

Preface

The meetings and incentives industry (otherwise known as MICE) in China is currently in a phase of growth and transition.

The forthcoming years offer an exciting time for development, fuelled by an increased focus of attention on China. The focus in the main can be attributed to the 2008 Olympics taking place in Beijing. This momentous event has already started impacting the region, bringing immense investment into infrastructure and developments that will see the region change dramatically and which in turn will aid growth in business tourism and the meetings and incentives industry within China.

Much speculation is taking place as to the estimated impact and economic growth that will occur. The meetings and incentives industry play a key role in this development, but at what level and by how much? The debate has started and the need for information is paramount.

The CIBTM research is the first study of its kind. Working with local and international suppliers and buyers within the industry, the study will fill the information gaps that currently exist. It will become an annual event that aims to provide vital information on the meetings and incentives industry, the flows of inbound, outbound and intra-regional business, as well as demand and supply trends.

The results will raise the profile of the industry further by encouraging discussion, recognising the importance of the meetings industry as a rapidly growing economic activity and formally recognising those working in the industry as 'meeting professionals'.



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Introduction

China has the fourth largest and fastest growing economy in the world with economic output for 2006 of US \$2.68 trillion, a growth rate of 10.5%, which is forecast to remain at 8.5% for the next two to three years. This compares with GDP in the US expected to grow by 2.7% this year, and in the Euro zone by 2.1%, although France, Germany and Italy are all expected to experience lower growth than this. The UK is expecting growth of 2.6% and Japan of 1.9%. (Source: economywatch.com)

This growth is strongly reflected in the meetings, incentive and events industry. The results of this research for CIBTM 2007 illustrate the enormous interest in China and the tremendous growth potential, not only in events taking place there but also in outbound business as more people travel. China's expenditure on tourism grew by 26% from 2003 to 2004 to US\$ 19.1 billion. Already China is the 7th highest country for tourism expenditure in the world. A rich source of business with tremendous opportunities for events elsewhere in the world, China is of significant interest to everyone in the events business.

This research provides an initial picture of the meetings industry business taking place in China in 2007, against which the growth and future trends can be monitored.

General Industry Trends

Trends being experienced by the industry worldwide that could impact on the market for China in future are:

- Green/environmental issues creating pressure on individuals and organisations to travel less often or apply carbon offset for their travel
- Corporate social responsibility encouraging use of destinations where they can contribute to the local area and population beneficially
- Low cost long haul airlines entering the market
- The change to US passport rules earlier this year which is expected to result in more US citizens with passports and therefore a higher percentage finding it easier to travel outside North America
- The growth in travel and trips being made from other emerging markets
- Many associations are keen to grow their memberships in China and Asia and will be encouraged to hold their conferences nearby in order to enable potential new members to attend.

Background to research

The research was undertaken during April and May 2007. Invitations to participate through an online questionnaire were sent out to Reed's qualified databases of international meeting planners and suppliers together with an extensive local buyer database of buyers and suppliers in China. Respondents selected to complete the buyer or supplier questionnaire but could only complete one option.

The responses analysed were as follows:

- 228 international buyers
- 60 local buyers
- 17 local suppliers
- 47 international suppliers

For the first year that this research has been undertaken the sample size is small for some representative groups. It is hoped that they can be increased in future in order to provide valuable industry and trend information.

The target respondents for buyers represented all the following target sectors of the market:

- International associations and not for profit organisations
- Regional and national associations and not for profit organisations
- Corporate organisations
- Exhibitions
- Incentives
- Third party organisers responsible for organising events for any or all of the above sectors

The target database for supplier respondents covered a wide range of activities from hotels and venues, to airlines, DMCs, and travel specialists.

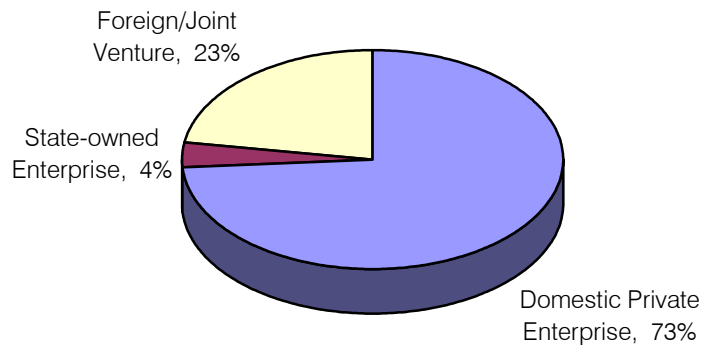
Summary of buyer respondent results

- 83% of international buyers and 75% of local buyers respondents were from agency/third party organisations
- 15% of international buyers and 23% of local buyers were from corporate organisations
- 2% were from associations/not for profit organisations
- The average size of international buyers' organisations was 159 employees and for local buyers was 251 employees.

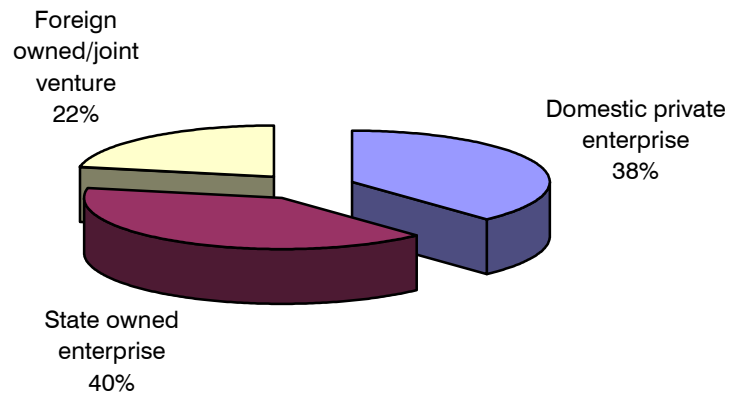
The third party buyers were travel agents, PCOs, incentive houses, event management companies, venue finding agencies, and independent meeting planners.

The types of organisation to which respondents belong is shown in the charts overleaf:

International buyers' type of company

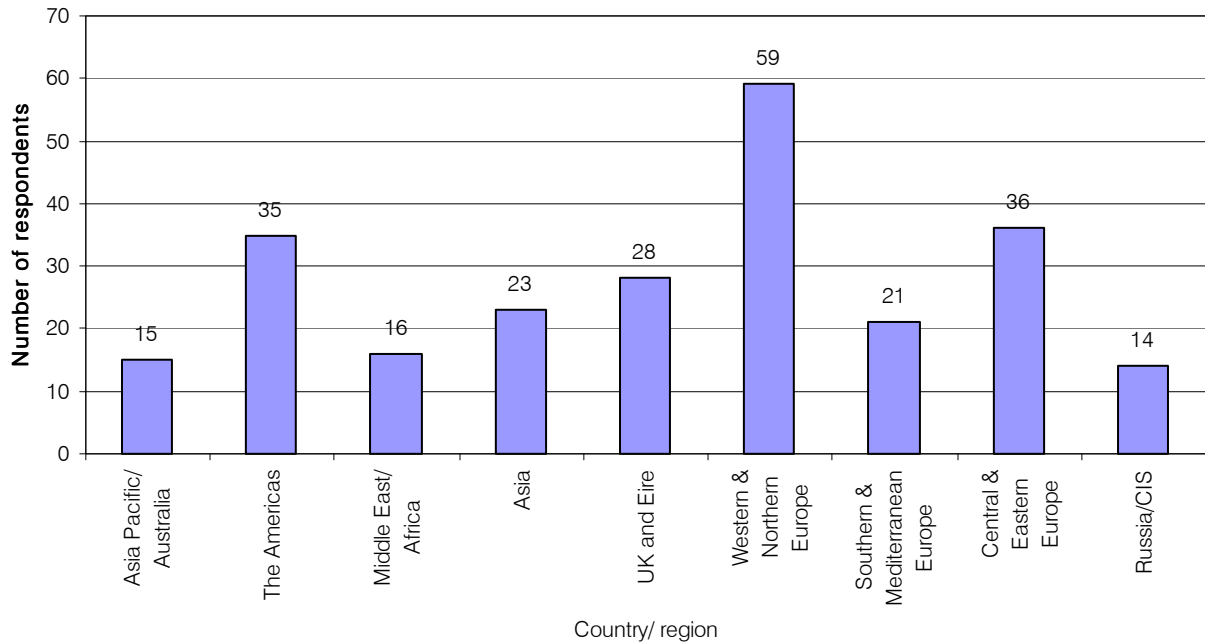


Local buyers' type of organisation



The origin of international buyer respondents is as follows:

Origin of International buyers



Local buyers were predominantly based in Beijing with a few based in Guangzhou, Shanghai, Shandong, Liaoning and Hong Kong.

Key characteristics of buyers' events in China

The table below illustrates the key differences between events being organised by international buyers and those being organised by local buyers. The local buyers' events are longer and larger yet organised within a far shorter lead time. Interestingly the mean expenditure for local buyers on events is 15% higher than for international buyers and 48% of this is remaining in China. More local buyers expect this level to stay the same for the next twelve months while most international buyers anticipate that spend in China will increase.

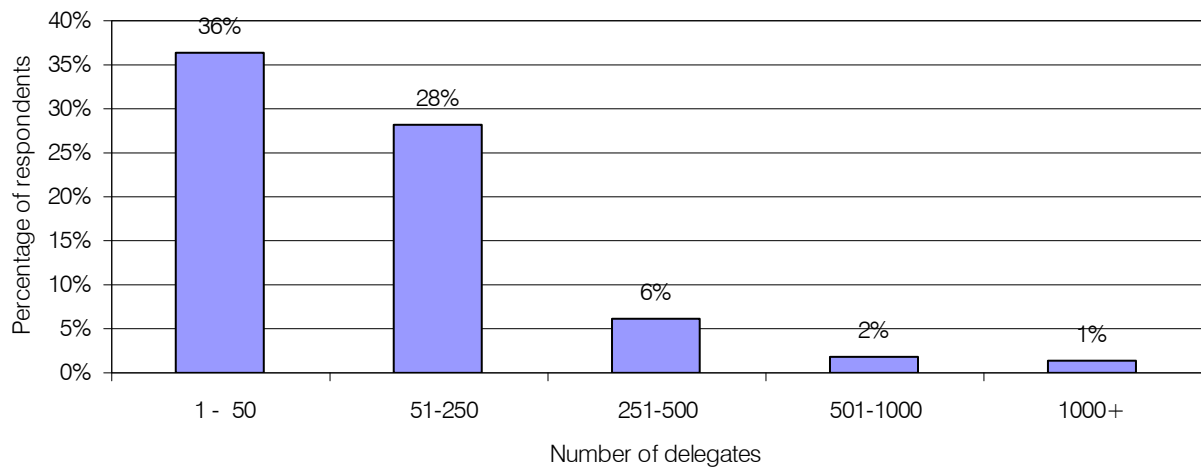
	<i>International buyers</i>	<i>Local buyers</i>
Mean number of events held in China	4.2 events	6 events
Mean duration of events worldwide	5 days	9 days
Mean duration of events in China	5 days	6 days
Mean size of events in China (number of delegates)	140	299
Mean lead time for events in China	12.7 months	2.3 months
Mean annual expenditure on events in total	\$2.75 million	\$3.16 million
Mean percentage of above spent in China	14% (\$385,000)	48% (\$1,516,800)
Percentage expecting expenditure in China to increase in next twelve months	82%	40%
Percentage expecting expenditure in China to stay the same in next twelve months	16%	60%
Percentage expecting the number of events in China to increase in the next twelve months	82%	72%

Peak months for events in China in order of preference are March, November, February, May, September.

A wide variety of events was being organised by both international and local buyers as shown below with more local buyers organising exhibitions than international buyers.

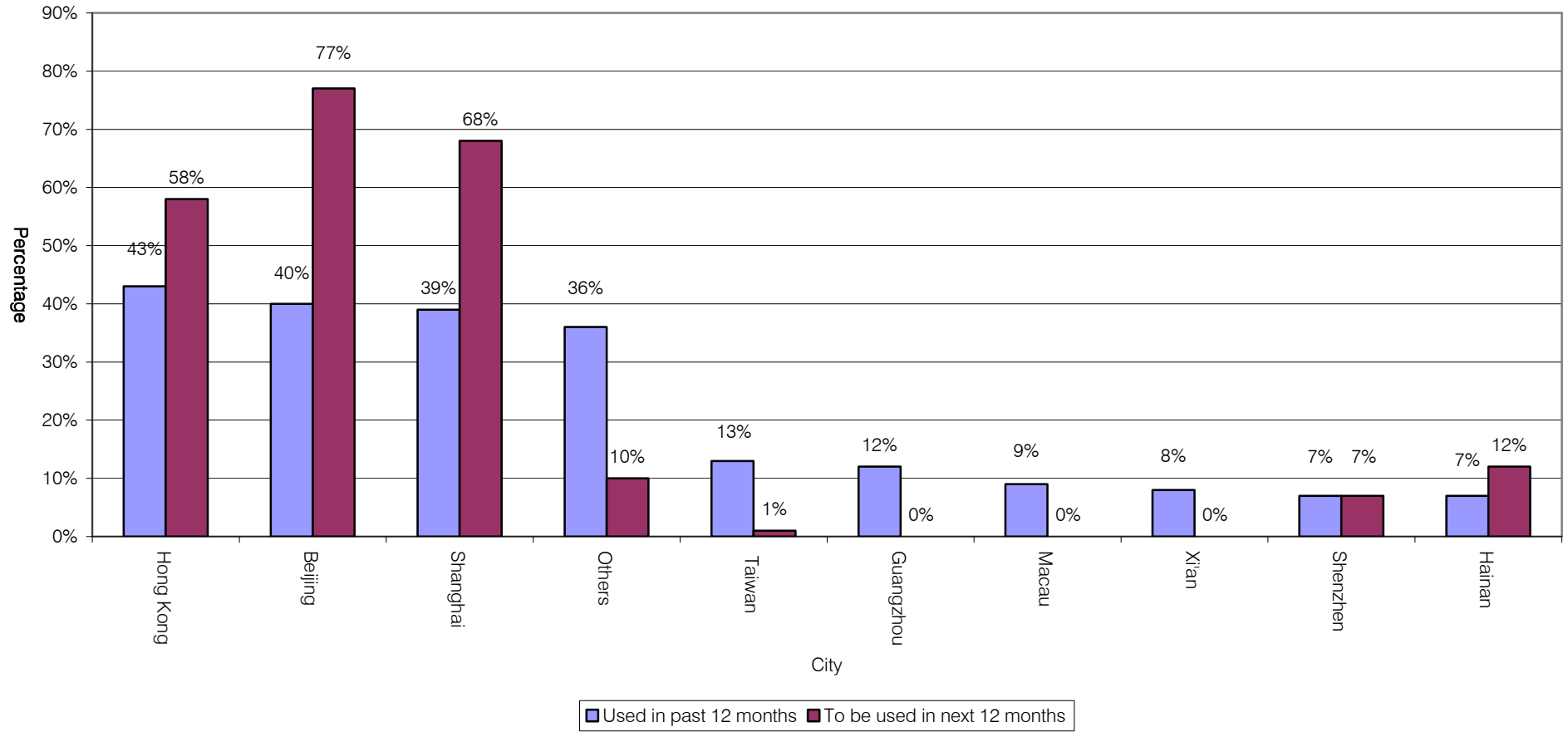
<i>Types of event organised</i>	<i>International</i>	<i>Local</i>
Conferences and meetings	83%	50%
Incentive travel	81%	62%
International conventions	63%	53%
Business travel	61%	57%
Staff training	44%	43%
Product launches	44%	24%
Exhibitions	42%	60%
Corporate hospitality	41%	47%
Sporting events	26%	16%

International buyers average size of events held in China

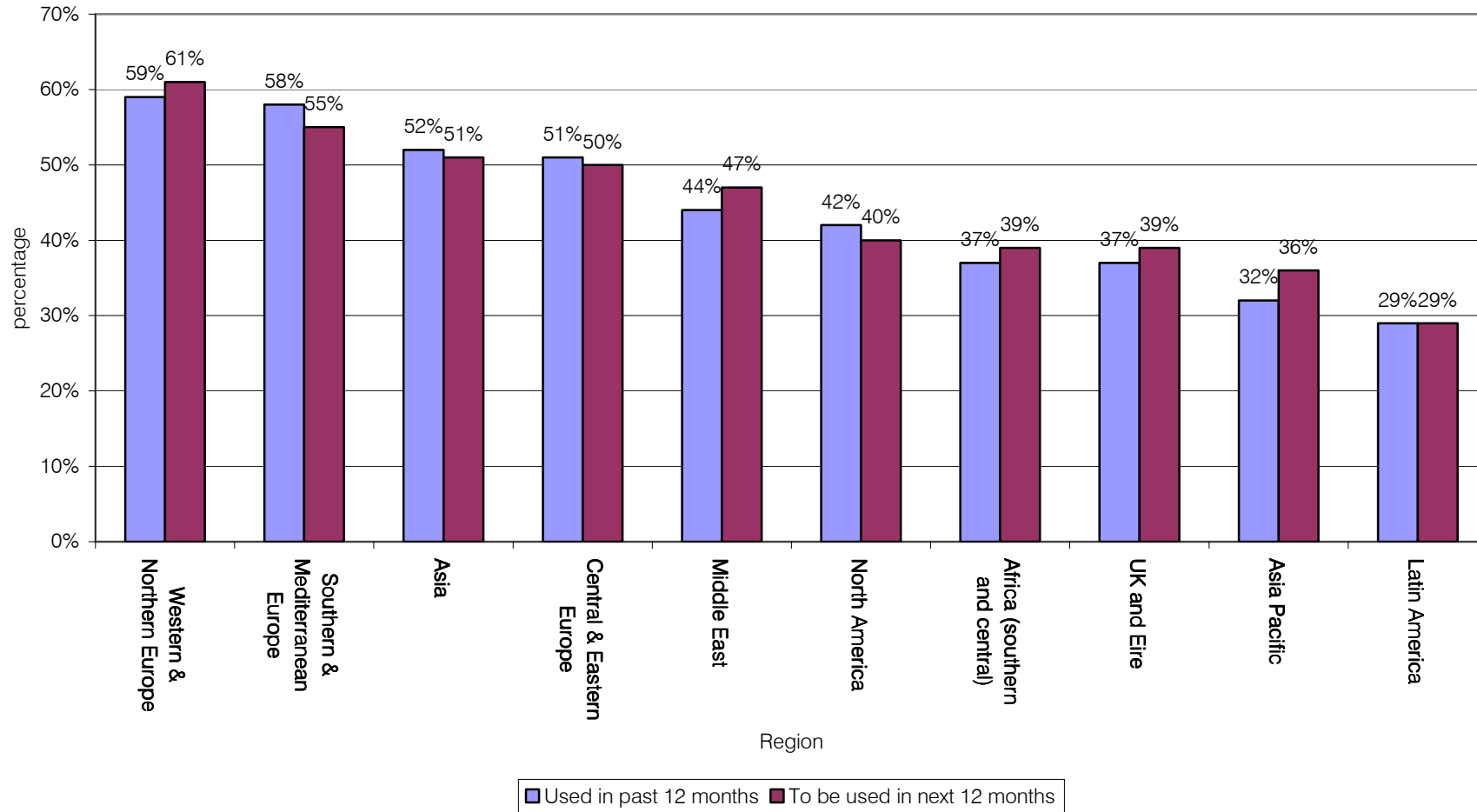


The most used destinations in China by international buyers over the last twelve months and for the next twelve months are shown in the chart overleaf.

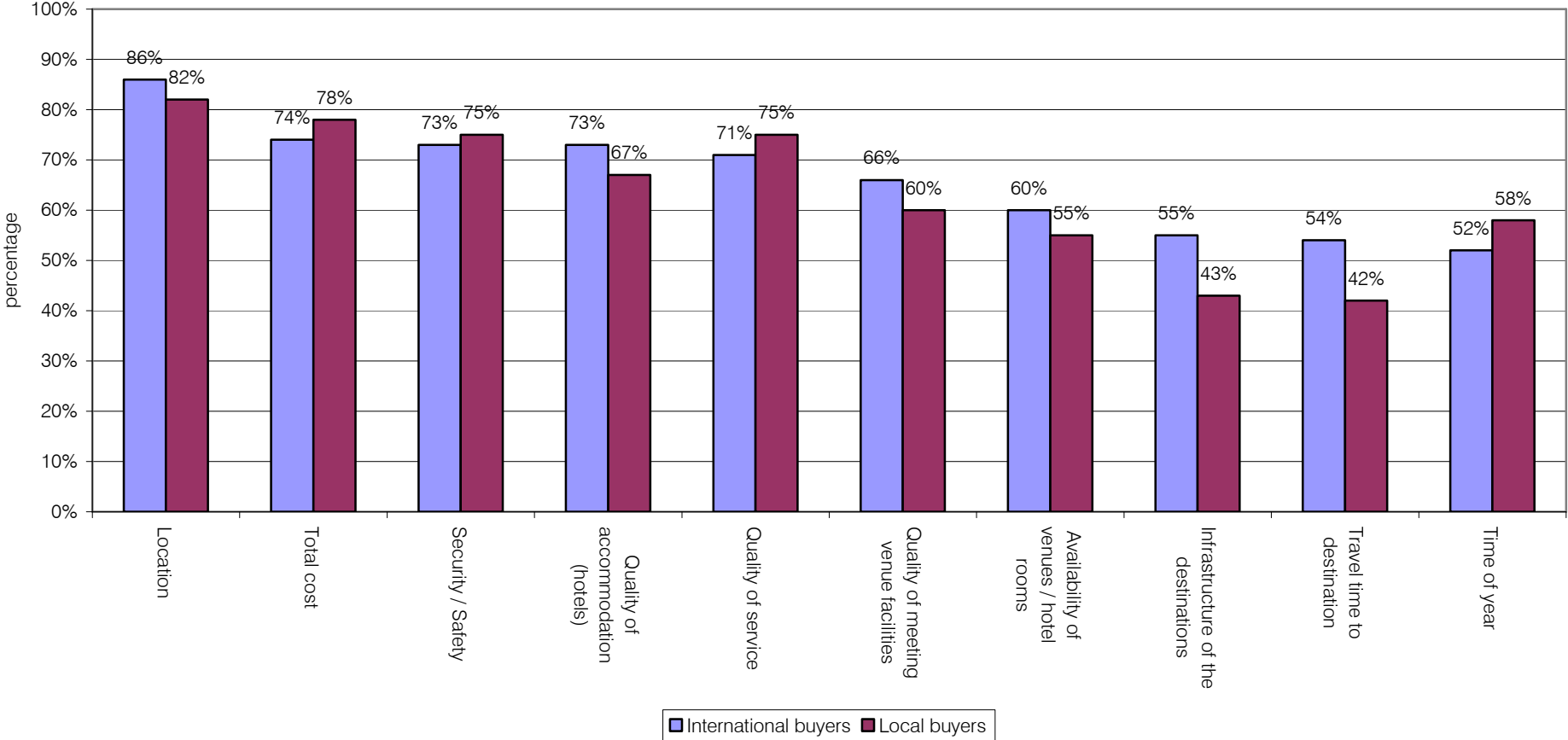
Destinations in China used/ to be used by international buyers



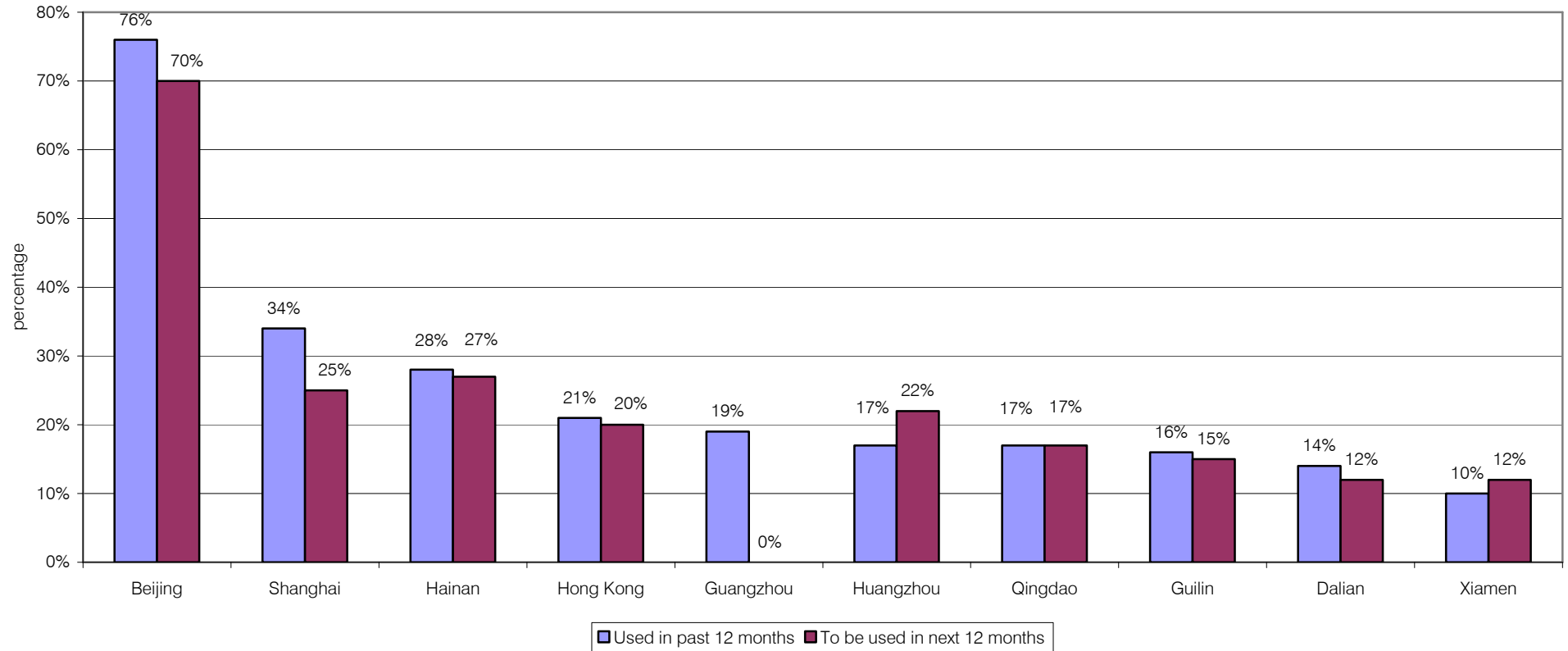
Destinations outside China used/ to be used by International buyers



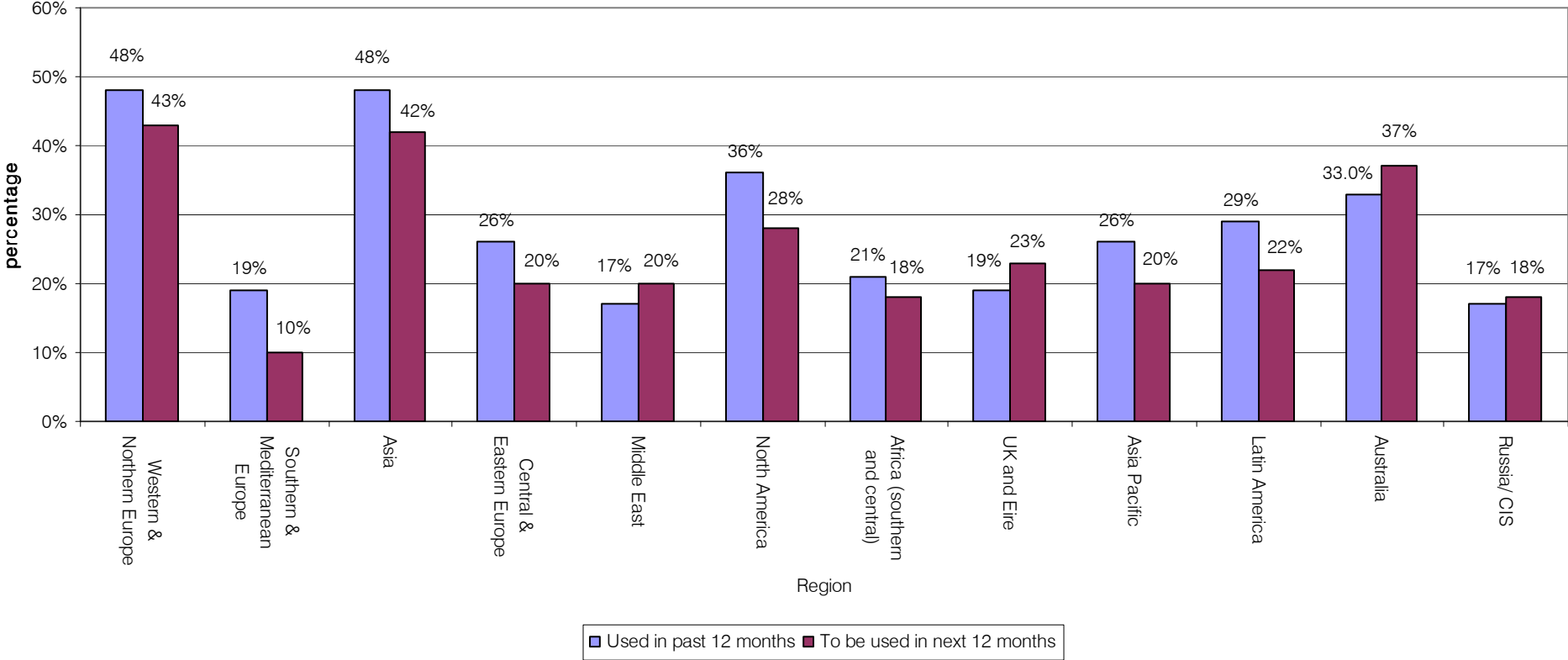
Factors influencing buyers choice of venue



Destinations in China used/ to be used by local buyers



Destinations outside China used/ to be used by local buyers



Summary of Key Research results for suppliers

Local suppliers responding were mainly based in Beijing with a few in Shanghai. They were representatives of convention bureaus, hotels, airlines, destinations, DMCs, media and technology suppliers.

They currently had clients located throughout China, although more in the Pearl River delta, Hong Kong and West China. However they also had clients in the Middle East and Australia. Over half said more than 20% of their clients are holding events outside China.

In future they are aiming to attract clients from the Yangtze River delta including Shanghai, the Pearl River delta including Guangdong and the Bohai Rim region around Beijing. They believe China has the most growth potential in the world for their future business.

Their corporate clients were mainly from IT/telecommunications, pharmaceutical, financial services sector including insurance, media and publishing.

The factors most influential in clients' event decisions in order of preference are as follows:

- Location
- Cost
- Quality of meeting venue
- Availability
- Quality of accommodation
- Infrastructure

The **international** suppliers were mostly representatives of hotels, events management service providers and DMCs.

Areas where their clients are based currently are the Yangtze River delta including Shanghai, the Bohai rim region, West of China, Hong Kong and the Pearl River delta. Outside China they have clients in the Middle East and Australia. 7.5% of their business is taking place in China. The majority said less than 5% of their clients were holding events outside China. The corporate sectors their clients most often represent are pharmaceutical, IT/telecommunications, financial services including insurance, media/publishing and automotive.

In the future they are aiming to attract more business from the Bohai rim region, Hong Kong and the Yangtze River delta. They are aiming to target corporate clients and agencies/third parties. They also believe China offers the most growth potential in the world.

The most influential factors in their clients' decisions in order of preference are:

- Location and cost (equally important)
- Quality of service
- Quality of accommodation
- Quality of meeting venue.