



7TH ANNUAL

STATE of the INDUSTRY

OVER THE PAST TWO YEARS, the nation's hospitality industry experienced trauma, with spending cutbacks and declining revenues at rates not seen since the Great Depression. Business began to grow again in 2010, but not at the robust rate many professionals expected. As one *New York Times* columnist recently wrote about the industrial Midwest, the economy faces "structural problems, not cyclical ones." The same fitting description could describe what hospitality professionals face as they work to find their way again. **BY JOEL SCHETTLER**

Is it too early to say that the meetings industry is beginning to see new life once again? Many signs point to better market conditions ahead, but as Jan Freitag, vice president of Smith Travel Research, aptly states, how one might characterize a full recovery is in the eye of the beholder.

"We've definitely passed the bottom; we've passed the trough," says Freitag. "A lot of people ask, 'When are we going to get back to 2007?' It's a harsh parable, because things were so good that year. Rates were up and [there was] consecutive demand growth for a couple of years; it was a very, very strong cycle."

Those days are gone. The subsequent recession, the nation's worst since the Great Depression, began in December 2007 and officially ended in June 2009 according to the National Bureau of

Economic Research, but not before it left its indelible mark on the economy. Recovery from such a dramatic blow may take some time, but many industry analysts say that 2010 saw the first real signs of businesses beginning to recoup losses.

Key economic indicators for hotels are up from 2009. In September, year-to-date occupancy figures for the nation's top 25 hotel markets showed a 6.7 percent increase from the same time period the prior year, according to data from Smith Travel Research (STR). In early December, STR updated its final year-end 2010 forecast to indicate that overall hotel occupancy grew 5.3 percent over 2009, reaching a rate of 57.3 percent. Revenue per available room (RevPAR), a key economic indicator, also reflect a similar increase of 5.7 percent over 2009. >>

PHOTO BY GETTY IMAGES



Meetings
MINNESOTA'S HOSPITALITY JOURNAL

Now of course the obvious retort is, 'Why would you compare yourself to 2009, a terrible year? If we are not doing better than 2009, then we have a real problem,'" says Jan Freitag.

"So then you can look at the actual achieved occupancy year to date. In August 2008 it was 62.6 percent; in August 2010 it was 58.8 percent. So there's still a very huge gap between the number of rooms sold then than now, not compared to 2009 but to 2008. That's really the bellwether." In 2007, when hospitality was booming, occupancy measured 64.7 percent, which is six points higher than current levels. "That's a lot," says Freitag, "and we are not going to be able to make that up in a year or so."

Using August 2010 as a benchmark for hotel data in Minnesota, RevPAR was up 5 percent over the same eight-month period in 2009, outpacing neighboring states of South Dakota, which increased 2.9 percent; Iowa, up 4.5 percent; Kansas, relatively flat with a 1 percent gain; and Nebraska, whose hotels achieved a RevPAR increase of only 3.6 percent. Only North Dakota fared better with an 11 percent increase, attributable by many to be an increase in the state's burgeoning oil industry.

Evidence of a sluggish recovery can be found in measures from the Bureau of Economic Analysis. Real GDP grew during the first three quarters of 2010: 3.7 percent, 1.7 percent and 2 percent respectively. Real spending on travel and tourism increased at an annual rate of 5 percent during the first quarter of 2010, followed by an increase of 2 percent during the second quarter.

Nonetheless, while travel in the United States began to rebound in 2010 the gains were not enough to offset 2009 declines, according to measures from the U.S. Travel Association, *Outlook Forum 2010*. In 2010, domestic leisure travel volume regained the 2.3 percent drop from the previous year to remain at 2008 levels. But business travel, while increasing in 2010, still remains nearly 2 percent below 2008 levels, according to U.S. Travel and Travel Economics

than in any month ever recorded: 102 million. "So, recession or no recession, that is a very strong number," says Freitag. "Something is obviously going right."

Evidence suggests that the affordability of travel at the moment is keeping much of the leisure travel in place. During the first seven months of 2010, 33.8 million international visitors traveled to the United States, according to data from the U.S. Department of Commerce, a 12 percent increase over 2009, and during their stays international visitors spent \$76.7 billion, 10 percent more than the same time period the year before. July 2010 marked the 10th consecutive month of increases in U.S. arrivals. As a beleaguered U.S. economy kept travel prices low, international travelers took advantage of perceived bargains. An interesting correlation shows that accommodation rates, along with favorable exchange rates, topped the list of moti-

vators for travel to the United States, according to the Commerce Department's International Trade Administration.

Frugality and value are the watchwords for the travel industry in the coming months, says

Henry Harteveldt, vice president and principal analyst at Forrester Research. Travel is a discretionary activity, says Harteveldt; it's a function of consumer confidence. "During one of the worst months of unemployment numbers you saw consumers come out a buy things such as the iPad in large numbers," he says. "It shows that consumers are choosing to spend their money where they see value."

Ingrid Schneider, director of the University of Minnesota Tourism Center, says 2010 will go down as a year of challenges. "I think that no matter what market you are serving there needs to be a continued focus on the basics," she says. "I think people will be seeking value, but they will also be doing comparisons. So

"What the data is showing is that business volume is up this year, but the revenue is not. And it hangs by a thread."

—Henry Harteveldt, Forrester Research

data. Consumer confidence and corporate uncertainty about the economy has slowed travel's recovery.

This lack of confidence in the overall economy appears in many industry surveys. In July 2010 interest in travel as well as money available for leisure travel in the next six months dropped to its lowest point in the post recession recovery since October 2008, according to U.S. Travel data. Nonetheless, the affordability of travel during the same timeframe was at all-time highs. It's a dichotomy, or perhaps a function of just how price is able to lure customers to the market, in that during the same month of July, with sentiment at its lowest, Smith Travel Research discovered that American hotels sold the most rooms

if there is a value to be had, but your customer service is wanting, that will really be the key differentiator."

While many analysts see signs of steady recovery for the leisure travel market, many doubts remain about the state of business travel for 2011, especially since stringent ROI measures are now in place for many corporations and associations. "What the data is showing is that business volume is up this year, but the revenue is not," says Harteveldt. "And it hangs by a thread. One bad quarter and CEOs could get scared again and cut back on business travel once again."

A small majority of senior travel executives believes that meetings have not yet returned to pre-recession levels (51 percent) according to IMEX America *Index of Optimism* survey date released in late October. A strong majority of senior executives (70 percent) believes that demand for meetings is growing again, yet 47 percent of respondents say events are not yet increasing in size, duration or spending per delegate. What is increasing however, according to the IMEX America survey data, is the importance of demonstrating improved ROI (83 percent). A large majority of meeting planners (71 percent) feel more optimistic now than they did during the first quarter of 2010, according to another study conducted by IMEX: *Global Insights November 2010*.

Rising costs, along with short lead times, remain top concerns for meeting planners, according to MPI's Business Barometer, October 2010. Market pressures are pushing the costs up, even during a tepid recovery, as many hoteliers, airlines and restaurants slashed prices to stay competitive. As more travelers re-enter the market, planners may see a buyer's market begin to turn in the other direction, according to analysis from the National Business Travel Association (NBTA) in its latest report *2010 Industry Pulse: Business Travelers Buyers' Sentiment*. In the report, NBTA predicts that, once tal-

lied, domestic airfares will increase by 4.17 percent in 2010, and will rise by another 4.48 percent in 2011. While remaining flat in 2010, hotel prices are predicted to rise nearly 3 percent in 2011. For planners, increased hotel rates may just mean higher expenses, but for the hotelier it's a sign of hospitality industry recovery.

"Yes, hotels are eager to raise rates," says STR's Freitag. "I hope [rate growth] is going to be faster. I think our data shows that it could happen faster. When the rates fell in 2001, it took 41 months to recover. But this time rates fell almost \$11, and we are 23 months into it. And if you look at that trajectory, I'm not sure when that's going to turn around. Obviously it will; we are already seeing some months of solid ADR." At the current pace, the market would still require 25 more months before rates would



reach their peak once again. "That's four years," says Freitag.

In the Twin Cities, demand for hotels declined by 9.6 percent during the first eight months of 2009, says Freitag. But during the same time period during 2010, demand increased 9.9 percent. "The room demand slump that we observed in 2009 is basically wiped out," says Freitag. "I think any number above 5 million rooms is a good number for the Twin Cities, and now you're back up to 5.6 million. That's good." Coupled with a negligible growth in room supply, Twin Cities occupancy

and hotel rates could soon beat national growth rates.

So far, consumers at the upper end of the market have led hospitality recovery. The luxury hotel segment was the only market that saw its average daily rate (ADR) grow in 2010, according to STR data. "Yes the middle part of the market is going to recover," says Freitag, "but not until mid-2011."

In a survey conducted over the summer, USTA and Ypartnership discovered those planning to take a leisure trip between August 2010 and January 2011 varied according to household income. Of those households earning between \$30,000 and \$49,999, 46 percent had planned to take a trip, while nearly three-quarters of households earning more than \$100,000 had a leisure trip in the works. The survey corresponds with lodging statistics. RevPAR figures rose more than 4 percent at luxury

hotels and 3 percent at upscale locations during the first eight months of 2010, while every other category remained flat.

"We are seeing that the upper end of the market has recovered very, very well. Those who are well off said: I still want to go on vacation," says Freitag. "And those who aren't well off said: At least I have a job. The unemployment rate is stagnant at 10 percent, which is a very high number for the United States. I'm from Germany and we've had 10 percent unemployment since unification in 1989. You just take it as part of the economic fabric and move on. So I think that as people get used to double-digit or high single-digit unemployment and realize that they still have a job, they will probably feel that this is a kind of new normal, for lack of a better phrase. And they will begin to think they can still go on vacation."

Upper-income travelers have also led the past year's market recovery in air travel. The

continued on page 48 >

economy

TOTAL HOSPITALITY EXPENDITURES. TRAVEL FORECASTS.
INDUSTRY PREDICTIONS. ECONOMIC BENCHMARKS.



ECONOMY



Tourism & the Minnesota Economy

39 MILLION
annual person visits

\$11.2 BILLION
leisure and hospitality gross sales generated, 2008

\$33 MILLION
dollars per day spent by Minnesota tourists

16%
state sales tax accounted for by leisure and hospitality industry

\$53
gross sales for every \$1 invested in state tourism marketing

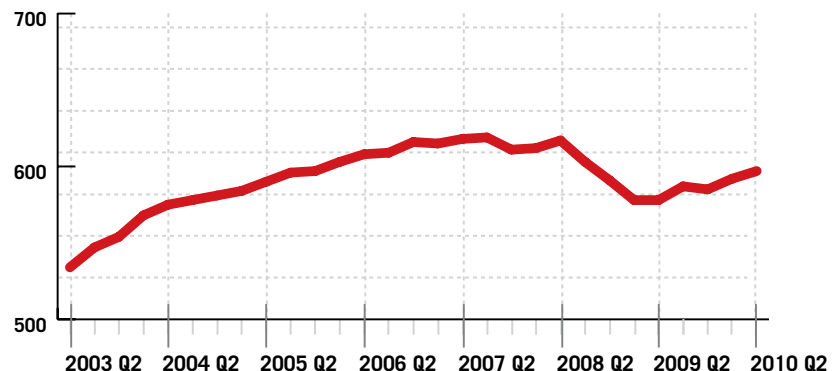
\$4 BILLION
wages accounted for by the leisure and hospitality industry

127%
increase in leisure and hospitality jobs between 1975-2005



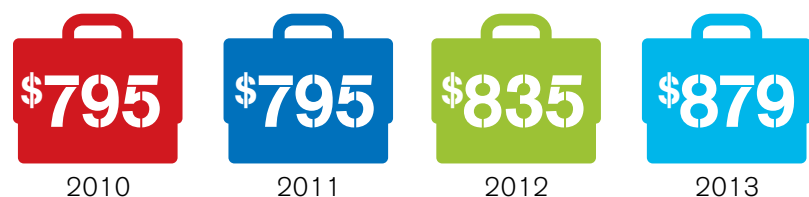
Real Tourism Spending

Billions of chained (2000) dollars



—Source: Bureau of Economic Analysis

Total Travel Expenditures in the U.S. (\$ billions)

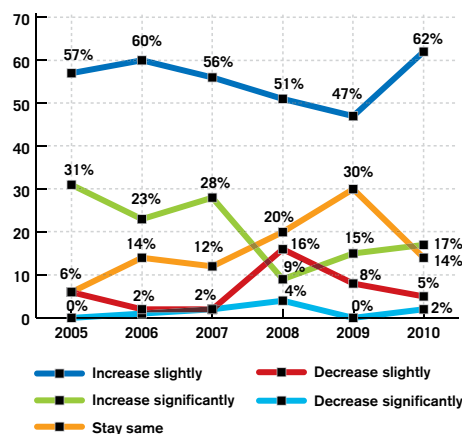


—Source: U.S. Travel Association

Getting Back to Business

(VENDOR)

In the coming year (2011), I predict my company's revenue will:



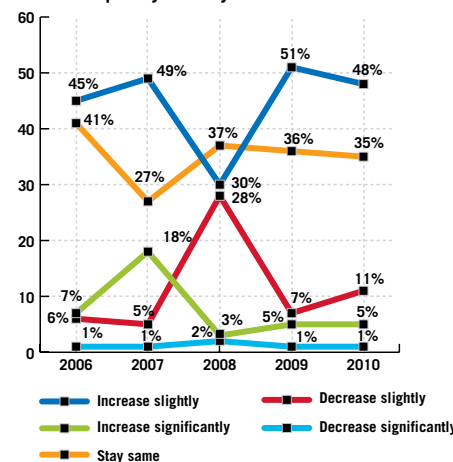
Coming out of the economic times we have been in for the past 18 months, companies are still cutting budgets and payroll. This in turn is slowing the meetings and events side of things. I think as we start to see things improving, we will start getting this business back. The question is will companies start to spend again like in the past or is this a new attitude going forward to spend less and do less?

—Martin Larsen, Brunswick Zone

CHARTS/INFOGRAPHICS BY JEREMY NELSON

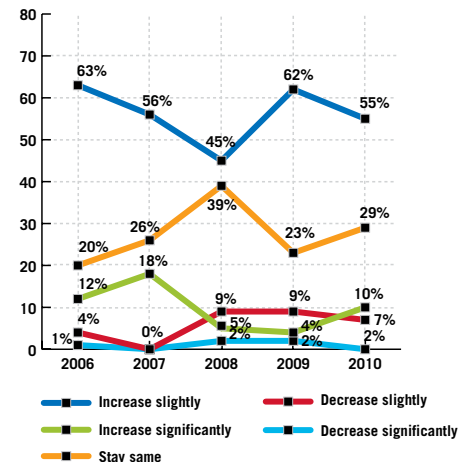
(PLANNER)

In the coming year (2011), I predict that the meeting and hospitality industry in Minnesota will:



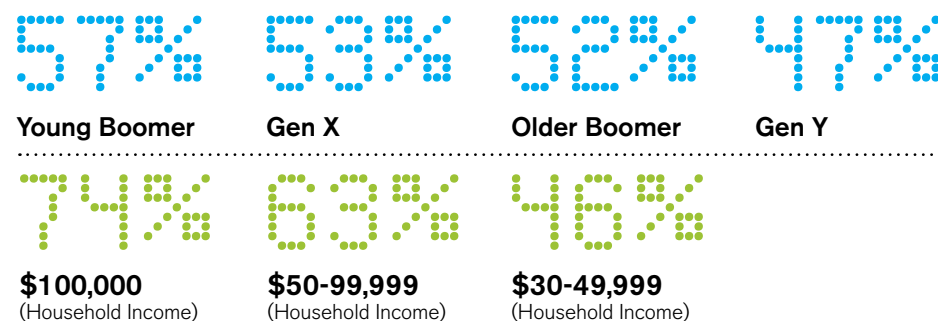
(VENDOR)

In the coming year (2011), I predict that the meeting and hospitality industry in Minnesota will:



National Travel Intentions

Intentions to travel between August 2010 & January 2011



(VENDOR)

Strength in Local Markets

Over the past year, which of the following client markets, in your opinion, have shown the most potential for growth?



\$3.7 BILLION
economic impact of Hennepin County on the leisure and hospitality industry, 2008

\$7.5 BILLION
economic impact of 10-county metro area on the leisure and hospitality industry, 2008

\$424 MILLION
economic impact of St. Louis County (Duluth) on the leisure and hospitality industry, 2008

—Sources: Explore Minnesota Tourism, 2000; The Economic Impact of Expenditures by Travelers on Minnesota, June 2007-May 2008, Davidson-Peterson Associates; Minnesota Department of Revenue, 2008; Minnesota Department of Employment and Economic Development, 2008; Bureau of Labor Statistics



National Travel Intentions

10%

By which travel intentions decreased between July 2009 & July 2010



Social Media & Business Travel

50%

of corporate travel professionals use social media to support travel management

44%

use social media to stay on top of the latest travel information

43%

use it to learn and communicate best practices and reduce business travel costs

42%

use it to look for preferred vendors and services from travelers

34%

seek to uncover travel patterns that could lead to better vendor rates and services

27%

want to gain visibility into traditionally siloed business functions



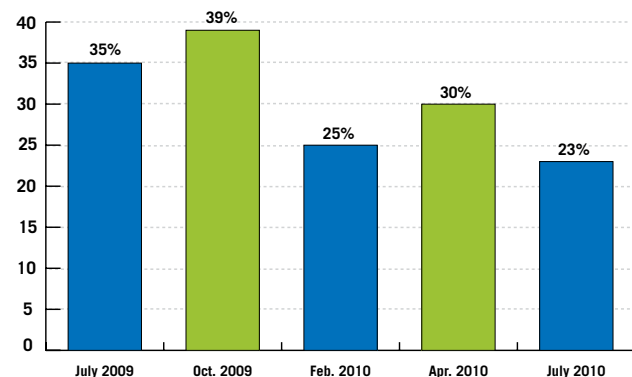
40%

of travelers believe the **ROI from face-to-face business** is significantly higher than conducting a meeting via other methods. —Source: American Express

55%

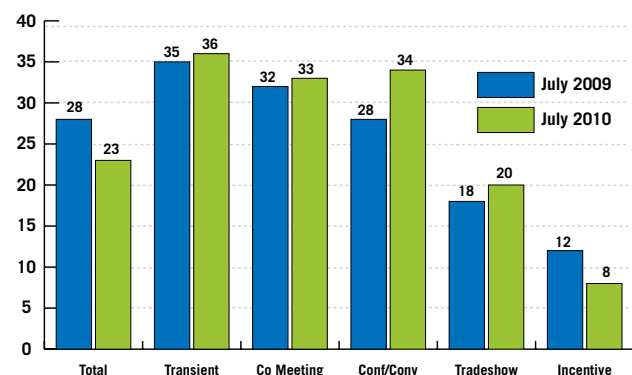
of business travelers **expected to travel as much in 2010 as 2009**, while more than a quarter expected to travel more in 2010 than 2009. —Source: American Express

Percent of U.S. adults taking a business trip in the past 12 months



—Source: U.S. Travel Association/Partnership

Types of business trips taken by adults in the past 12 months



—Source: U.S. Travel Association/Partnership

FROM OUR SURVEY:

“We need to emphasize the importance of face-to-face meetings at least once per year to build teamwork and improve communication.”

—Bonnie Marten,
University of Minnesota

Top Strategies for Controlling Travel Costs



Advanced booking of airline tickets



Enforcing policy more rigorously



Actively tracking unused tickets



Requiring pre-trip approval



Encouraging the use of web conferencing

—Source: Egencia, an Expedia, Inc., company

Business Travel in Recovery

72%

corporate travel managers who think business travel is better today compared to one year ago

63%

those who think it will continue to improve over the next year

5.5%

increase in average corporate travel budget in 2010 over 2009

67%

corporate travel buyers who cite higher rates and fares as the reason for increased spending

\$31.4

million total expected international business travel spend for 2011

—Source: 2010 Industry Pulse: Business Travel Buyers' Sentiment, National Business Travel Association Foundation, September 2010

81%

of corporate travel buyers expect corporate air bookings to grow in 2011

60%

expect their corporate travel budgets to surpass pre-recession peaks by the end of 2012

70%

expect to maintain their new, conservative travel policies

—Source: Morgan Stanley, 2010

FROM OUR SURVEY:

The downturn of the economy is beginning to hit Minnesota's hospitality industry. The merger of Northwest with Delta has taken its toll as well in the cost and availability of seats on flights for traveling attendees.

—Joan Matkaiti,
National Marrow Donor Program

26%

use the tools to encourage travelers to network with each other

18%

use social media to network with other travel managers

—Source: “Social Media in Business Travel Management,” American Express Business Travel



Adopting New Technologies

14%

When asked about the use of new technology over the next three years, 14 percent of travel buyers cited work/life balance as the main reason of introducing new technologies while only 9 percent cited environmental benefits.

—Source: American Express

55%

of travel buyers think the procurement of mobile communication tools should be linked with travel procurement.

—Source: American Express



Location
Location

42%

planners who conduct all of their events in Minnesota

Of those meetings planners hold in Minnesota:

47%

events held in metro suburbs

34%

events held in Minneapolis

9%

events held in St. Paul

36%

regional events held in Wisconsin

70%

planners who learn of new destinations via word of mouth

62%

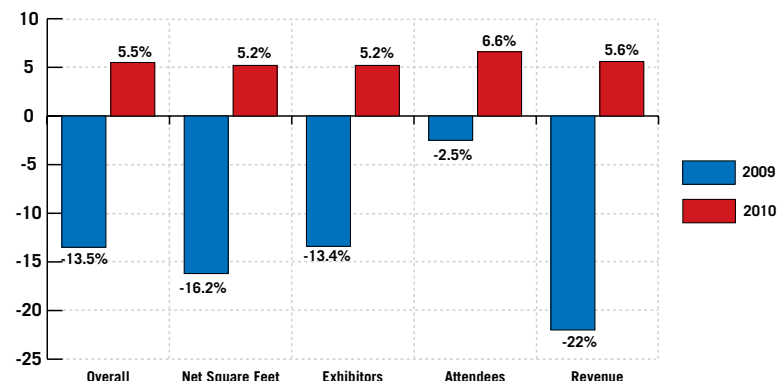
vendors with more than half of their clients in Twin Cities



CEIR Index Q3 Comparison, 2009 vs 2010

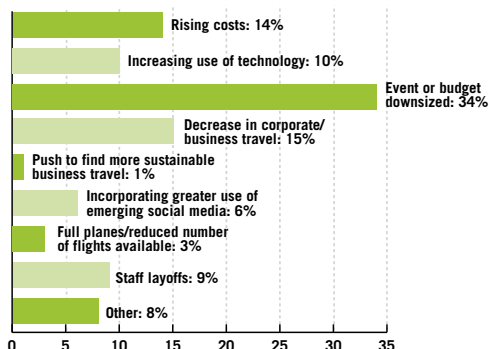
The Center for Exhibition Industry Research (CEIR) found, for the first time in nine consecutive quarters (since first quarter 2008), positive growth in all metrics. The leading indicator is professional attendance, which showed a 6.6 percent growth over the same period in 2009, while both net square feet of exhibit space sold and number of exhibiting companies grew 5.2 percent over the same period in 2009.

—Source: CEIR Index, an Analysis of the 2009 Exhibition Industry and Future Outlook



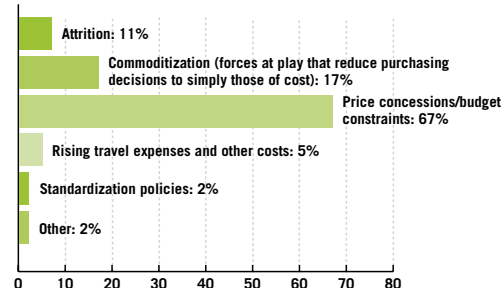
(PLANNER)

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



(VENDOR)

Which issue/operational trend has the biggest impact on your business relationship with meeting/event planners? (choose one)



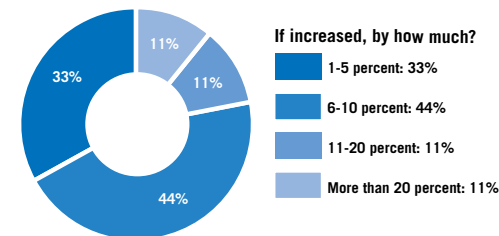
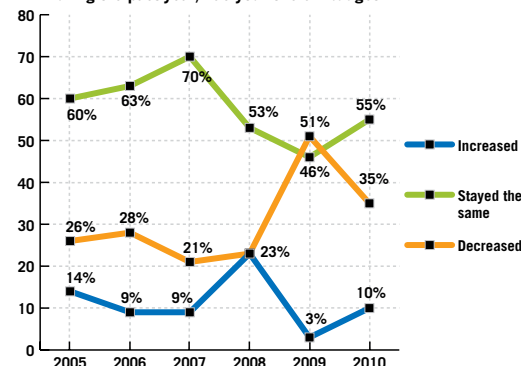
FROM OUR SURVEY:

☼☼ The increase of social media has a great effect. Potential clients have easy access to information that in the past has not been easily accessible, such as user reviews and posts on Twitter or Facebook where the user speaks about their experience. Word of mouth through these resources has become a huge factor. ☼☼

—Katie Grace, Grand Hotel Minneapolis

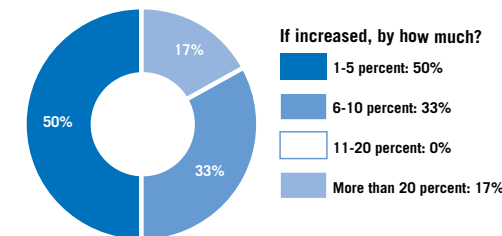
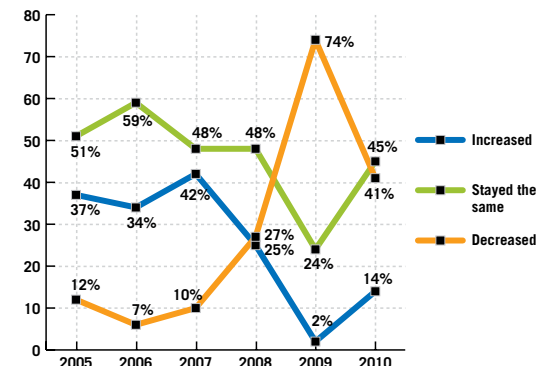
(PLANNER)

During the past year, has your overall budget:



(VENDOR)

During the past year, has your overall budget:



(PLANNER)

Are you required to report ROI?

26%

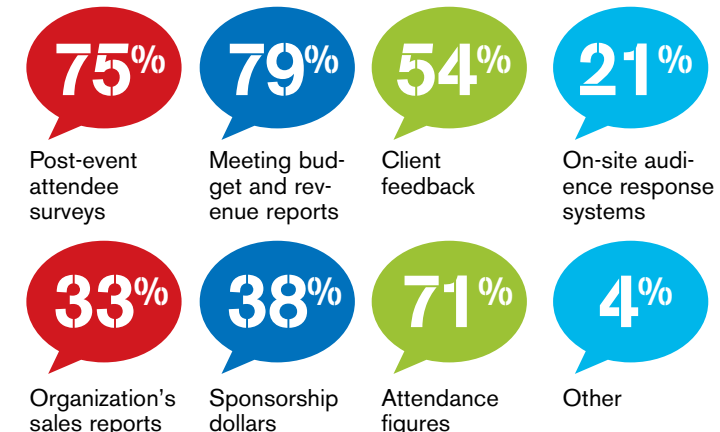
YES

74%

NO

(PLANNER)

If Yes, which of the following ROI measurements do you use to determine the success of your meeting or event? (check all that apply)



67%

vendors with less than one quarter of clients outside Minnesota

55%

vendors who think the Twin Cities is the client market with most potential

64%

vendors who think winter keeps away national events



Marketing Meetings

TOP 3 MARKETING ELEMENTS FOR DEEPENING RELATIONSHIPS

64%

Event Marketing

55%

Social Marketing

54%

Web Marketing

GREATEST ROI

22%

Event Marketing

—Source: EventView 2010



Measuring Meetings

62%

senior-level meeting professionals think current business conditions are favorable compared to last year

70%

meeting professionals project better upcoming business conditions than they did a year ago

12%

organizations hiring full-time employees in Oct. 2010

55%

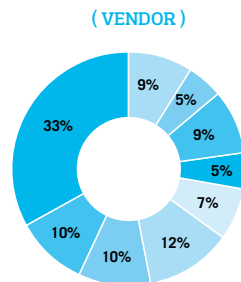
experiencing an increase in domestic corporate meetings and events

7%

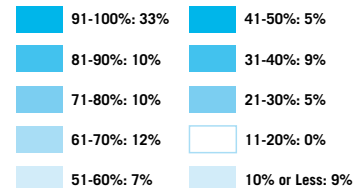
decline in government meeting business

50%

meeting professionals claim rising travel costs have had no effect on business

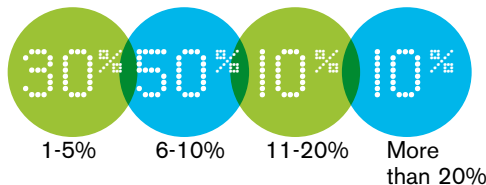


What percentage of your business relies on meetings and events?

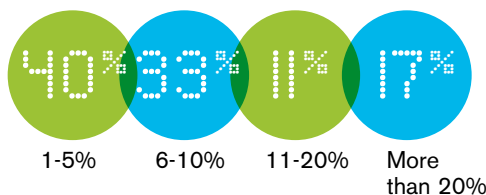


How much has business changed during the past year?

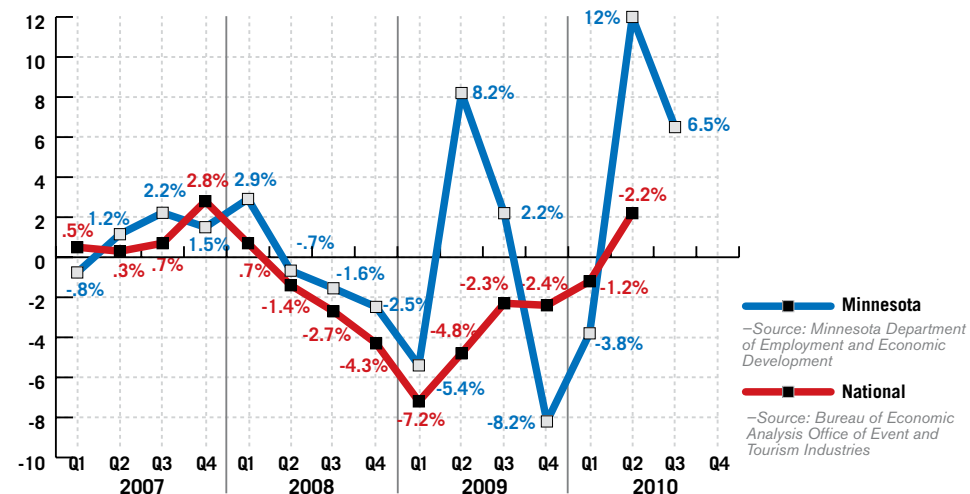
Increased:



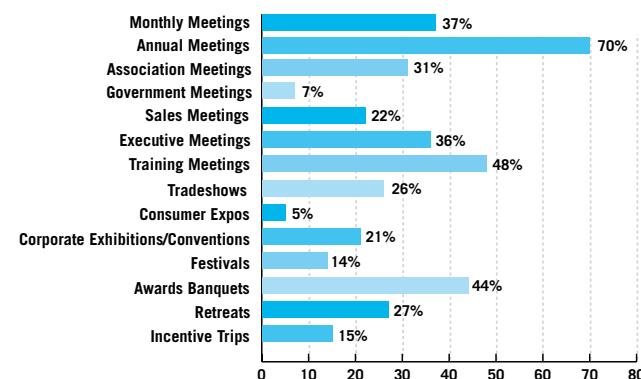
Decreased:



Leisure and Hospitality Industry Employment:



What types of events do you plan and/or coordinate? (more than one answer may have been chosen, if appropriate)

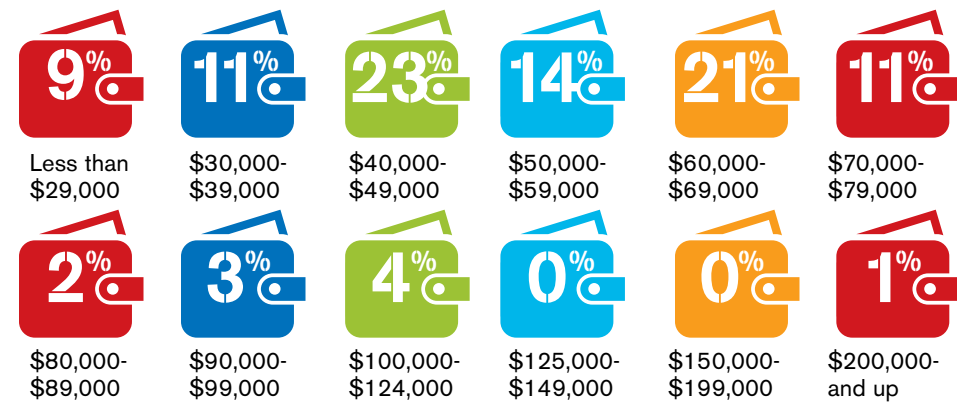


As a planner, which of the following tasks are part of your job responsibilities? (check all that apply)

	CORPORATION	ASSOCIATION	MEETING PLANNING SERVICES CO.	INDEPENDENT MEETING PLANNER
Meeting or event marketing	56%	88%	67%	80%
Educational planning	24%	80%	33%	40%
Tracking legal liability	18%	40%	17%	13%
Logistics management	64%	100%	83%	73%
Attendee research	22%	48%	17%	33%
Creating RFPs	47%	76%	50%	67%
Initiating budgets	42%	72%	67%	87%
Budget management	62%	88%	83%	87%
Negotiating contracts	71%	96%	83%	87%
Establishing meeting or event strategies	49%	76%	50%	60%
Orchestrating new meeting or event strategies	33%	56%	33%	67%
Food & beverage planning/orders	87%	96%	100%	93%
Accommodations planning	76%	84%	67%	93%
Event security coordination	20%	52%	50%	47%
Coordinating meeting/event themes and/or entertainment	67%	76%	100%	87%
Seeking out new event venues (site and facility tours)	78%	84%	83%	93%
Providing site & facility tours	20%	32%	50%	47%
Working on-site during a meeting/event	76%	92%	100%	93%
Other	2%	8%	0%	0%

(PLANNER)

What is your salary range?



14%

meeting professionals say shorter lead times is the one trend that will affect their business most in the next six months.

—Source: MPI Business Barometer, October 2010



Being More Efficient >>

"Social media and smartphones have completely changed how I work. I have closed sales while getting my nails done. But, you have to be quick and agile to keep up with your clients and their business."

—Tracey B. Smith, CMP, CMM, Garrett Speakers International, Inc.

"E-mail has changed the amount of time it takes to get material from vendors. Websites have served as a great way to get basic information about a company. Social media outlets have added a new forum for getting the word out about events."

—Joan Rausch, Minnesota Chamber of Commerce

hotel & lodging

TRAVEL EXPENDITURES IN MINNESOTA AND
SURROUNDING MARKETS. LODGING FORECASTS.



U.S. Lodging Growth

(Sept. 2010 vs.
Sept. 2009)

OCCUPANCY

7.3%
Luxury Hotels

5.7%
Upper Upscale

7.6%
Upscale

7.2%
Midscale w/ F&B

7.2%
Midscale w/o F&B

7.4%
Economy

5.8%
Independents

REVPAR
12.3%
Luxury

9%
Upper Upscale

9.1%
Upscale



Minneapolis needs another hotel with as much
or more meeting space than the Hilton, the
Marquette and the Sheraton Bloomington. We defi-
nitely don't need another boutique hotel.

—Linda Hurlley, The Linwood Group, Inc.



FROM OUR SURVEY:

Room Revenue Demand				
	MINNESOTA		MINNEAPOLIS/ST. PAUL	
		% Change		% Change
Room Supply	17.5 M	1.2%	9.2 M	1%
Room Demand	10.2 M	6.9%	5.7 M	10%
Occupancy	58%	5.7%	62%	9.1%
Average Daily Rate	\$86.17	-0.6%	\$90.57	1.5%
RevPAR	\$49.88	5.0%	\$55.82	7.4%
Room Revenue	\$877 M	6.3%	\$513 M	8.3%

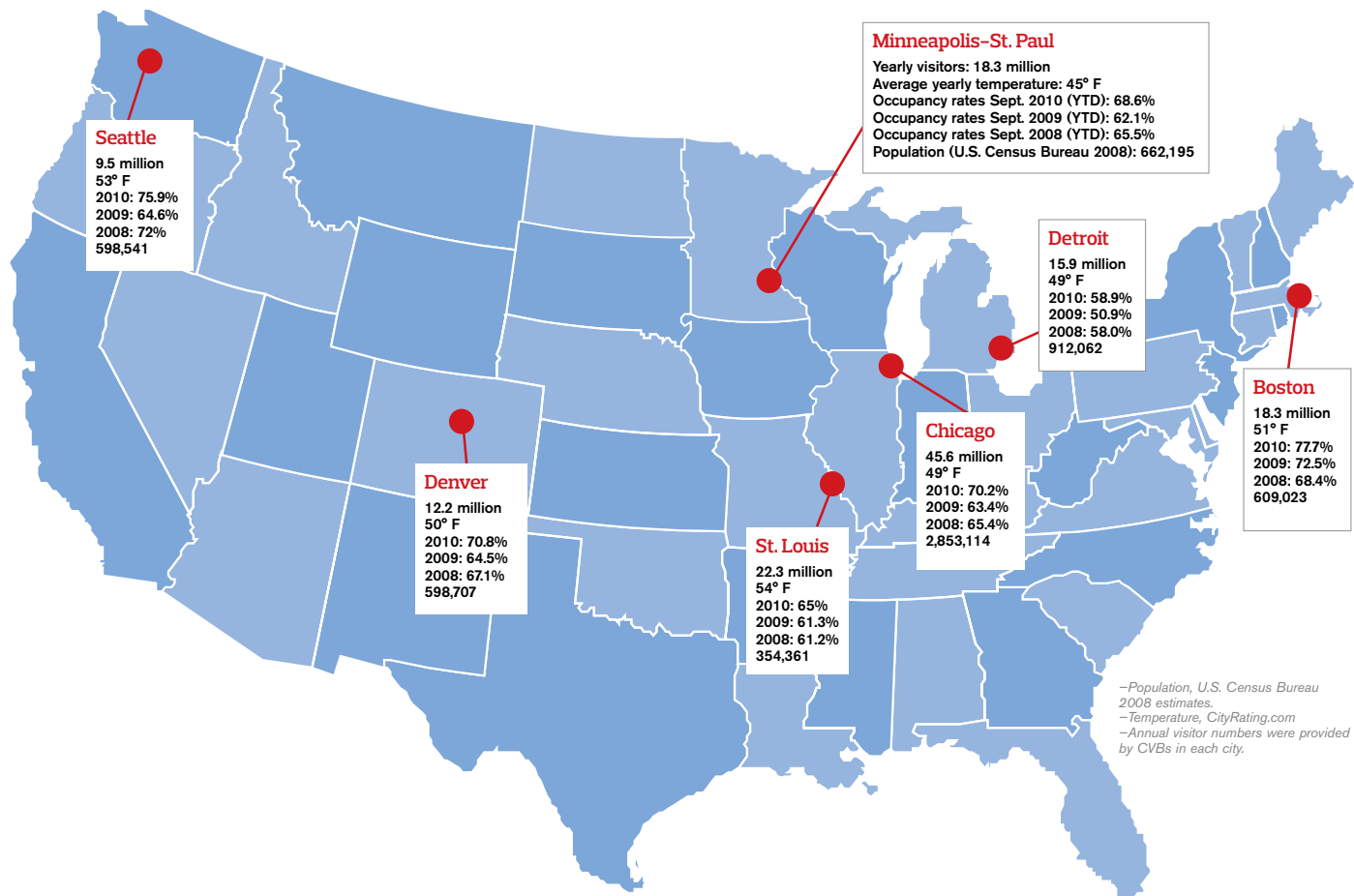
*Minnesota YTD through August 2010
—2010 Smith Travel Research, Inc.

Minneapolis/St. Paul Room Revenues		
Year to Date	Rooms Sold (millions)	Rooms Revenue (millions)
2007	10.3	\$913.7
2008	10.3	\$945.1
2009	9.5	\$824.9
2010	10.2	\$876.5 ▲6.3%

*Minnesota: Total State, YTD August Room Revenue
—2010 Smith Travel Research, Inc.

Active Pipeline Down One Third Versus 2009				
Phase	Aug 2010	Aug 2009	Difference	% Change
In Construction	211	409	-198	-48.4%
Final Planning	398	278	120	43.2%
Planning	1,021	1,676	-655	-39.1%
Active Pipeline	1,630	2,363	-733	-31.0%

*Minneapolis/St. Paul Market. Active Development Pipeline
—Rooms % Change From Last Year
—Source: STR/McGraw-Hill Construction. 2010 Smith Travel Research, Inc.

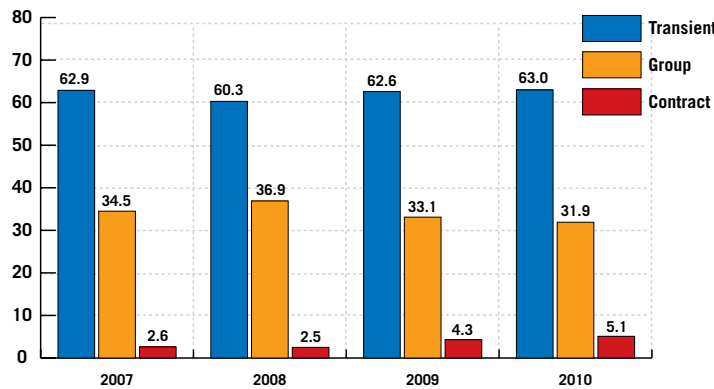


Cross-Country Comparison

The nation's hotels felt a bit of a reprieve in the last year. Occupancy rates for the country's top 25 markets, which includes the Twin Cities, increased by 7.6 percent between September 2009 and 2010, which is better than the 6

percent decrease the country felt between September 2008 and 2009. Revenue per available room (RevPAR) also saw an increase of more than \$8 in September 2010 vs. 2009.
—Source: Smith Travel Research's September 2010 Hotel Review

Steady Mix of Transient and Group Business



—Source: Smith Travel Research, Inc.

7.5%
Midscale w/ F&B

8.2%
Midscale w/o F&B

6.7%
Economy

8.2%
Independents

ADR
(Average Daily Rate)

4.7%
Luxury

3.1%
Upper Upscale

1.4%
Upscale

0.4%
Midscale w/ F&B

1%
Midscale w/o F&B

-0.6%
Economy

2.3%
Independents



hotel & lodging

ROOMS SOLD
10.1%
Luxury

7.1%
Upper Upscale

12.4%
Upscale

5.9%
Midscale w/ F&B

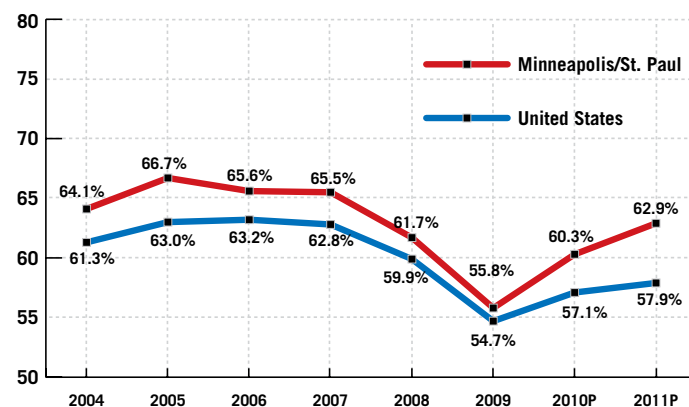
10.1%
Midscale w/o F&B

7.4%
Economy

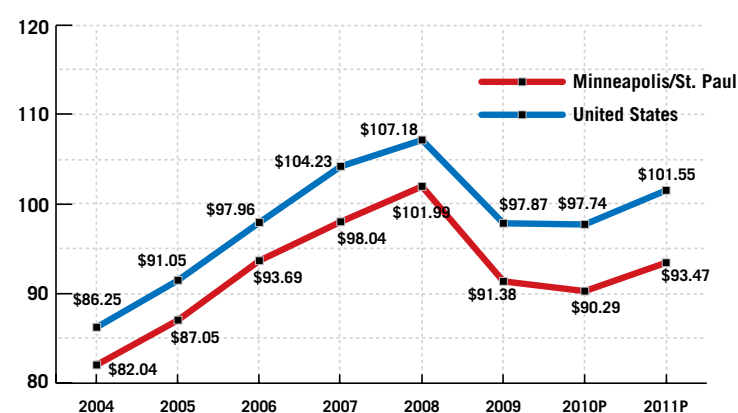
7.7%
Independents

—Source: Smith Travel
Research Hotel Review,
September 2010

Hotel Occupancy Recovery



Hotel Rates



continued from page 37 >

International Air Transport Association reports the number of passengers traveling in business and first class increased 9 percent in the first nine months of 2010, but nearly all of the increases happened during the first quarter. Like all economic activity, growth has leveled during the subsequent quarters. Nevertheless, some larger airlines have already begun to respond to changing market conditions.

For nearly three years, the major airlines have shed capacity in response to high fuel prices and the beleaguered economy. Only recently, in response to signs early last year of a rise in business travel in particular, have airlines begun to add capacity. In November 2010, 10 of the largest U.S. airlines scheduled

2.7 percent more seats than the same month the year before; Delta Air Lines added 9.5 percent more seat miles. The number of average daily seats on domestic departures in November 2010 at MSP International was up 2.4 percent from November 2009, according to *USA Today's* analysis of figures provided by the Official Airline Guide.

Yet many analysts believe that an increase in the cost of travel could come at a bad time for the industry. Citing a study from American Express, which predicts that business travel expenses could increase between 2 percent and 10 percent in 2011, Harteveltdt foresees many changes in business travel on the horizon, including an increase in the number of smaller, regional events, he says. "You won't see the big conferences in the big cities, but instead you might have regional

conferences, particularly in the Northeast and the Midwest," he says. "It could be an opportunity for department managers, where it is easier to cover from a department level—more conferences at a hotel, perhaps, but without overnight stays."

Harteveltdt also sees an industry that will increasingly adapt to wider use of new technologies, for good or ill. Not only will he be watching whether airlines and hotels will be able to raise their rates above inflation as one sign of recovery, he will also be looking at key technological developments. "Will Cisco continue to sell their HD telepresence technologies to area hotels that area corporations can rent to host meetings?" he asks. "How many of them will they sell?"

In July 2009, 35 percent of adults in the United States traveled for business, according

to a survey by U.S. Travel and Ypartnership. In July 2010, that number was down to just 23 percent, with only 16 percent of business-people looking to increase their business travel intentions, a statistic that has remained flat over the association's past four surveys.

It's this softness in the business travel market that has many analysts believing that leisure travelers will lead any recovery. "Leisure will drive the market," says Harteveltdt. "Demographics are our destiny. The younger people view technology as an enabler and a way to reduce business travel. Individuals in the industry must be aware of these changes and begin to learn to cater to the leisure traveler. That's why I've been stressing that the leisure market will come to be a more important part of the industry."

"Many in the industry—hoteliers, CVBs and the like—will need to reevaluate what the meetings industry will look like," says Harteveltdt. "I honestly wonder whether many convention centers will actually take a look at their real estate and wonder, 'How much space do I need to tear down?' I see that happening in the next five to 10 years."

What new technology and teleconferencing have done is to make those "borderline" trips unnecessary, says Harteveltdt. "That's good or bad news but you cannot do business without taking trips. Business travel just isn't fun anymore; 40 percent of leisure travelers bring a laptop on vacation with them. Virtual meetings are not as good as being there. They are good for maintaining relationships, but not for finding new business and developing new relationships. [Nonetheless] half of business travel buyers will have a policy this year to have teleconferencing in place."

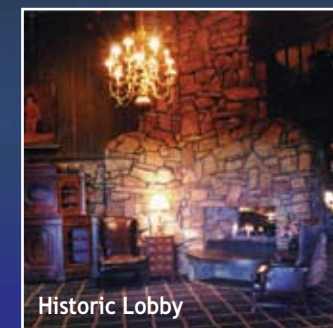
Hospitality professionals regrouped to find their footing in 2010, but the coming years may not bring the kind of rapid recovery typical of recent business cycles. "I don't think 2011 is going to be any different," says Schneider. "I think we are looking at more of the same and the successful enterprise will be one that is innovative and attentive to new markets and marketing opportunities, that doesn't lose that important foundation of service, of responsiveness, of informed targeted marketing." ■

STATE OF THE INDUSTRY METHODOLOGY

The seventh annual *Meetings: Minnesota's Hospitality Journal* Industry Survey was posted on www.mn-meetings.com between July and October 2010. Respondents could opt into one of the 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 5,600 randomly selected industry professionals, upon which 133 usable surveys were received (91 planner surveys, 42 vendor/supplier surveys). Survey participants could opt in and be eligible to win one of four \$100 gift certificates to Crave, Mission or Pazzaluna. The editors would like to thank everyone who took the time to participate in this year's survey. Your insight and knowledge allow us to bring you the best possible coverage of the state's hospitality industry.

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