The China Incentive, Business Travel & Meetings Exhibition
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The China and Asia Meetings Industry Research Report 2011

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CIBTM is part of the Reed Travel Exhibitions Meetings and Events Portfolio

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Preface

We are delighted to be able to provide you with the 5*th China and Asia Meetings Industry Research Report* which continues to play an important role in gathering data that does not exist elsewhere, helping those within the meetings industry in China and Asia to develop and grow their businesses.

There is no doubt that China's meetings industry has huge potential with predictions that the sector is a $150 billion market with annual growth of 20% (HelmsBriscoe April 2011). This year's CIBTM event is clearly following the growth trends for the MICE sector in the region with over 300 exhibitors, a 21% growth in event space over 2010, and some 300 Hosted Buyers (25% increase over last year) in attendance. The impact that CIBTM will have on both inbound and outbound MICE business will clearly establish it as *the* annual business forum.

Our goal once again, is to help connect the China meetings market with the rest of Asia and the world. We do this by providing a platform for suppliers and buyers to meet and conduct business both on the show floor and away from it through a number of networking opportunities. In addition the huge success of the professional education programme is expected to continue as the thirst for industry knowledge and information grows. This year's programme brings together the very latest international, regional and local topics and debates from world class speakers helping delegates to develop their careers in this sector through up to the minute research, news, topics and trends.

CIBTM, with the support of the Chinese National Tourism Administration, Beijing Municipal Government and Beijing Municipal Commission of Tourism Development, will continue to provide the pivotal marketplace opportunity for those involved in this exciting growth industry.

JEFFREY XU
Project Manager
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Introduction

This is the fifth year that the China and Asia meetings industry research has been undertaken with buyers and suppliers of meetings and events in China and Asia. Over this time the survey has tracked trends and changes in the meetings market in China. This year's research clearly shows the growth that has taken place to date and the positive future opportunities for the meetings industry in China and throughout Asia.

As this report went to print, there was fear of a 'double dip' recession in some parts of the world with the US debt crisis in the news, Italy and Spain adding to the recent Euro zone crises in Greece, Portugal and Ireland, and stock markets around the market experiencing turbulence. This economic situation is not expected to settle for some time to come.

It is encouraging therefore that predicted growth in GDP for China & Asia for 2011 and 2012 remains very positive as shown in the table below. Although China has high inflation to deal with, these growth rates far exceed those predicted for the advanced economies, which will struggle to achieve 2% for 2011 and 2.6% for 2012.

Percentage growth in GDP forecast by IMF World Economic Outlook April 2011

	2011	2012
China	9.6	9.5
India	8.2	7.8
ASEAN 5**	5.4	5.7
NIEs*	4.9	4.5
Other developing Asia	4.7	5.2

*Korea, Taiwan, Hong Kong & Singapore, **Indonesia, Thailand, Malaysia, Philippines, Vietnam

Growth in the meetings market tends to follow that of the economy overall, so these growth rates bode well for the meetings industry in China & Asia. The research results outlined in this report predict growth not only for the meetings market within China, but also for the volume of meetings and events inbound to China internationally, and particularly noticeable this year is the growth in meetings and events going outbound from China. 74% of buyer respondents and 52% of suppliers forecast an increase in the volume of events they will organise over the next twelve months.

Despite these levels of growth in volume being very positive, cost pressures and trends in the meetings and events market globally are likely to impact the market in China in future. Pressure to reduce costs was the issue most buyers and suppliers mentioned as likely to influence events in the next twelve months. Only 34% of buyers and 27% of suppliers predicted budgets for individual events will increase in the year ahead.

The global trends that will impact the market include:

1. Pressures on budgets worldwide are creating a market situation where buyers want 'more for less', looking for added value within the rates paid. This requires creative packaging from suppliers, strong negotiation skills and business planning which aims to keep prices as low as possible, while not compromising service quality and standards.
2. An increasingly competitive market worldwide demands high standards of facilities, service, technology and innovation, placing strains on countries that have recently entered the market and are still developing the required skills and professionalism.
3. At the same time price fluctuations are being caused by the worldwide economic situation, currency changes and rising food and fuel prices. Fuel prices will impact distances travelled making short haul destinations more attractive than long haul. Rising food prices are making it difficult for suppliers to maintain costs within acceptable budget ranges.

Survey respondents raised the challenges and issues for the meetings industry in China to address in order to maximise the growth potential, with results suggesting they have not been immune to budget pressures. Besides rising costs, other challenges mentioned are:

1. (The need for)Professionalism to maintain required service standards
2. Tackling change…and keeping up with the rapid growth and change taking place
3. Competition - within China between providers and suppliers - and elsewhere in the region (Asia) and world
4. (Maintaining) social responsibility while meeting cost pressures.

Additional issues raised as those that need to be addressed in order for China to increase market share are:

1. Hotels - lack of supply or capacity
2. Training, having well trained employees, offering professional qualifications
3. Greater understanding of international business visitor needs
4. Infrastructure, supply and capacity - travel, accommodation, venues, airlines and sufficient routes
5. (Improved) service to meet the required standards.

International association meetings

The survey results show increased numbers of organisers are involved in international conventions and congresses in China and Asia. According to the *Union of International Associations (UIA) International Meeting Statistics 2010* Singapore was the top city worldwide attracting 725 meetings (6.5% of all meetings worldwide), and Seoul was the second highest placed Asian city in 5th place worldwide with 201 meetings (1.8%). Compared to these cities, those in China have considerable opportunities to increase the volume of meetings in this sector with a total of 236 meetings held in mainland China overall. The table below shows that Shanghai and Hong Kong have both increased the number of meetings hosted since 2009 while Beijing has seen its volume reduce slightly, although it still attracts the greater number of meetings within China. Even if Singapore's supremacy continues to dominate this sector, Asia's overall market share is predicted to continue growing, and this research underlines that prediction, with China and other Asian countries likely to increase their market share in future. The ICCA statistics for international meetings in 2010 are also shown in this table. These also show growth for Shanghai and Hong Kong, with slightly different numbers due to their different qualifying criteria.

International association meetings	UIA 2009	UIA 2010	ICCA 2009	ICCA 2010
Mainland China	175	236	284	282
Beijing	82	79	114	98
Shanghai	34	63	61	81
Hong Kong	43	54	76	82

The positive feedback from this survey's respondents suggests that more Asian cities will appear in the ICCA top 50 in future (see table below for 2010) and that many cities throughout China and Asia will move higher up the rankings.

Asian cities in ICCA rankings for international meetings 2010		
Position in top 50 cities	City	Number of international meetings 2010
5	Singapore	136
11	Taipei	99
12	Beijing	98
16	Seoul	91
20	Hong Kong	82
21	Shanghai	81
23	Kuala Lumpur	79
27	Tokyo	68
39	Bangkok	55
45	Kyoto	42

As the results in this report reveal, while some parts of the world may find the year ahead quite difficult, China and Asia offer huge potential for growth in the domestic, regional and international inbound and outbound markets for all types of meetings and events suppliers and organisers.

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The research was undertaken by Reed Travel Exhibitions with analysis and interpretation by The Right Solution.

Methodology and respondents

The research was undertaken during June and July 2011. Invitations to participate in the online survey were sent out to Reed Travel Exhibitions' qualified database of buyers and suppliers throughout China and Asia and internationally to those doing business in China and Asia. Respondents selected to complete the buyer or supplier questionnaire but could only complete one option.

A total of 445 buyer respondents (up from 396 in 2010) and 180 supplier respondents are included in the analysis.

- 68% of buyer respondents were based in China (67% last year), 10% from other Asian countries and 22% other international destinations including strong representation from Australia, the UAE and Spain.
- 74% of supplier respondents were based in China (78% last year), 8% in other Asian countries and 18% from other international destinations including the US, Europe and Africa.

<u>Please note that the respondents are not identical to those for last year's survey, therefore comparisons between years must be treated with caution.</u>

Buyer respondents

Although travel agencies are still the highest proportion of agency/third party respondents in this year's survey with 27% of respondents, this is lower than last year's 35%. In contrast the percentage of professional conference organisers responding to the survey has substantially increased to 22% compared to 8% last year. The other popular agency types are event management companies (11%), and incentive houses (10%). The number of specialists or 'meeting professionals' handling event management as opposed to travel agencies is increasing year on year.

Among corporate respondents, the sectors that are well represented are, in order of priority:

- pharmaceutical/medical;
- public relations/advertising/media;
- IT/telecommunications/electronic;
- training;
- financial services/banking/insurance;
- luxury products, FMCG/durable goods; import/export;
- property/real estate and
- automotive.

29% of corporates were from domestic private enterprises, 18% from foreign enterprises/joint ventures and 17% from state owned enterprises.

Not for profit sector respondents include NGOs (20%), associations; association management companies, government and research/academic institutions.

The average size of buyer respondents' organisations is 590 employees.

Supplier respondents

A wide range of different suppliers responded to the survey as shown in the table below:

Type of supplier	Percentage of respondents
Tourist organisation	20%
Hotels	17%
Event support services	8%
Destination management companies	6%
Conference and meeting venues	6%
Media	5%
Attractions and entertainment	5%
Convention bureaus	4%
Airlines	4%
Marketing services	3%
Total	78%

The remaining 22% included representatives from car rental agencies, airport transportation, technology and telecommunications providers, health resorts and spas, cruise lines, and special interest tours. Clearly there is now a huge range of different suppliers involved in event management.

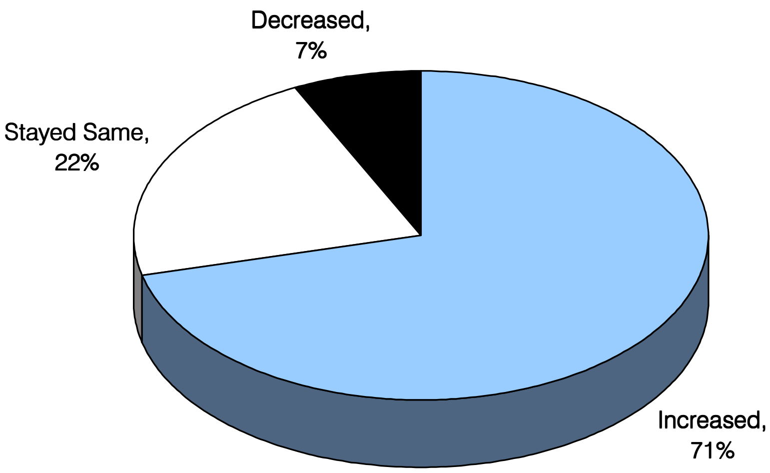
The mean size of suppliers' companies is 325 employees.

Full research results for Buyers

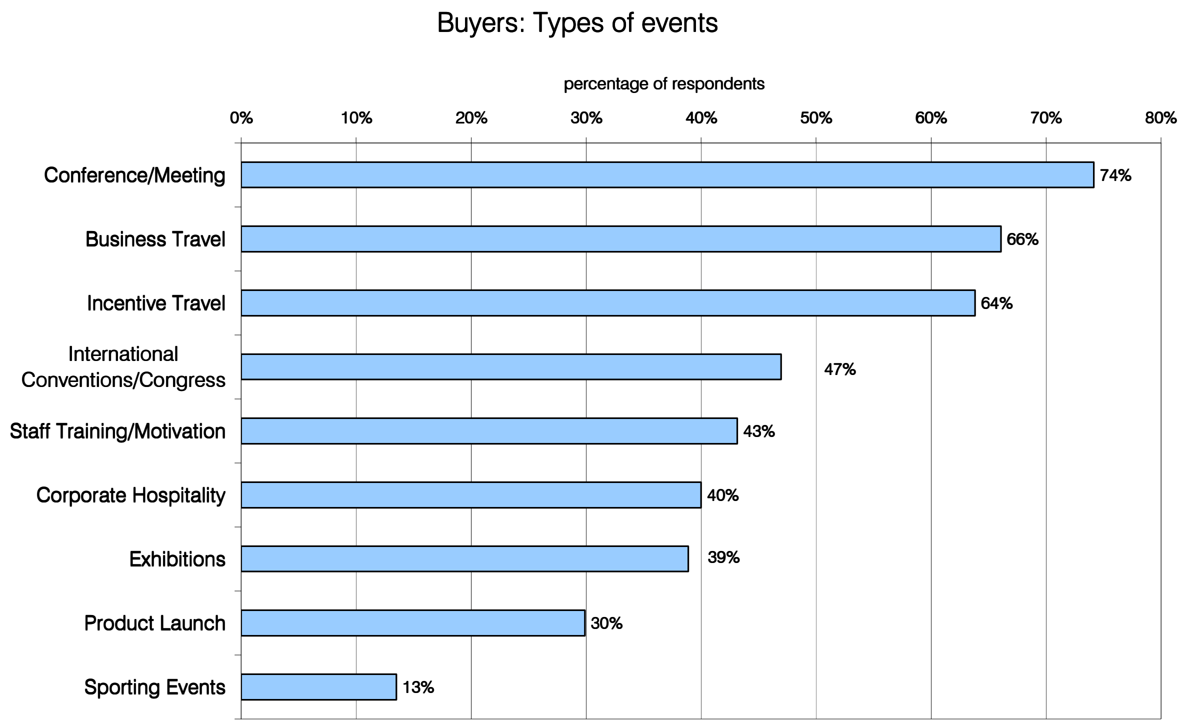
1. Volume and types of events

71% of all buyer respondents had organised more events in the past twelve months as shown in the chart below. However this total was heavily steered by those based in China and Asia, with only 26% of other international buyers having seen an increase.

Buyers: Has number of events organised increased in past 12 months?

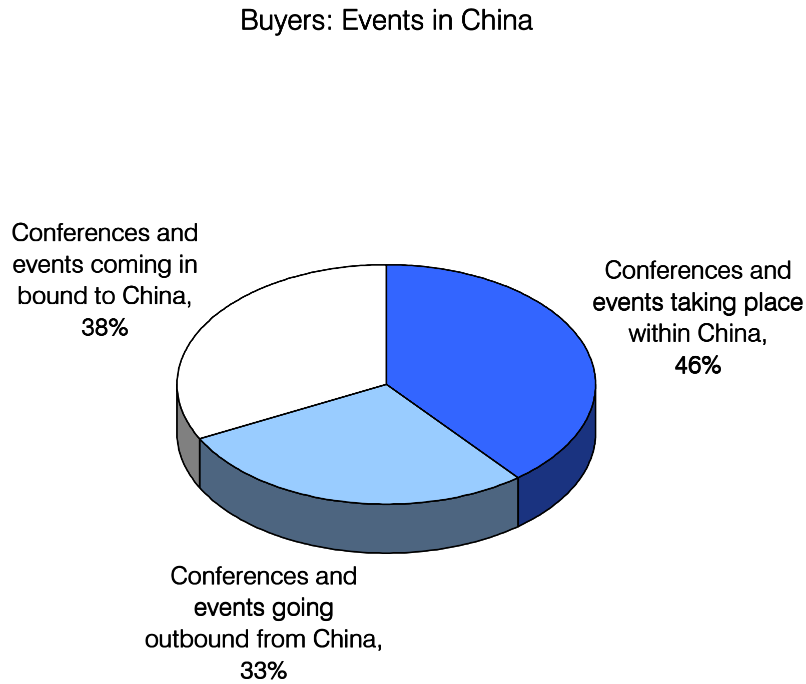


The percentage of respondents organising conferences and meetings has risen to 74% in this year's survey from 64% last year. The percentage organising international conventions and congresses has also increased to 47% from 38% last year. All other types of events show very similar percentages to last year.



2. Destinations for events

The chart below shows that the highest proportion of events buyers were involved in was those within China. However the percentage of events coming inbound and going outbound from China is now 38% and 33% respectively, indicating the increased interest in China for international conferences, as already seen in the previous results, and the increased mobility of groups going outbound from China.

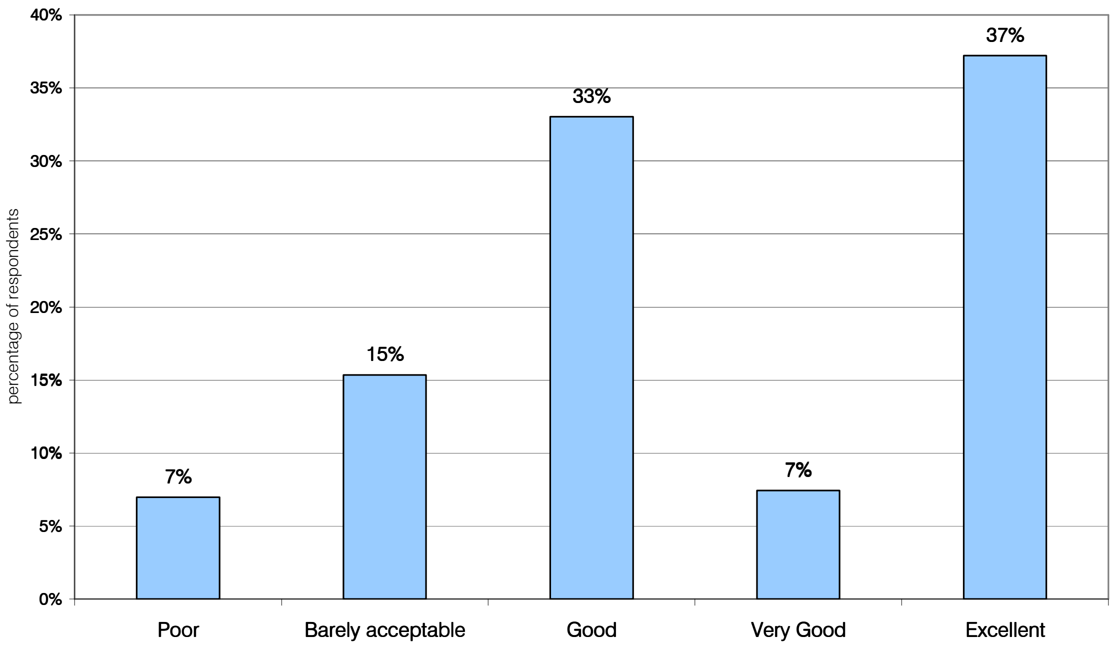


The most popular destinations for events going outbound from China were in Asia including Taiwan, Macau, South Korea, Singapore, Thailand and Malaysia. This is an identical pattern to last year with the exception of Japan which had suffered in both inbound and outbound business due to the earthquake and tsunami. This also affected China and other Asian countries both positively, with some events transferring there, but also negatively with proximity affecting perceptions and fears of nuclear dust and influencing insurers' approval for groups to travel. Beyond Asia, North America was most popular followed by Europe and the Middle East & Africa.

Satisfaction ratings

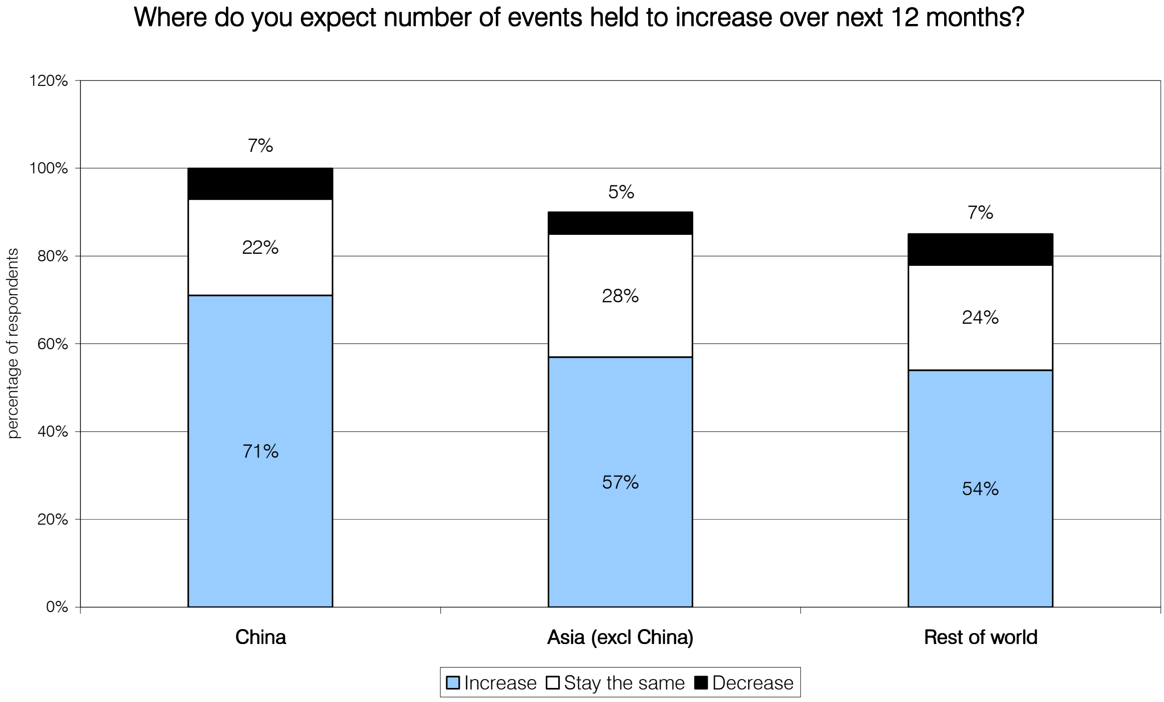
44% of respondents rated the destinations used in China as very good or excellent, a reduction from 60% last year. 22% rated them as barely acceptable or poor. The lower ranked ratings may be explained by the later results outlined in this report of the challenges for the meetings industry in China, including the need for training and professional skills related to business visitor needs.

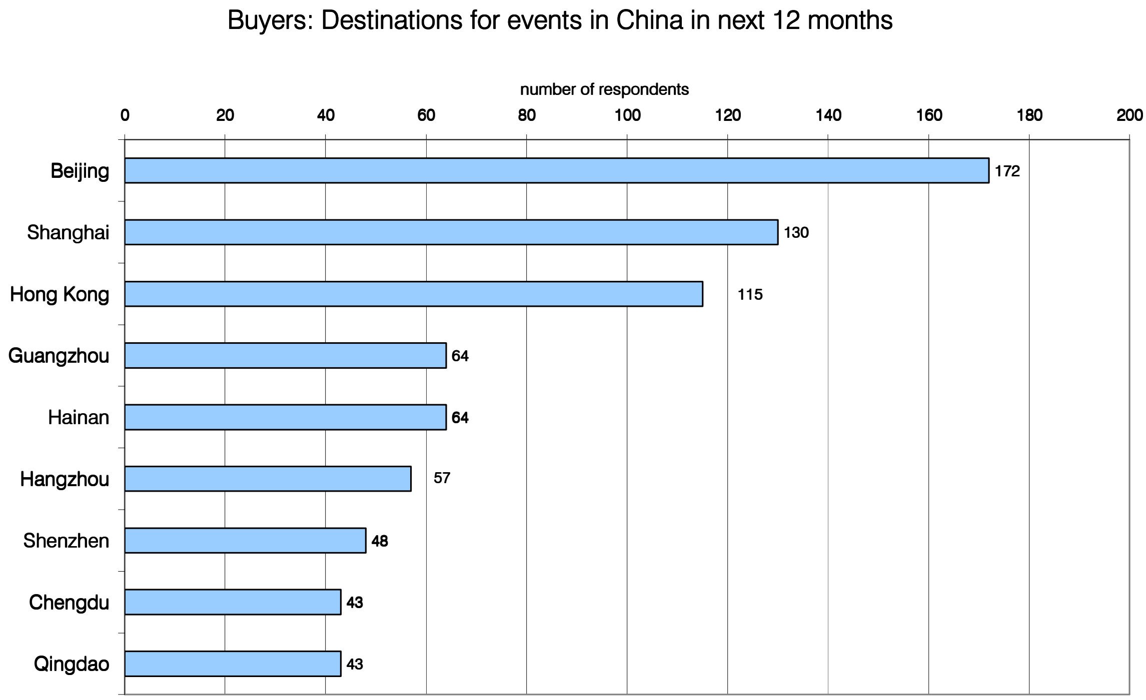
Buyers' satisfaction with venues in China



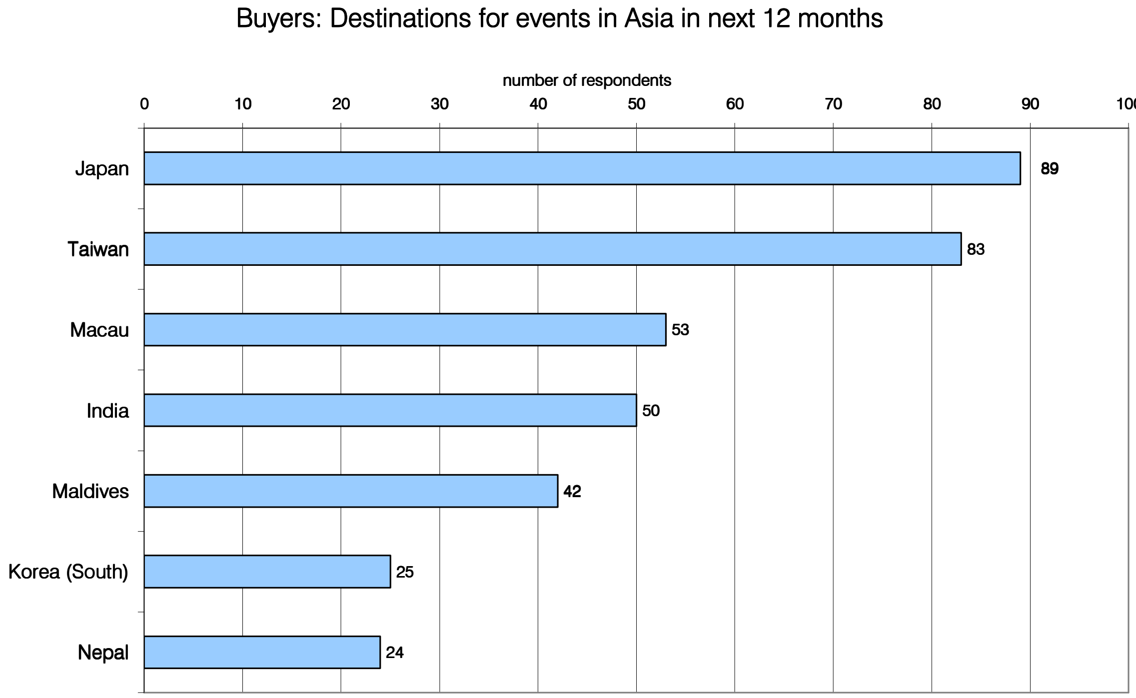
3. Forecast destinations for next twelve months

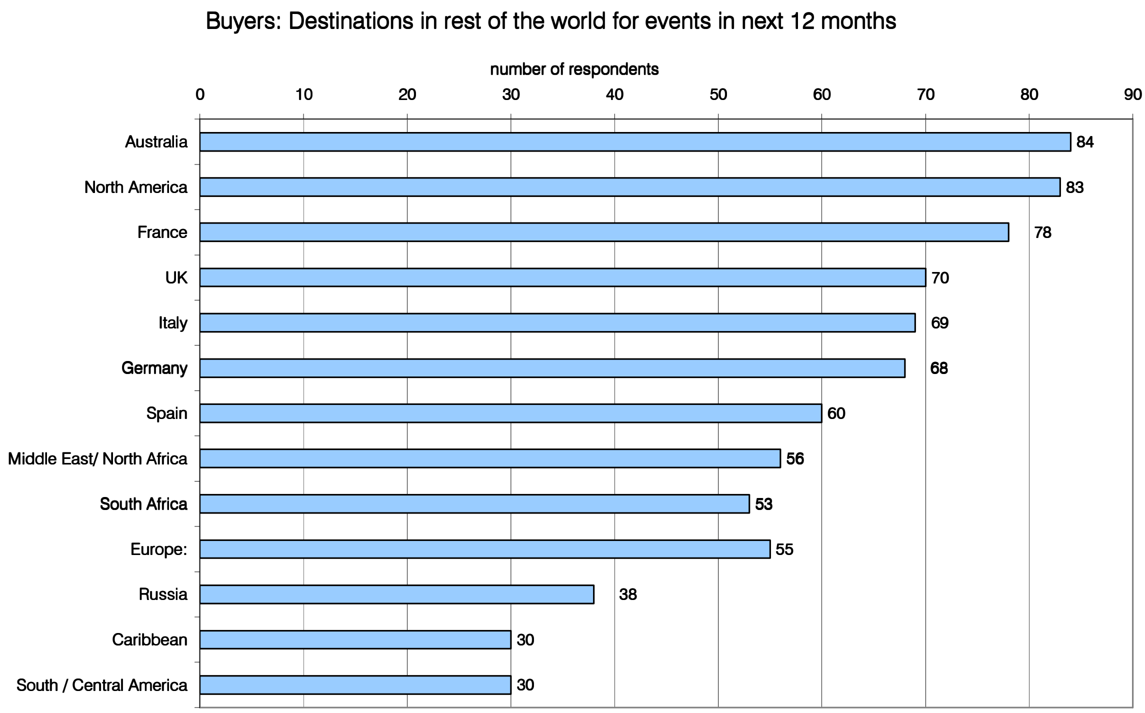
The chart below shows that respondents were very positive about the number of events they are organising in the next twelve months, with all areas anticipated to see significant increases. Beijing, Shanghai and Hong Kong continue to dominate the cities where meetings and conferences are taking place within China. However the range of other cities increases year on year with Shenzhen, Chengdu and Qingdao all mentioned for the first time this year. The economic benefits from meetings' attendees should be more widely felt throughout China in future.





For the events going outbound from China in the next twelve months, the charts overleaf show the most popular locations are Japan, which appears to be recovering from its loss of business and experiencing an increase, Taiwan, Macau, Australia and North America, followed by European countries including France, UK, Italy, Germany and Spain. The number and volume of Chinese buyers' events selecting locations beyond Asia has increased, illustrating the growth of outbound business and the diversity of destinations now being selected.





4. Event Organisation Budgets

The average annual budget spent on events the in last 12 months by organisations based in China was RMB 3,225,000 (US$ 504,371). When those budgets of over RMB 10 million are taken out of the equation this reduces to RMB 1,535,000 which compares to RMB 2,318,900 last year.

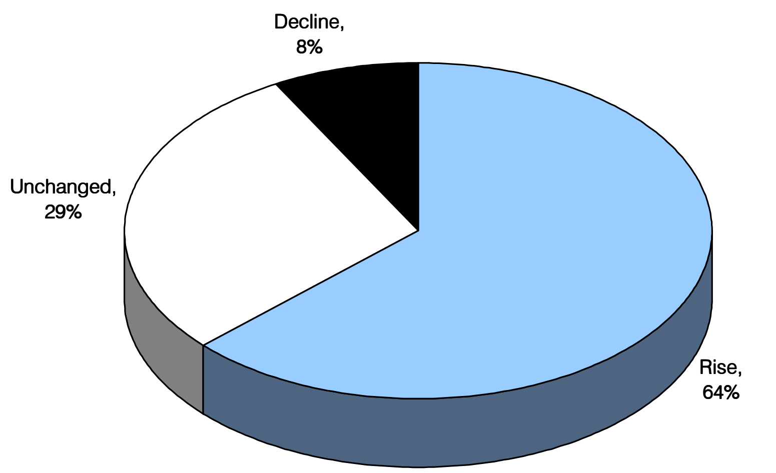
For organisations based outside China the average annual budget spent on events in last 12 months was US$ 1,134,000 (RMB 7,250,909), also lower than last year's figure of US$ 1,802,601 and the second year the budget figures have seen significant reductions.

The average percentage budget spent on events in China for all buyer respondents is 35% and for events elsewhere in Asia is 24%. Clearly events outside China involve higher budget allocations.

Buyers are trying to organise a higher number of events on lower budgets, a trend that is being seen worldwide. This puts pressure on all suppliers as we can see in the suppliers' results section of this report. In developing destinations where supply may not yet meet demand in terms of venues and hotels, higher prices than budgets can afford are often requested, and it is difficult for event organisers to meet the required facility and service standards within the budgets available.

The budget forecasts for the next 12 months are more optimistic with 64% expecting their budgets to increase and only 8% expecting them to reduce.

Buyers: Expectation of changes to budget allocated to China in next 12 months



5. Numbers of attendees, duration, lead times and popular months

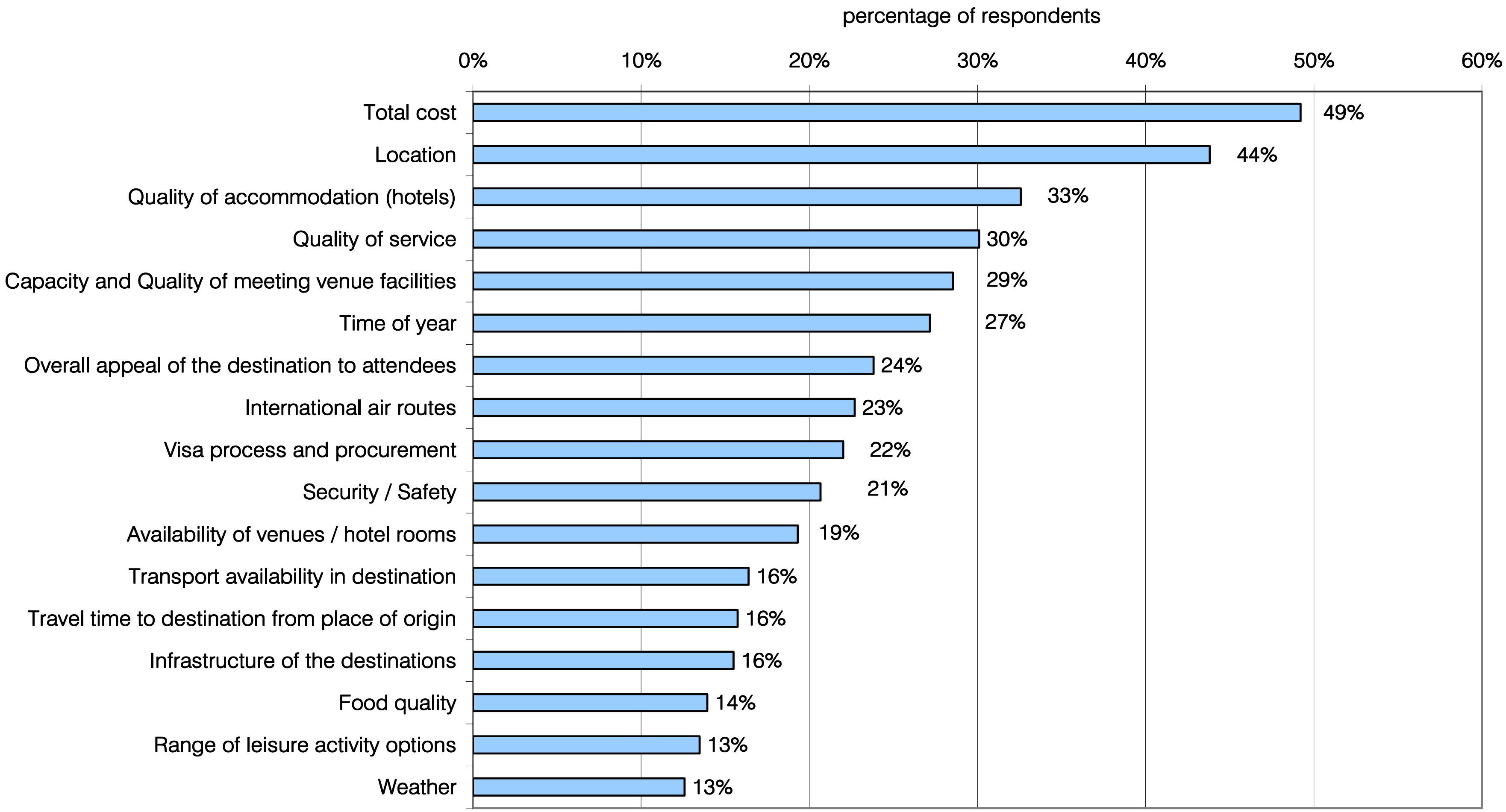
The typical characteristics of buyers' events in China and elsewhere are shown below. The duration of events within China and outbound are slightly longer than those experienced elsewhere which are now more typically less than 3 days. This is putting further strain on reduced budgets as they need to cover longer durations. Unsurprisingly events within China attract more attendees than those outside China. The lead times for events elsewhere in the world are the longest. Later in this report the visa procedures are highlighted as one of the challenges to growth in the meetings industry, particularly for countries outside Asia, and these require longer lead times.

Average size of events in last 12 months	
China	167 attendees
Asia	102 attendees
Rest of the world	111 attendees
Average duration of events in last 12 months	
China	4 days
Asia	6 days
Rest of the world	7 days
Average lead times in last 12 months	
China	4 months
Asia	5 months
Rest of the world	6 months
Most popular months for events in China	
1	October
2	September
3	May
4	November
5	June
6	March
7	August
8	July
9	December
10	April
11	January
12	February

6. Influences on event destination selection

The factors buyers rated most highly are shown in the chart overleaf with little change year on year. Chinese trade connections were also mentioned as important influences on destinations selected.

Buyers: Most important influencing factors when placing an event



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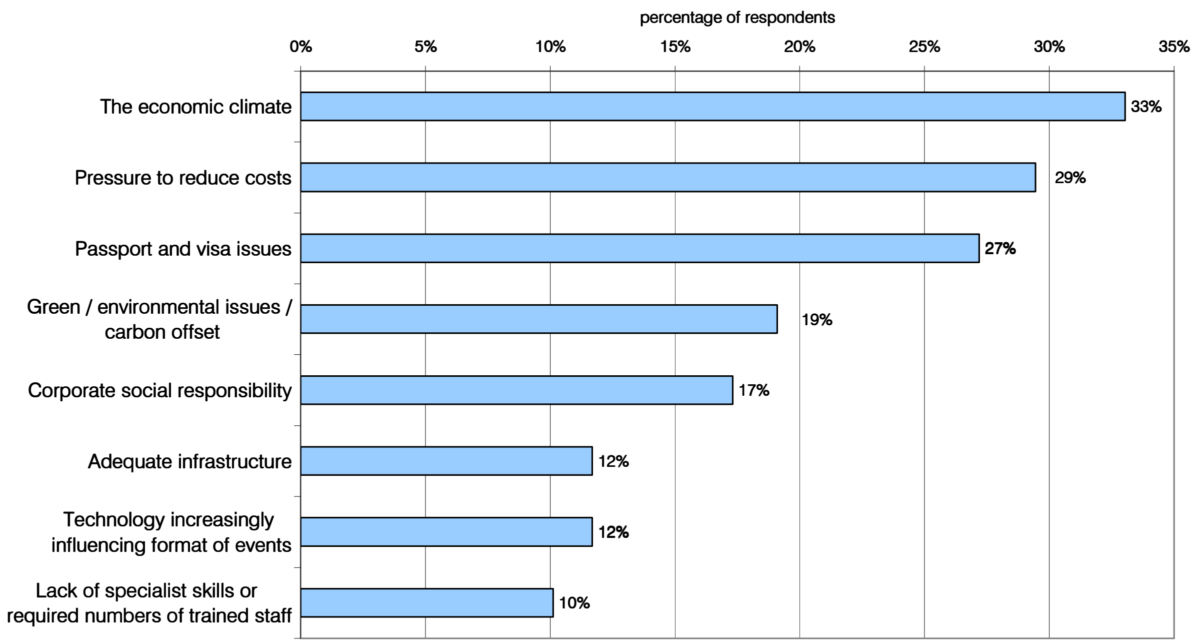
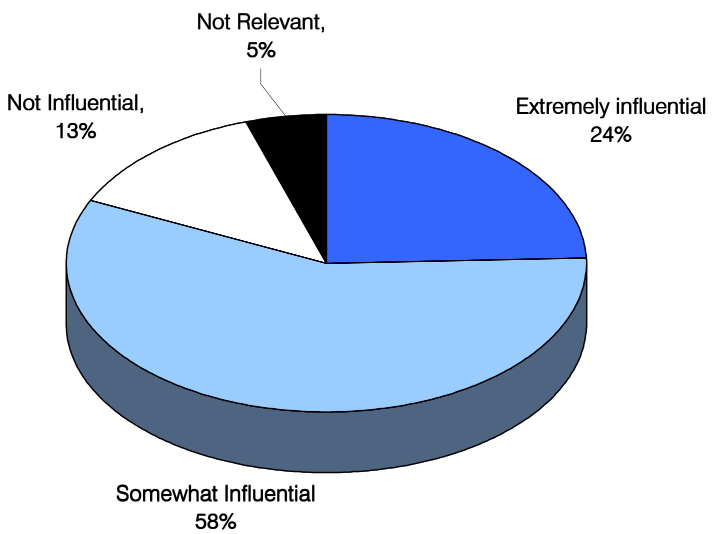
7. Future Trends

It can be seen from the chart below that the economic climate and pressure to reduce costs remain the factors most likely to influence events in the next twelve months, as has been the case for the last three years' surveys. Passport and visa issues have become more important as the volume of outbound business has increased. Corporate social responsibility and environmental issues are now influential for over 80% of respondents, a significant change since previous years.

Buyers: Trends likely to influence events in the next 12 months

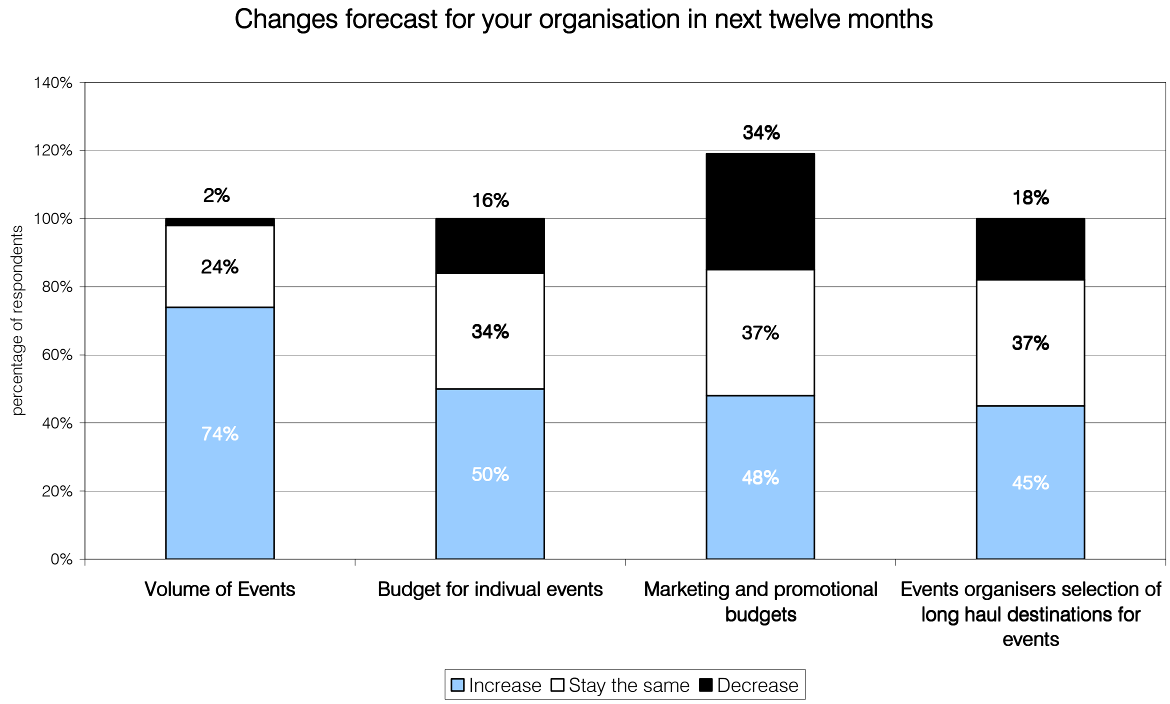


Buyers: CSR/ Environmental issues influencing event organisation



8. Outlook for 2011/12

As has already been seen in earlier results, the volume of events is predicted to increase over the next twelve months, however budget increases are not expected to match the volume which may impact use of long haul destinations. Marketing and promotional budgets are also under pressure with 34% of buyers predicting they will reduce.



9. Issues impacting growth of meetings market in China

The issues viewed to have most impact on increasing conference and event business in China and Asia are, in order of frequency mentioned:

1. Costs/prices/budgets (mentioned by one third of respondents);
2. Hotels - lack of supply or capacity;
3. Training, having well trained employees offering professional qualifications;
4. Understanding of international business visitor needs;
5. Infrastructure;
6. Airlines and sufficient routes;
7. Service and meeting the required standards;
8. Supply and capacity for travel, accommodation and venues.

As to be expected with a meetings industry growing as quickly as it is in China, there are some clear challenges in terms of training employees to meet international business visitor expectations and ensuring the required service standards are maintained. Increasing supply of hotels and venues so that they are more in line with demand will help level out pricing so that the required standards are provided within budgets.

10. Challenges for business 2011/12

The biggest challenges facing respondents in their business for 2011/12 are, in order if frequency mentioned:

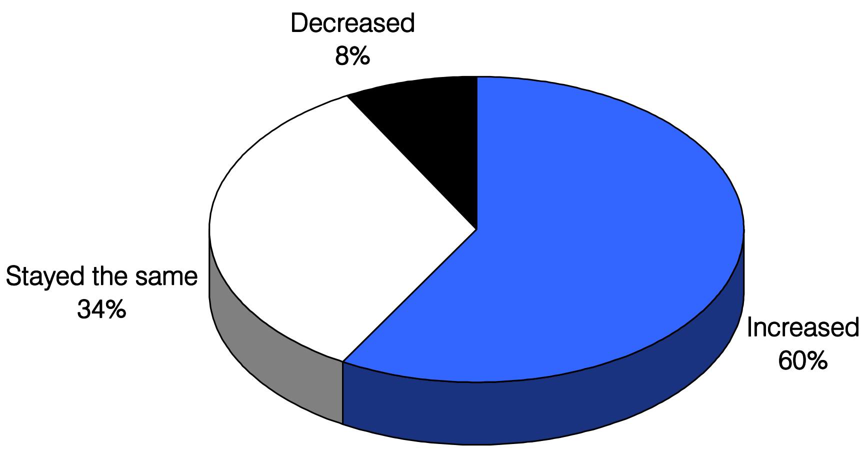
1. Professionalism (the need for) and maintaining required service standards
2. Tackling change…the rapid growth and change taking place
3. Competition - within China between providers and suppliers - and elsewhere in the region (Asia) and world
4. Rising prices and costs
5. (Maintaining) social responsibility while meeting cost pressures
6. Obtaining sponsors.

Full research results for Suppliers

1. Volume and types of events

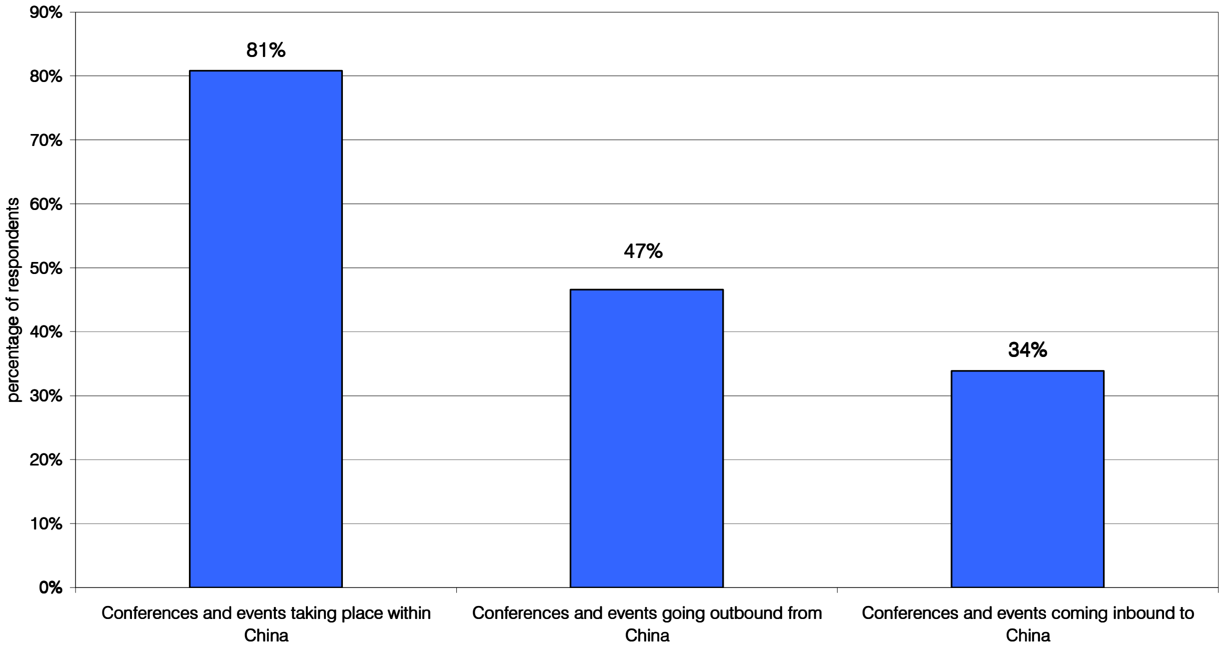
60% of suppliers had seen an increase in the events they have been involved with in the last 12 months.

Supplier: Change in business in China in past 12 months



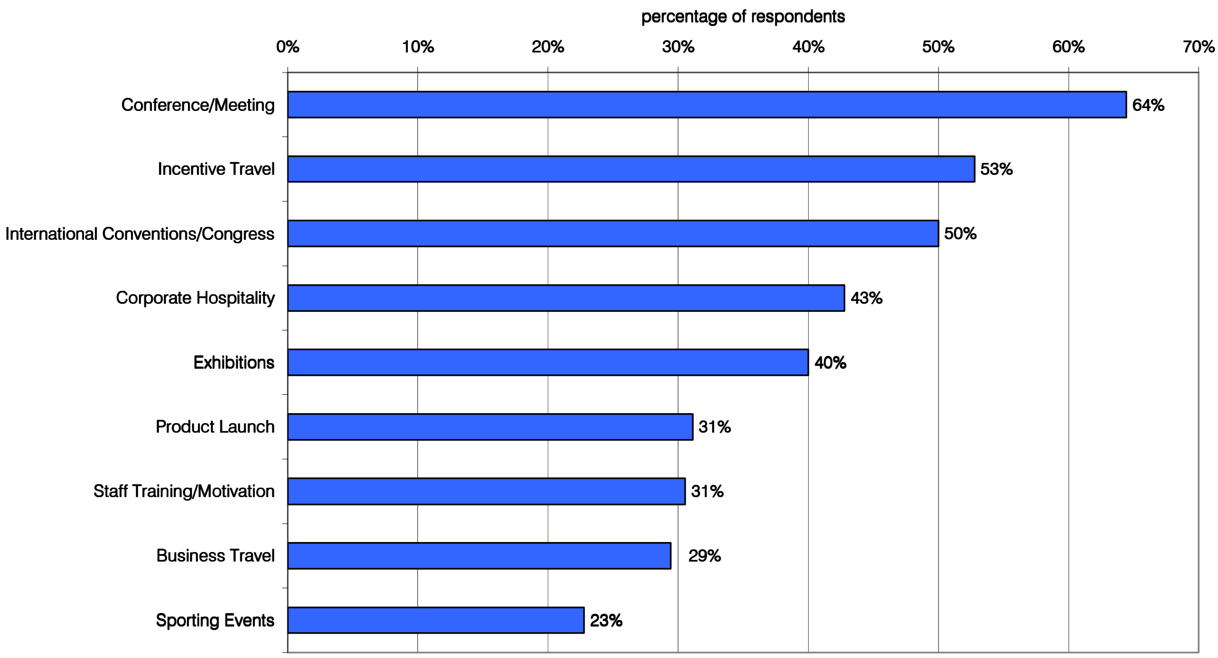
The average percentage of suppliers' business taking place in China is 33%. The chart below shows the majority are involved in events in China, with just under half also involved in events going outbound from China.

Suppliers: Types of events involved in

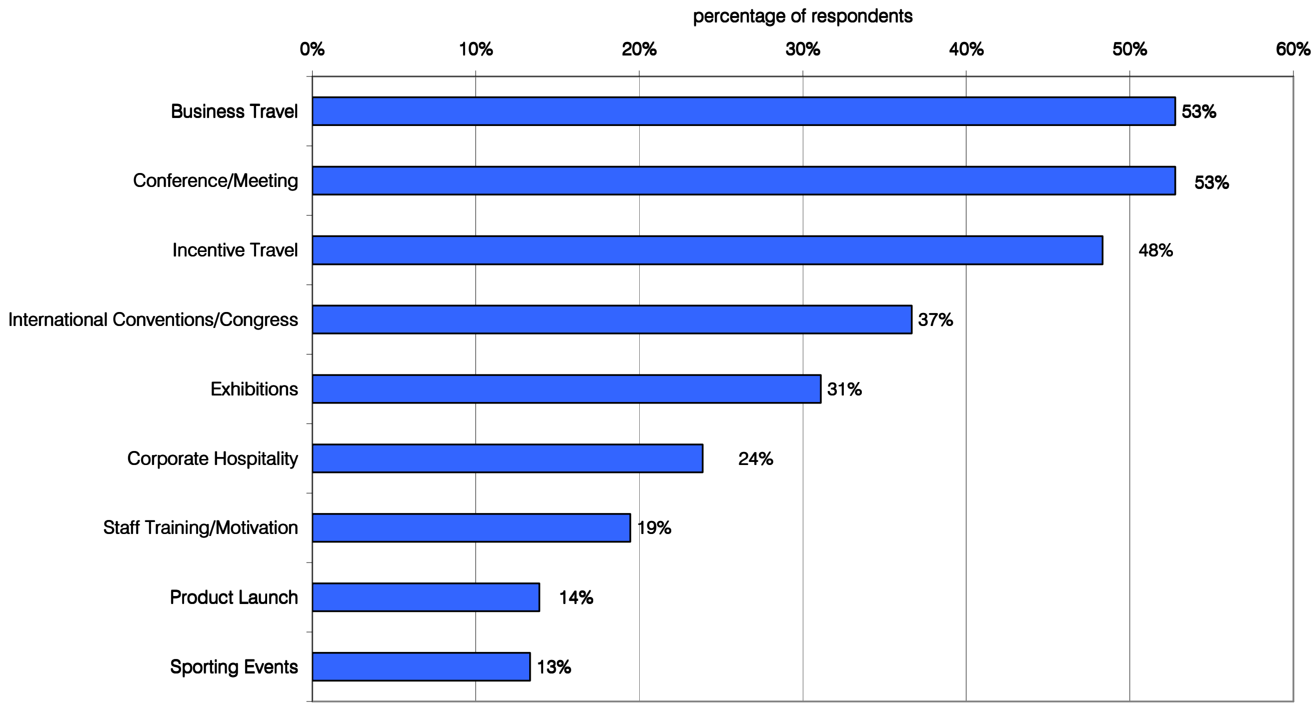


Similarly to the buyers, supplier respondents also cite conferences and meetings as the event types they are most involved with. Incentive travel is the next most frequently mentioned, followed by international conventions and congresses. However business travel is anticipated to offer as much growth potential as conferences and meetings as shown in the second chart below.

Suppliers: Supplying goods and services for following types of events



Suppliers: Types of events and business travel offering the most growth potential



2. Types of clients in China

The tables below outline the most frequent types of clients suppliers are experiencing in China. Travel agencies still dominate the third party organisers although professional conference organisers have increased considerably. Among corporate clients, financial services companies have increased their volume of events as have those from the chemical/energy/environmental sector while training has dropped down the rankings. Associations have overtaken governmental organisations in the not for profit sector clients this year and research/academic institutions have become more prominent.

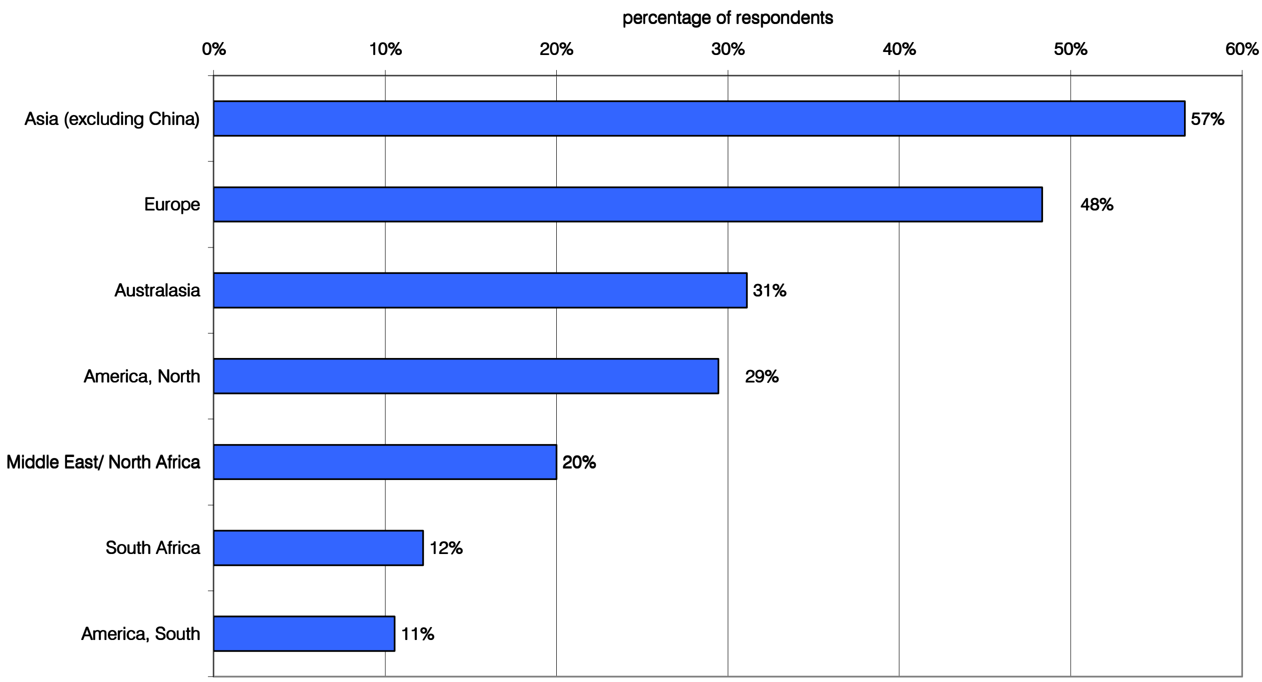
Position 2011	Position 2010	Most frequent client type - third party
1	1	Travel agency
2	6=	Professional conference organiser
3	3	Event management company
4	4=	Destination management company
5	2	Incentive house/agency
6	6=	Independent meeting planner
7	4=	Marketing services
8	8	Venue finding agency

Position 2011	Position 2010	Most frequent client type - corporate
1	1	Pharmaceutical/medical
2	6=	Financial services/banking
3	4	IT/telecommunications/electronic
4	11	Chemical/energy/environmental
5	3	Media/public relations/advertising
6	7	Automotive
7	2	Training
8	6=	Insurance
9	9	Property/real estate
10	8	Luxury products/FMCG/import-export
Position 2011	**Position 2010**	**Most frequent client type - not for profit sector**
1	2=	Associations
2	1	Government
3	5	Research/academic institutions
4	2=	Association management companies
5	3	NGOs

3. Destinations

Suppliers matched the buyers responses well in predicting the areas of most interest to their Chinese clients as other Asian countries and Europe as shown overleaf.

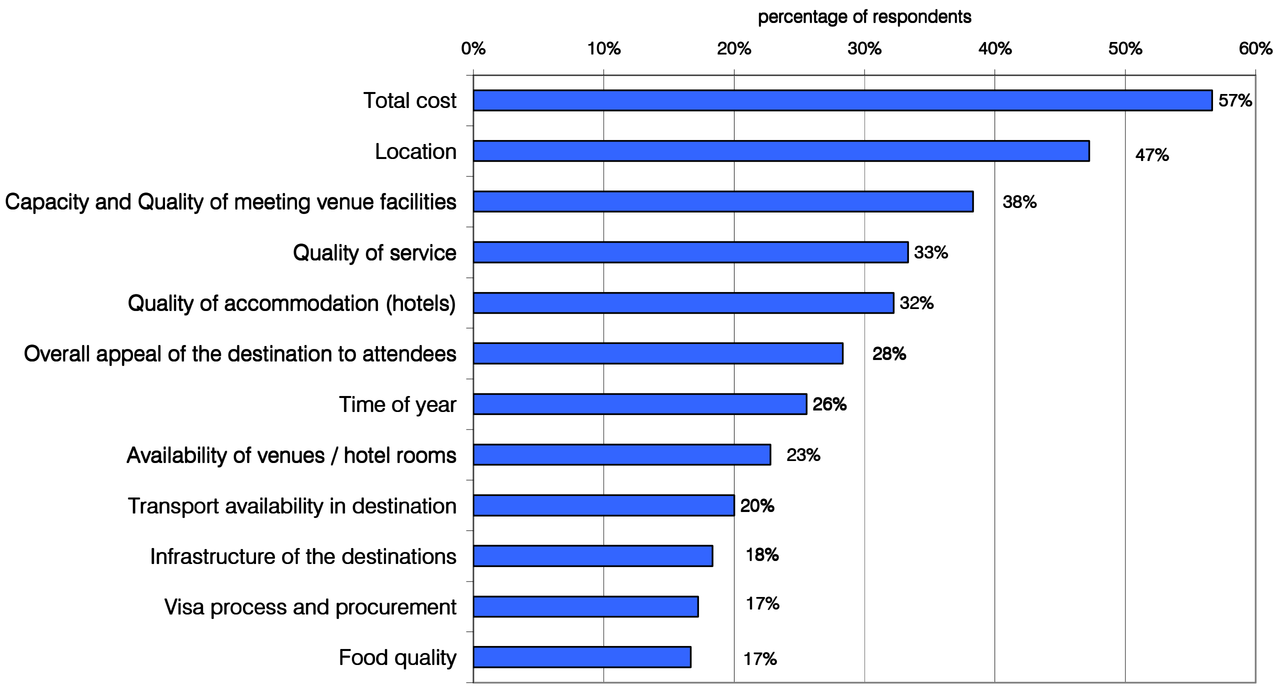
Suppliers: Parts of the world (excl China) of most interest for Chinese clients



4. Factors of influence

Suppliers are very familiar with buyers concerns with cost, location, capacity and quality of facilities and quality of service the factors of most influence for their events.

Suppliers: Factors most influential on decisions to hold events in China



Comments on how these factors may change in future focused mainly on the increasing importance of cost pressures, the complexity and time involved in visa applications and ensuring destinations retained appeal in light of increasing competition.

5. Budgets

The average value of the events business suppliers have been involved with in the last 12 months in China is RMB 2,410,000 (US$ 377,010) compared to RMB 1,270,000 last year, excluding those of over RMB 10 million.

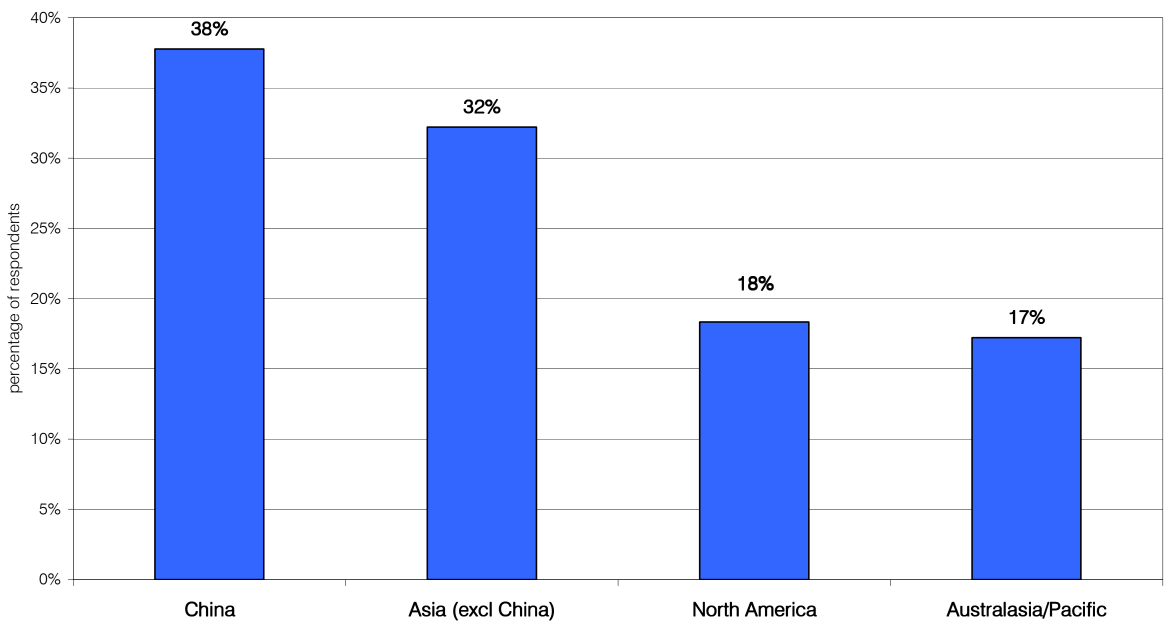
For international suppliers the average value is US$ 1,298.000 (RMB 8,297,439) compared to US$ 1,098,000 last year, excluding those over US$ 10million. The average percentage of business taking place in China for international suppliers is 35% and for events elsewhere in Asia is 24%.

6. Future business

China is considered to offer most growth potential for the future, closely followed by other Asian countries. The areas in China from where suppliers are most likely to attract new business are shown in the table overleaf. The other areas of interest are North and West China, the Bohai-rim region, the Pearl river delta and the Yangtze river delta.

Area of interest for future business	Percentage of respondents
Beijing	56%
Shanghai	45%
Hong Kong	34%
Taiwan	27%

Areas suppliers consider have potential for Growth



70% of supplier respondents are targeting corporate organisations for business in future, 34% are targeting third party organisers/agencies and 29% not for profit organisations and associations.

7. Trends influencing events in next 12 months

Costs and the economic situation remain the trends viewed as most influential for the next twelve months. However environmental/green issues have increased in importance this year. 58% of suppliers thought CSR and environmental issues were extremely or somewhat influential on the events they are involved in. Just 13% thought they were not influential or not relevant.

Trends influencing events in next 12 months	Percentage of respondents
Pressure to reduce costs	35%
The economic climate	32%
Green/environmental issue affecting travel	31%
Technology influencing format of events	21%
Passport and visa issues	17%
Corporate and social responsibility	17%
Adequate infrastructure	10%

8. Outlook for 2011/12

The table below shows more cautious views being shown over the changes for the year ahead than in last year's survey, reflective of the economic situation worldwide.

Suppliers forecast changes for next twelve months				
	Increase	Stay the same	Decrease	Don't know/not sure/NA
Volume of events	52%	18%	2%	28%
Budgets for individual events	27%	35%	9%	28%
Marketing & promotional budgets	34%	29%	9%	28%
Selection of long haul destinations	32%	29%	11%	28%

9. Most important factors for increasing conference and event business in China and Asia

The most frequently mentioned factors were, in order of priority:

1. Increased understanding of the needs of international business visitors
2. (The need for) training and professional qualifications for employees in order to provide well trained employees.
3. Service capacity and quality.
4. Infrastructure development including hotels, air routes, venues.
5. Costs and meeting budget requirements.
6. Improving visa procedures and formalities.
7. Safety and security.

10. Business challenges for 2011/12

Suppliers voiced their challenges for the year head as follows:

1. (Fierce) Competition - within China between providers and suppliers - and elsewhere in the region (Asia) and world;
2. Rising prices and meeting service capacity within the costs;

3. Lack of professional talent and qualified staff to provide the required service standards;
4. Increasing business and profit margins with cost pressures;
5. Increasing quality of service in China and ensuring target customers are aware of the improvements;
6. Opening minds to the opportunities if issues such as service quality are addressed.

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12 - 14 September 2012,
China National Convention Centre, Beijing, China

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