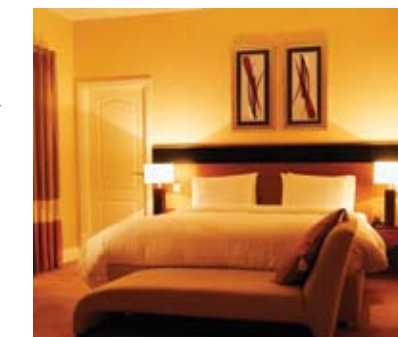
Not surprisingly, one segment of the hospitality industry to take a particularly hard hit during this recession is luxury. Facing a two-fold problem of budget and image, hotels and other luxury hospitality amenities are struggling.

Revenue Per Available Room (RevPAR) for luxury properties declined 22 percent from September 2008 to September 2009, while Average Daily Rates (ADR) dropped 18 percent, according to Smith Travel Research. RevPAR for midscale properties dropped only 15 percent, while ADR dropped 6.5 percent.

Locally, upper-priced hotels were expected to experience an ADR decline of 11 percent with a 12 percent loss in occupancy by year-end 2009, leading to a nearly 22 percent decline of RevPAR, according to PFK Hospitality Research.

Planners are less likely to select upper upscale and luxury accommodations, according to a survey by the Professional Convention Management Association, American Express and YPartnership. The survey found that 54 percent of planners expect to use fewer luxury lodging accommodations during 2009-2010. Much of this ties directly to the "AIG effect" and the fight to protect a company's image.

"Companies are canceling meetings and conferences to avoid any whiff of extravagance that may trigger the government's ire," according to studies by Market Metrix and The Leading Hotels



of the World. Because of such stigma, survey data from these two companies point to greater declines in corporate travel than leisure travel. Taking advantage of videoconferencing and other long-distance meeting solutions, business travelers are able to somewhat replace their travel experiences, unlike the leisure traveler. Forty-two percent of global respondents to these surveys say they canceled or changed a trip to reduce cost.

"The industry is in flux and even when the economy is back full swing, I believe it is highly unlikely that publicly held corporations will have the lavish parties that had previously," says Lynnette Offen, CMP, regional manager, HelmsBriscoe, in response to the State of the Industry survey.

However, more recent data from Smith Travel Research says this segment might turn around sooner than others. Luxury occupancy jumped nearly 11 percent to 45 percent at the end of November 2009, the largest increase among the chain-scale segment.

This past year business travel costs were cut across all industries, and in return meeting each other face to face became a luxury instead of a necessity. Both business travelers and executives agree, however, that such cuts may have done more harm than good.

VALUE

THE COST OF DOING BUSINESS

Whether you're meeting with fellow employees at an annual training session or trying to close a deal with a customer, meeting in person provides a great return on investment. In the past, companies have sent their employees to different parts of the country and the world to maintain these face-to-face connections. However, during this recession, travel budgets were the first slashed in cost-saving measures. In fact, 15 percent of meeting planners who took our State of the Industry survey agree that in 2009 cuts in corporate and business travel had the greatest impact on their business.

Despite the economic times, business minds and meeting planners everywhere seem to believe cutting travel is a mistake; it hurts more than it helps. Last year, the U.S. Travel Association and Destination & Travel Foundation partnered with Oxford Economics USA to survey business travelers and corporate executives on the importance of business travel. According to the Oxford survey, "The Return on Investment of Business Travel," curbing business travel can reduce a company's profits for years. "The average business in the U.S. would forfeit 17 percent of its profits in the first year of eliminating business travel. It would take more than three years for profits to recover."

Most people don't need a survey to tell them the benefits of business travel and meeting face to face. That connection is important and not something you can emulate through a conference call. The Oxford survey narrowed down the benefits of travel to four main ideas: investing in people, keeping customers, making new customers and



(PLANNER)

What aspect of your event seems most important to your attendees?

57%
Networking and training

late through a conference call. The Oxford survey narrowed down the benefits of travel to four main ideas: investing in people, keeping customers, making new customers and

networking. Local meeting planners echo these findings—57 percent say networking and training are the most important aspects to attendees at their events.

Managing customer relationships can be handled in many ways, whether via e-mail, phone calls, lunch dates and meetings. But when people, whether a sales person or that sales person's boss, have to choose they choose face-to-face contact. "Both executives and business travelers estimate that roughly 40 percent of their prospective customers are converted to new customers with an in-person meeting compared to 16 percent without such a meeting," the Oxford survey summarized. Plus, everyone agrees you need more, not less, contact with customers in a down economy. And videoconferencing doesn't cut it. Eighty-five percent of corporate executives surveyed in the Oxford study think Web meetings and teleconferences are less effective with prospective customers than in-person meetings. (An interesting side note: In a 2009 Forbes Insight Study, more than half the respondents said they surf the Web, check e-mail or do unrelated work while attending virtual meetings. Ineffective indeed.)

So, just where and how do these face-to-face meetings take place? There are many ways, but the Oxford study focused primarily on customer visits, sales and marketing efforts, internal meetings, employee training,

conferences and conventions, tradeshows, and incentive and reward trips. Specifically, business travelers say that up to 20 percent of their companies' new customers came from participating in tradeshows. The face-to-face encounters studied in the national survey correlated with the types of meetings State of the Industry respondents plan as well, including incentive trips (15 percent), tradeshows and expos (39 percent), training meetings (58 percent), annual meetings (66 percent) and executive meetings (47 percent).

When companies hit rough patches, cutting business travel not only affects customer relationships, but also the mindset of employees. According to the Oxford survey, "The majority of business travelers identified internal company travel as key to professional development (66 percent), job performance (58 percent), and morale (56 percent). And more than 40 percent of travelers perceive a strong relationship between travel and staff retention." And, it may be surprising, but executives actually agree with their employees, with nearly 80 percent admitting incentive travel has a significant impact on employee morale and job satisfaction.

No matter what travelers or planners think, travel budgets were still slashed and the opportunities to meet face to face decreased greatly during the past year. And

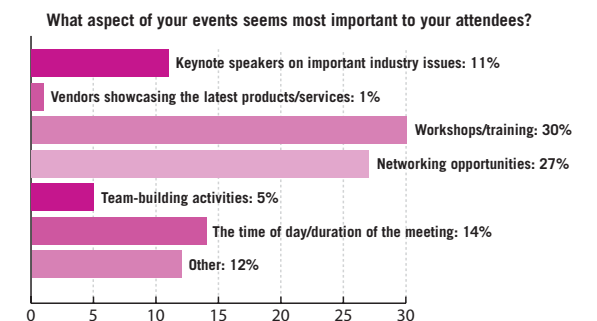
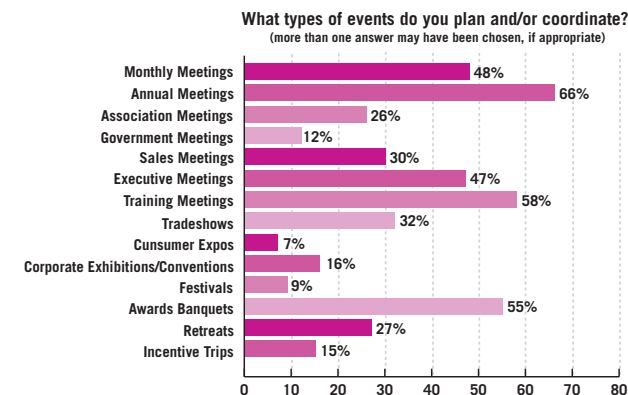


while national studies show executives place great value on getting together, it was these same executives who had to make tough decisions to cut travel. In the end, the value of face-to-face meetings to the bottom line must be weighed against the cost savings of cutting travel, and what wins depends on the business and the situation.

Looking ahead, good news may come soon. Perhaps. In a 2010 Business Travel

Buyers' Cost Forecast, the National Business Travel Association found that 69 percent of travel managers expect business travel volume to grow in 2010. "Compared to the previous year, the percentage of travel managers expecting to see cuts has gone down in the following areas: number of meetings (-27 percent), nonessential travel and conference (-20 percent) and event attendance (-15 percent)." ■

(PLANNER)



MINNEAPOLIS CONVENTION CENTER PHOTO BY BRUCE CHALLENGER, COURTESY OF MEET MINNEAPOLIS

The Value of Face to Face

• In 2008, U.S. companies spent \$206 billion on travel within the United States.
—Source: Oxford Economics USA

operating at optimal travel expenditure levels. If they did, they collectively could realize \$193 billion in additional profits.

—Source: "Can We Afford Not to Invest in Business Travel?," IHS Global Insight



• Corporate executives say 28 percent of their business would be lost without in-person meetings.

—Source: "The Return on Investment of Business Travel," U.S. Travel Association and Destination & Travel Foundation, with Oxford Economics USA

• Assessing the value of business travel, 79 percent of business executives believe meetings are the most effective way to meet new clients to sell business; 89 percent of executives believe face-to-face meetings are essential to "sealing the deal."

—Source: "Managing Across Distance in Today's Economic Climate: The Value of Face-to-Face Communication," Harvard Business Review Analytic Services

• For every dollar spent on business travel, companies realize \$12.50 in incremental revenue.

—Source: "The Return on Investment of Business Travel," U.S. Travel Association and Destination & Travel Foundation, with Oxford Economics USA

• Companies within most industry segments are not



FROM OUR SURVEY:

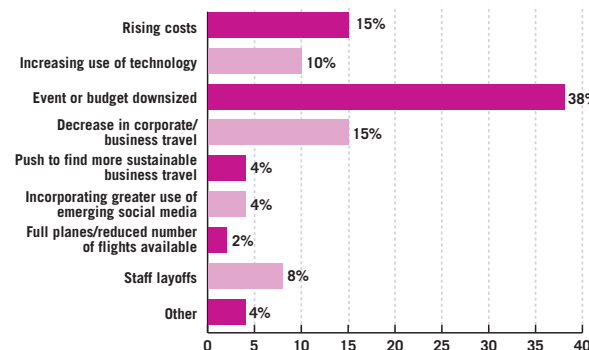
As could be predicted, respondents used this year's State of the Industry survey to make comments about the value of meetings and the public misconceptions on certain types of events. Local hospitality professionals have really taken the initiative to speak out and support their industry. Katie Grace, director of catering at The Grand Hotel Minneapolis, member of the Minneapolis-St. Paul chapter of ISES, and a devoted taker of the survey had this to say about the value of meetings:

"Companies and individuals should continue to hold meetings and events. I feel the economy and people's perception have turned them into unnecessary expenses, when in fact they are very necessary and very important. Meetings and events boost morale, bring individuals together and provide a springboard for growth and innovation in any type of industry."

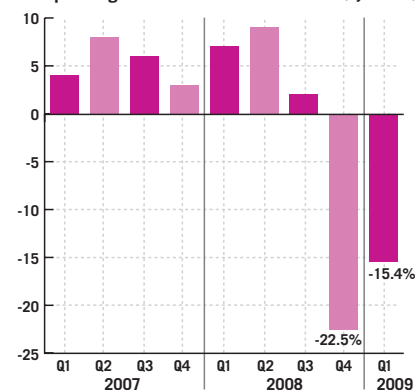
— KATIE GRACE, DIRECTOR OF CATERING, GRAND HOTEL MINNEAPOLIS

(PLANNER)

During the past 12 months, which trend has had the greatest impact on how you conduct your business as a meeting planner?



Spending on U.S. Travel and Tourism (By Quarter)



—Source: U.S. Office of Travel and Tourism

Fifteen percent of meeting planners who took this year's State of the Industry survey agree that in 2009 cuts in corporate and business travel had the greatest impact on their business.

ON THE JOB > THE TASKS AT HAND



It's no surprise that meeting planners do it all because every year a majority of those who respond to the State of the Industry survey, whether independent, corporate or association planners, say they complete every job task that's listed. The top responsibilities for independent planners, including budget management, food and beverage planning, coordinating themes and entertainment and working on-site at the event, have stayed the same each year. One job responsibility tapered off in 2009; only 50 percent of independent planners say they seek out new event venues, down from 100 percent in 2006, 2007 and 2008. This could mean more companies hiring independent planners are choosing to dictate the venue in an effort to keep down costs. Meeting planners who don't consider themselves "independent" have seen their job responsibilities, and percentage of time spent on those, stay pretty even over the past four years, which could be a ray of light in uneven times.

Executive assistants act as part-time planners as they too perform every responsibility listed on the survey. Throughout the past four years, more than 90 percent have said they plan for food and beverage while more than 80 percent plan for accommodations.

With each passing year, more and more executive assistants have been given the responsibility of seeking out new venues though, with 84 percent claiming the duty in this year's survey, a 19 percent jump from 2006.

Since 2006, a high number of food and beverage managers (83 percent in 2009) say venue or event marketing and coordinating event themes and entertainment are their top job responsibilities. However, new responsibilities have entered the realm this year, including educational planning (50 percent), tracking legal liability (50 percent) and budget management (67 percent). Perhaps, as with many industries during a recession, the catering field has cut positions so food and beverage managers have had to take on more tasks in return.

Sales managers' responsibilities have stayed the same throughout the years, with logistics management, negotiating contracts and supply/services sales coming out on top. Event managers still spend a lot of time on logistics management, event security coordination and working on-site during the event. However, fewer respondents this year—only 33 percent compared to more than 60 percent in years past—say food and beverage planning and accommodations planning are part of their job responsibilities. Perhaps in an effort to curb costs, these duties, along with seeking new venues, seem to be falling into the laps of executives' administrative assistants.

As a planner, which of the following tasks are part of your job responsibilities? (check all that apply)

Meeting or event marketing	67%
Educational planning	38%
Tracking legal liability	23%
Logistics management	79%
Attendee research	31%
Creating RFPs	52%
Initiating budgets	58%
Budget management	78%
Negotiating contracts	77%
Establishing meeting or event strategies	54%
Orchestrating new meeting or event strategies	47%
Food & beverage planning/orders	85%
Accommodations planning	81%
Event security coordination	32%
Coordinating meeting/event themes and/or entertainment	70%
Seeking out new event venues (site and facility tours)	80%
Providing site & facility tours	27%
Working on-site during a meeting/event	81%
Other	4%

TECHNOLOGY > ONLINE ALL THE TIME



Technology trends have always played a big role in the meetings business. With each passing year, planners are submitting more RFPs via sites like StarCite or over e-mail. Planners have also had to learn webconferencing tools. And with social media marketing on the rise, hospitality professionals, particularly vendors, are like a moth to a flame. While new technology may not be on the forefront of people's minds during a recession, 14 percent of meeting planners who responded to this year's survey say the increasing use of technology and the incorporation of emerging social media have had the greatest impact on how they conducted business in the past year.

But can there be too much of a good thing? "I actually feel there are too many meetings sites," says survey respondent Sheryl Sorem, sales and marketing manager for The Saint Paul Hotel. "I am not getting new

or better leads. Instead I am getting the same lead or RFP from five to six different sources." Lyn Kaczmarek, director of sales for the Country Inn & Suites in St. Cloud also had an opinion about online tools and the impact on vendors. "Cvent and other online tools for meeting planners to use for RFPs creates an easier buying environment for them, but it also makes hotels have to be at the top of their game when bidding because we may not get a second chance to discuss the client's business needs with them before they decide."

When it comes to social media, more and more businesses are realizing the value. For example, *Meetings: Minnesota's Hospitality Journal* has more than 500 followers on Twitter, most of whom are local meeting professionals, hospitality vendors (design companies, hotels, CVBs) and restaurants. The number of local industry people on Facebook and Twitter proves that social media is a force to be reckoned with. "Social media is taking off," says Joan Rausch, director of special events at the Minnesota Chamber of Commerce, "and it will change the way meetings are marketed."

KATIE GRACE PHOTO BY TODD BUCHANAN