

CHAPTER 3

CONVENTION AND MEETINGS INDUSTRY TRENDS

In order to provide an understanding of market growth and the factors that are shaping the future of the meeting and event industries, this section provides a current overview of trends and developments that are impacting meeting and convention facilities, especially as it relates to the need for well-located convention hotels.

Conventions, exhibitions, and trade shows are conducted for the purposes of exchanging information, conducting business transactions, and for educational, cultural, and social enrichment. The increasing need to carry out these purposes is driving the growth of the meetings industry. As developments occur in the larger economy, simultaneous developments occur in the meetings market, such as the growth of the tech sector generating growth in tech related meetings and events.

Often, a single event will use many different types of spaces, including exhibit halls, banquet facilities, and breakout meeting rooms. Well-designed multi-purpose facilities offer the proportions of different types of spaces that are appropriate for their market. In addition, they offer the flexibility to host multiple events at one time.

The table below summarizes the key attributes of various types of meetings, including facility requirements.

Table 3-1

Facility Types & Requirements for Various Event Types										
Event Type	Conventions with Exhibits	Conventions	Tradeshows	Consumer Shows	Assemblies	Sports Events	Conferences	Meetings	Trainings	Banquets
Attendance Range	150 - 50,000	150 - 15,000	250 - 50,000	8,000 - 1,000,000	5,000 - 50,000	500 - 100,000	50 - 2,000	10 - 300	10 - 300	50 - 2,000
Primary Purpose	Info Exchange & Sales	Info Exchange	Sales	Advertising & Sales	Info Exchange	Sports	Info Exchange	Info Exchange	Training	Social, Business & Charity
Facility Requirements	Exhibit Halls, Ballroom, Meeting Rooms, Hotel Block	Ballroom, Meeting Rooms, Hotel Block	Exhibit Halls, Hotel Block	Exhibit Halls	Arena or Exhibit Halls, Hotel Block	Arena, Stadium or Exhibit Halls, Hotel Block	Ballroom, Meeting Rooms, Hotel Block	Meeting Rooms, Hotel Block	Meeting Rooms, Hotel Block	Ballroom
Typical Facility Used	Convention Center & Large Hotels	Convention Center & Large Hotels	Expo Facilities & Convention Centers	Expo Facilities & Convention Centers	Arenas or Convention Centers	Arena, Stadiums, Convention Centers	Convention/Conference Centers and Hotels	Convention/Conference Centers and Hotels	Convention/Conference Centers and Hotels	Convention/Conference Centers and Hotels

Source: HSP

The various types of convention and conference center events are described below:

Conventions and Trade Shows – Associations, professional groups, and other membership organizations hold conventions and trade shows, with attendance ranging from 150 to 50,000 attendees. The larger of these meetings take place in convention centers with large exhibit halls, but as a Center for Exhibition Industry Research (CEIR) survey indicates, the majority of events require less than 50,000 square feet. Conventions and trade shows may feature a single meeting, but they usually offer a number of concurrent meetings and exhibitions. Facility needs include assembly space for general sessions and displays, banquet facilities, and numerous breakout-meeting rooms. Two-thirds of conventions and trade shows use exhibit space as a means to communicate ideas and to display products.

Conventions are high-impact events economically because a large percentage of attendees originate from outside the local area, typically stay several nights in the host city, and spend money on accommodations, food, transportation, retail goods, and entertainment. Spouses, family, or companions typically accompany a significant number of attendees.

Like conventions, trade shows offer a forum for exchanging industry ideas. They vary slightly from conventions in that they are more product- and sales-oriented. Trade shows are exhibit-intensive, and exhibitors prefer column-free, open-space facilities in which they construct temporary custom booths for product display. Trade shows

typically attract a large number of attendees, who originate from outside the host city but tend to have a shorter average stay than convention attendees.

Consumer Shows - Consumer shows are public, ticketed events featuring exhibitions of merchandise for sale or display. Consumer shows provide a means of product distribution and advertising. Some, such as auto and boat shows, have a recreational and entertainment function as well. Consumer shows range in size from small local and specialized shows with a few hundred attendees to large shows with thousands of attendees. The larger consumer shows may occur in convention centers, shopping malls, fairgrounds, and other public-assembly facilities with large exhibition areas. The majority of attendees are local, but exhibitors often come from out of town. Site selection considerations for consumer shows include the size and income of the local population, availability of facilities, and the number of competitive shows in the market.

Assemblies - Assembly events are social, military, educational, religious, and fraternal (SMERF) events. They attract larger numbers of people and require arena or stadium seating. Similar to conventions, attendees originate from outside the host city, but, unlike conventions, these events do not usually require large amounts of exhibit and meeting room space.

Sports - Sporting events are any youth, amateur, professional, or senior event of any variety of sports that can be played indoors. Typically, such events are held in arenas or stadiums, however, many events, from boxing to wrestling, to basketball, can be held in exhibit facilities with temporary seating/stands. As such, convention centers can be marketed for a variety of event types.

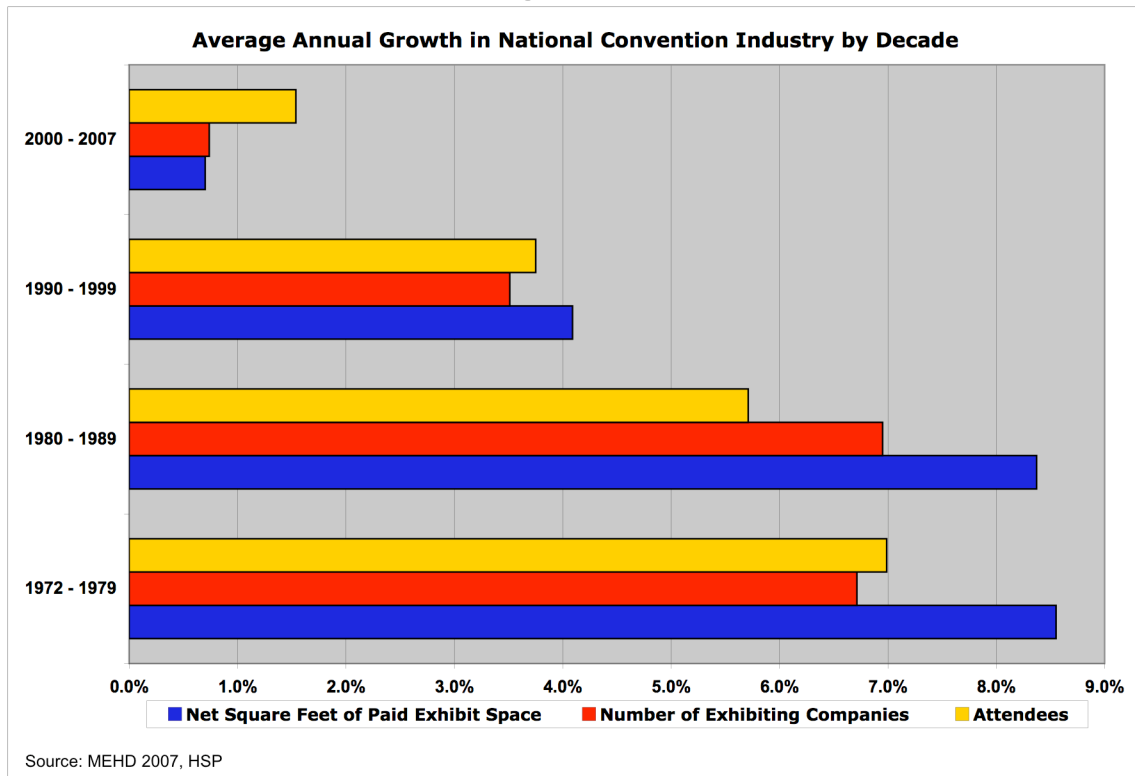
Conferences - Conferences are meetings typically held by associations, professional groups, and other membership organizations. Educational institutions also host conferences. These events do not usually require exhibit space, but otherwise their facility demands are similar to those of conventions—such as meeting space for general sessions, food service facilities, and breakout rooms. Hotels and conference centers typically serve as venues for conferences.

Corporate, Training and Other Meetings - Corporate meetings include training seminars, professional and technical conferences, incentive trips, and management meetings. Corporate meeting planners and attendees demand high-quality facilities. The existing facilities can accommodate most of these types of meetings; however, there are catering challenges for some users. With a higher-quality and expanded program of spaces, higher-rated and larger corporate meetings can be accommodated.

Banquets - Banquets are typically locally-generated events, from social and wedding events to the annual Chamber of Commerce event, which can be the largest of its kind in a given city. A mainstay of hotels and convention centers, banquets provide significant catering income and provide the community with its largest dining room, in most cases.

Figure 3-1 shows the growth in net square feet used, exhibiting companies, and attendees by decade, from 1972 through 2007.

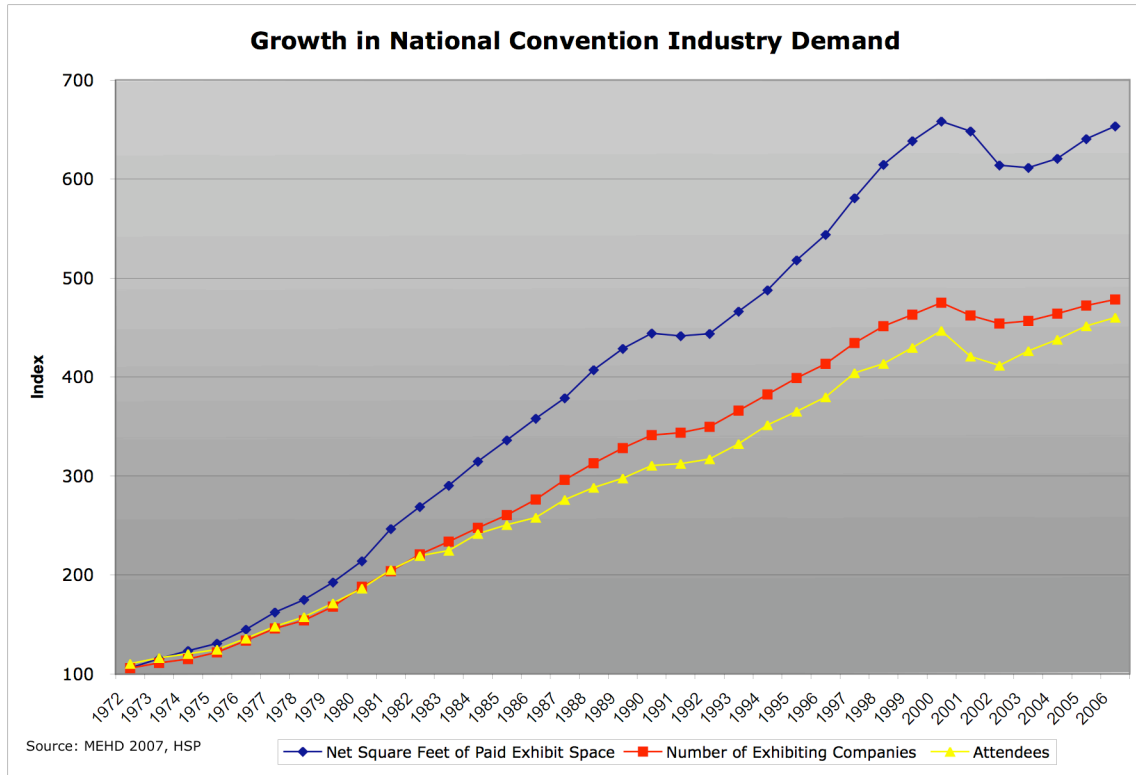
Figure 3-1



As shown, long-term demand trends show a greater need for space; although this growth has slowed over the years. This slowing growth has been a trend since the 1970s as companies continue to merge (limiting growth in the number of companies in any given industry) and there is continuing pressure on doing more with fewer employees. Where an entire sales force might have been dispatched to several conventions in decades past, now it is expected that a handful of people will represent a company at a convention or tradeshow. Yet these trends have not stopped growth in attendance, which is discussed later in this section.

As Figure 3-2 shows, while the impact on demand was real, there appears to be a return to growth, with a noticeable rebound in attendee traffic.

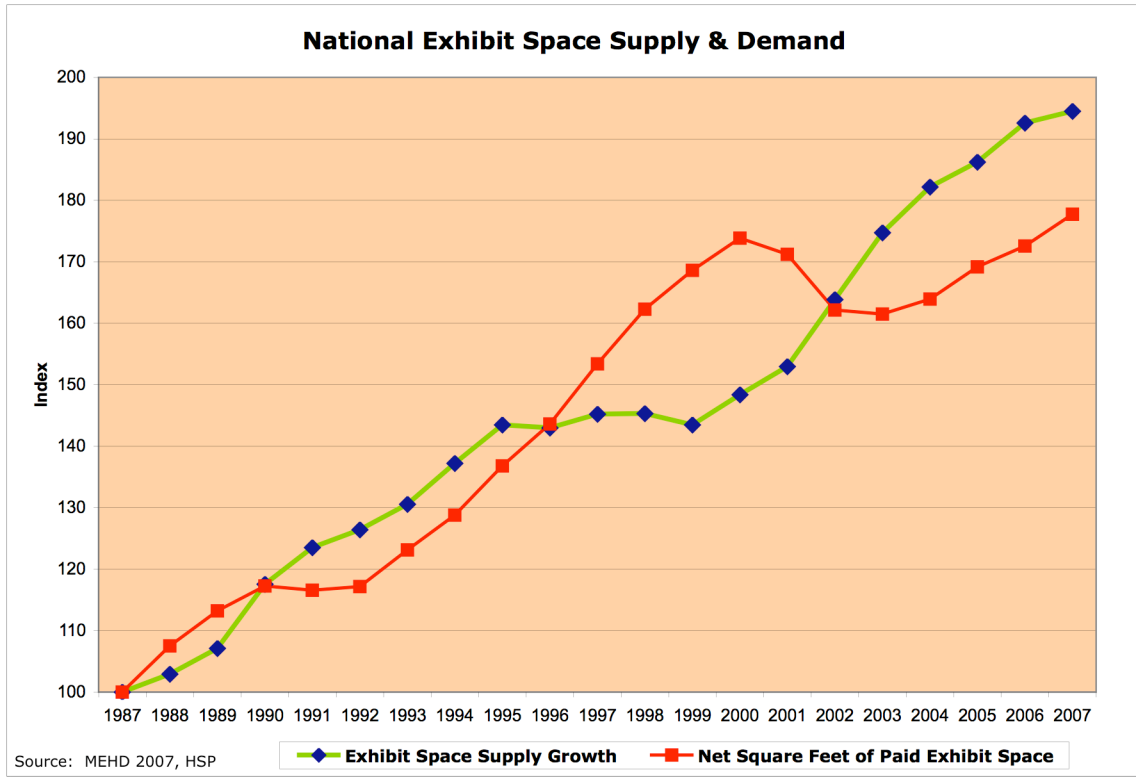
Figure 3-2



As the figure shows, annual average demand increased at significant levels through the 1970s and 1980s. The first Gulf War and short recession tempered growth at the beginning of the 1990s, but the decade still showed strong average annual growth of nearly four percent in every category. With the triple-hit of the dot-com bust, economic recession in the U.S. and abroad, and the travel depression following September 11, the industry showed its first serious negative change in demand in the early part of this decade, however it has been growing since 2003.

Figure 3-3 shows the comparison of supply and demand growth beginning in 1987.

Figure 3-3



The figure shows a very compelling and rational picture of supply growth in response to demand growth. From 1987 to 1989, demand outpaced supply. By the time supply caught up, a recession was on and it took until 1996 for demand growth to catch up to supply. What is stunning is the rate of growth in demand from 1993 through 2000, with an average increase of 5.1 percent. Supply stagnated during much of this period. By the mid-1990s, cities were not capturing the economic impact potential due to lack of quality supply versus demand. New facilities and expansions began opening with force in 2000 – just as a recession was about to begin. With the time horizon for developing facilities being many years, the increase in supply continued unabated through 2007, as long-held plans were finally brought to fruition. Demand declined for three years, but has since shown the same growth trajectory as supply from 2004 through 2007.

Demand for meeting and exhibition space allowed many communities in the U.S. to develop successful convention and trade show facilities during the 1970s and 1980s. Public sector involvement in these developments was motivated primarily by the desire to capture the economic benefits of the events they hosted in their communities.

The following table shows the expected increases in supply of exhibit space over the next several years.

Table 3-2

National Projected Added Exhibit Space (Square Feet)					
Fiscal Year	Expansions	New Facilities	Total	Increase from Base	Base
2008-2009	1,440,914	395,676	1,836,590	2.1%	90,132,141
2009-2010	1,125,500	153,000	1,278,500	1.4%	91,410,641
2010+	1,164,182	1,116,000	2,280,182	2.5%	93,690,823

Source: MEHD 2007

Over the next two years, the amount of exhibit space is projected to increase by three million square feet, mostly from expansions. The annual increases in each year are projected to represent between 1.4 and 2.5 percent of supply.

The table below shows the distribution of convention centers (by exhibit space) by size.

Table 3-3

Distribution of National Facilities by Size	
Total Square Feet of Exhibit Space	Percent of Facilities
25,000 - 49,999	16%
50,000 - 99,999	29%
100,000 - 499,999	47%
500,000+	8%

Source: MEHD 2007

Nearly half of convention centers have from 100,000 to 499,999 square feet of exhibit space. Only eight percent of centers have more than 500,000 square feet of exhibit space, while 45 percent have less than 100,000 square feet of exhibit space. Monona Terrace falls into this category.

Table 3-4 summarizes the ownership and management structure of U.S.-based exhibit halls.

Table 3-4

Ownership and Management of U.S. Exhibit Halls		
Type of Entity	Ownership	Management
Private	38%	63%
City	31%	17%
County	11%	4%
State	9%	6%
Combination Government	5%	1%
Government Authority	3%	5%
Other	3%	4%
Source: MEHD 2007		

As the table shows, over one-third of U.S. exhibition halls are privately owned, but more than 60 percent are operated by a private-management company. Public ownership of exhibit hall facilities often occurs because the facilities usually do not generate profits to an owner. The public sector will take ownership as a service in order to capture the related economic benefits within the jurisdiction. These benefits can range from revenue generated from hospitality taxes to increased sales activity in the local business community. Private management is common because, unlike governments, these companies have professional expertise in managing and operating facilities, and often have longstanding relationships with vendors, suppliers, and other industry organizations. In addition, a private-management company's experience and efficiency can help insulate a facility's operations from political issues and can help to reduce annual deficits as much as possible.

Occupancy. Convention center occupancy is maximized when the proper balance of destination elements occurs in terms of facility size, hotel package, retail and restaurant availability, and other factors. Exhibit hall occupancy can be difficult to measure as it is impossible to have 100 percent occupancy due to days required for set-up and tear-down. In the industry, a maximum occupancy rate for an exhibit hall would be approximately 70 percent; however, 50 percent to 60 percent occupancy is considered to be practical maximum occupancy. Rates below 50 percent would indicate the potential for increased marketing of the facility, with occupancy of over 60 percent possibly indicating an increased amount of lost business due to insufficient available dates.

The table below presents the occupancy rates by exhibit hall size for respondents according to the PwC survey.

Table 3-5

National Exhibit Hall and Ballroom Occupancy Rates				
Size	Conventions / Trade Shows	Consumer Shows	Total Ex. Hall Occupancy	Ballroom
Less than 100,000 square feet	19.8%	16.7%	36.3%	39.2%
100,000 to 500,000 square feet	30.7%	14.5%	44.1%	46.2%
More than 500,000 square feet	49.0%	8.1%	57.2%	63.6%

Source: PricewaterhouseCoopers 2007

Based on the PwC benchmarks, large size convention center respondents are within the range determined to be close to maximum occupancy. Small to mid-sized convention centers fared better in terms of occupancy rates for consumer shows, showing approximately 14 to 17 percent versus eight percent for large convention centers. More economic impact occurs with non-consumer shows, but consumer shows pay more rent and gate fees to the facility. Interestingly, ballroom occupancy rates for small and mid-sized convention centers were noticeably higher, approximately two to seven percent than that of their exhibit halls. Ballroom occupancy for large convention centers has the greatest difference over exhibit hall occupancy, with 64 percent versus 57 percent.

The following table presents total attendance for convention/trade shows and consumer shows.

Table 3-6

National Exhibit Hall Attendance			
Size	Conventions / Trade Shows	Consumer Shows	Total
Less than 100,000 square feet	57,200	72,200	129,400
100,000 to 500,000 square feet	203,500	192,300	395,800
More than 500,000 square feet	603,200	347,600	950,800

Source: PricewaterhouseCoopers 2007

As shown by the table, small convention centers generate a higher portion of their total attendance from consumer shows versus convention and trade shows. Conversely, the majority of attendance for large convention centers is generated from conventions and trade shows. Monona Terrace has averaged a total of 215,000 attendees over the past four years, which includes all event types, not just trade, convention and consumer shows.

The table below displays the number of convention/trade show and consumer show events hosted by survey respondents.

Table 3-7

Surveyed National Exhibit Halls - Number of Events			
Size	Conventions / Trade Shows	Consumer Shows	Total
Less than 100,000 square feet	29	20	49
100,000 to 500,000 square feet	48	24	72
More than 500,000 square feet	55	26	81

Source: PricewaterhouseCoopers 2007

All three convention center size respondents receive the majority of their demand from conventions and trade shows. Large convention centers have a higher percentage of convention and trade shows as a percent of their total exhibit hall business at approximately 68 percent and approximately 67 percent for mid-size and 59 percent for small convention centers. When compared with Table 3-6, small and mid-size convention centers draw larger crowds for consumer shows even with a fewer number of events than conventions and trade shows.

Monona Terrace has averaged 67 conventions and conferences in the last four years and 11 consumer shows. The number of consumer shows is lower than the national average for small convention centers.

This relationship is further shown in the table below.

Table 3-8

U.S. Exhibit Hall Events - Average Attendance		
Size	Conventions / Trade Shows	Consumer Shows
Less than 100,000 square feet	2,100	4,100
100,000 to 500,000 square feet	3,600	8,700
More than 500,000 square feet	10,000	16,400

Source: PricewaterhouseCoopers 2007

As illustrated previously, small and mid-size convention centers host more convention and trade show events, but receive more total attendees from consumer shows, as is more clearly evidenced by average attendance for type of event as displayed in the table. Both small and mid-size convention centers have nearly double the average attendance for consumer show events than convention and trade show events in small to mid-sized facilities. Although large convention centers have both a greater number of attendees and number of events of the convention and tradeshow type, the average attendance for consumer type show events is also higher than small to mid-size convention centers. Average attendance for large convention centers for consumer shows was approximately 16,000, compared to approximately 10,000 for conventions and trade shows.

In addition to convention, trade show, and consumer show events within their exhibit halls, convention centers also host a variety of other events at ballrooms and meeting rooms located on site.

The table below shows the average event count and attendance for survey respondents by facility size.

Table 3-9

U.S. Convention Centers - All Event Characteristics		
Size	Average Event Count	Average Total Attendance
Less than 100,000 square feet	344	262,200
100,000 to 500,000 square feet	370	523,000
More than 500,000 square feet	219	1,099,900

Source: PricewaterhouseCoopers 2007

Unsurprisingly, convention centers with large square footage capacities tend to host events with a higher number of attendees, even though fewer overall events are hosted. As noted elsewhere, Monona Terrace averaged 215,000 attendees during the past four years, lower than the average for small facilities. The number of events averaged 680 over the period, essentially double the average. *What this shows is that the average event size (by attendance) is less than half the size of the national average for smaller facilities (316 at Monona Terrace versus 762 nationally), and further implies that the facility is able to hold larger groups than it can reasonably capture in the market. This implication suggests a capacity problem outside the building, most likely the hotel room block capability.*

The table below shows the average number of room nights generated annually by respondents to the convention center survey.

Table 3-10

U.S. Convention Centers - Hotel Room Nights	
Size	Average Number of Room Nights
Less than 100,000 square feet	34,300
100,000 to 500,000 square feet	164,300
More than 500,000 square feet	1,122,400

Source: PricewaterhouseCoopers 2007

Again, larger convention centers host shows which not only attract higher attended events but also events with a higher portion of attendees from outside areas

requiring overnight accommodations. In Madison, despite the lower attendance level than average, the CVB has measured nearly 47,000 annual average room nights generated by Monona Terrace.

Size of Events

The majority of convention and trade show events are held in facilities with moderate space capacity. While there are a number of events that require more than 100,000 net square feet of exhibit space, a majority of events are held in facilities with 10,000 to 49,999 net square feet of space. Gross square footage is considered to be the total amount of space within a room or facility, as measured from wall to wall, while the net square footage measures the amount of space that is actually used by exhibits, booths, and other items, not including aisles and other areas. Net square footage is generally 50 percent of gross square footage.

The table below shows the distribution of event size for events of 3,000 net square feet or more and ten or more exhibitors. The table also shows the cumulative share of the events market that is included within each segment and all smaller segments. By definition, this does not consider the entire events market, as meetings without exhibitions, for example, are not included in this sample. However, events that require 100,000 net square feet of space (or 200,000 gross square feet) comprise only seven percent of these events, while 60 percent of events require 25,000 net (50,000 gross) square feet or less.

Table 3-11

Size of Exhibitions (gross exhibit space)		
	Percent of Total	Cumulative Total
6,000 - 14,999 SF	19%	19%
15,000 - 24,999 SF	13%	32%
25,000 - 34,999 SF	15%	47%
35,000 - 49,999 SF	13%	60%
50,000 - 100,000 SF	19%	79%
100,000 - 200,000 SF	14%	93%
200,000+ SF	7%	100%

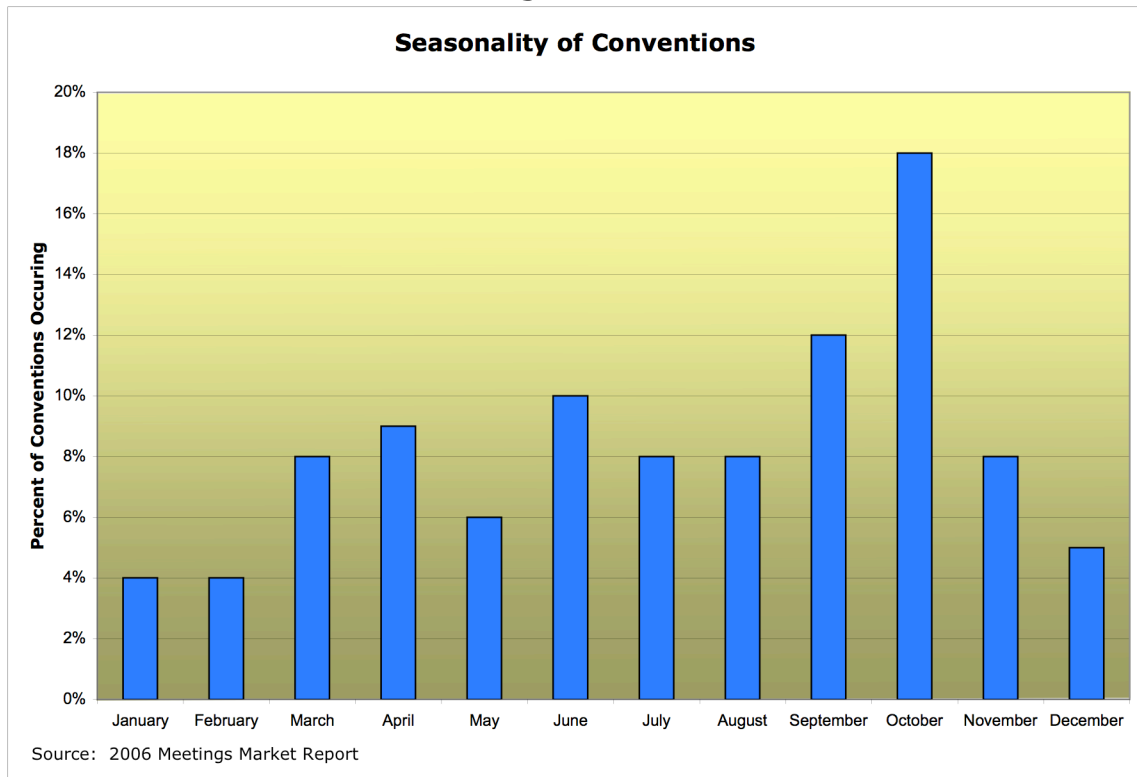
Source: Center for Exhibition Industry Research, HSP

Meetings Industry Data

Convention and Meetings Magazine issued a 2006 Meetings Market Report that provided data on the meetings and conventions industry, as well as the opinions of meeting planners.

Figure 3-4 shows the seasonality of the convention calendar across the U.S.

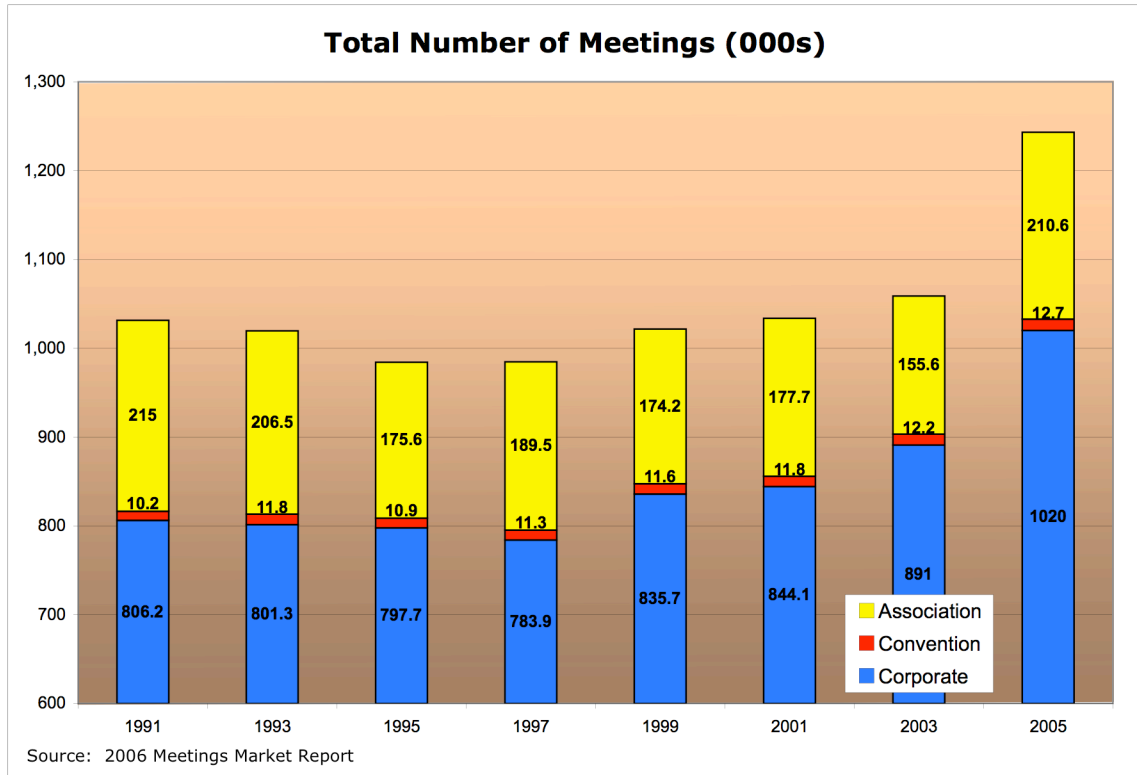
Figure 3-4



The heaviest month for conventions in the U.S. is October, with September, June and April also sharing a large percentage of convention demand.

Figure 3-5 shows the total number of meetings over the 1993 through 2005 period, by category.

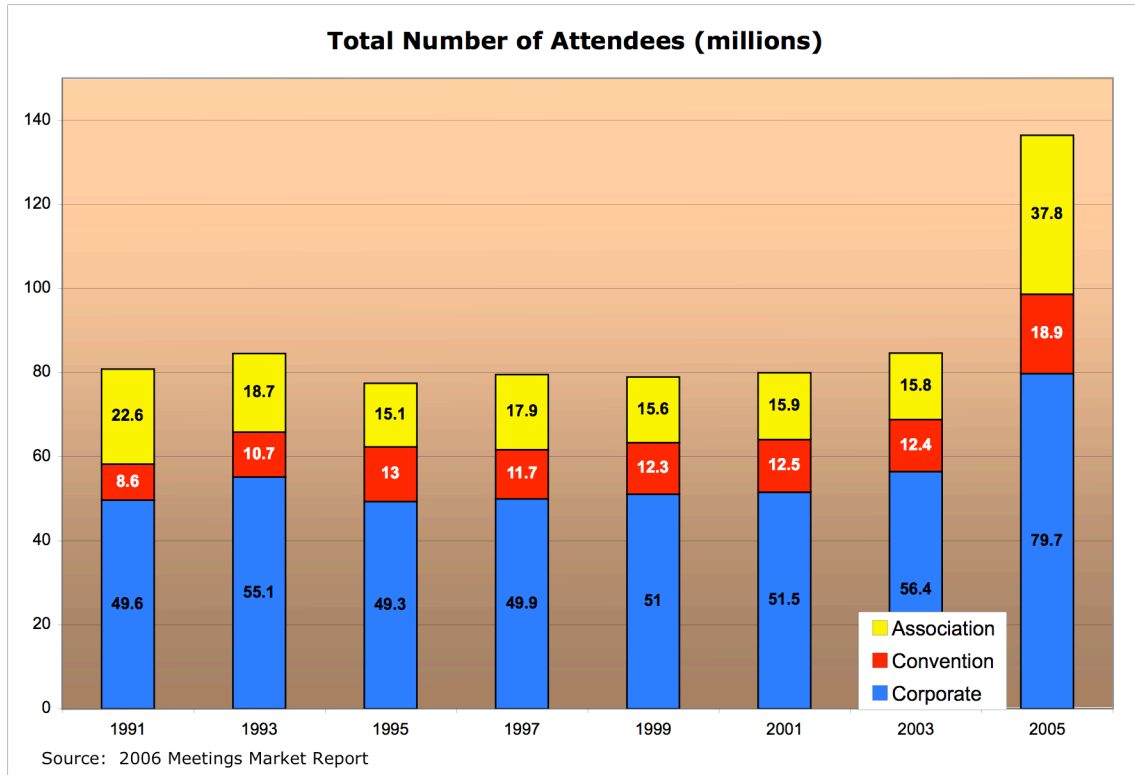
Figure 3-5



The majority of meetings were corporate meetings, followed by association meetings. Conventions represented a small portion of total meetings. The trends for meeting activity are exceptional, with a significant increase from 2003 to 2005.

The figure below shows the total number of attendees per category of meeting.

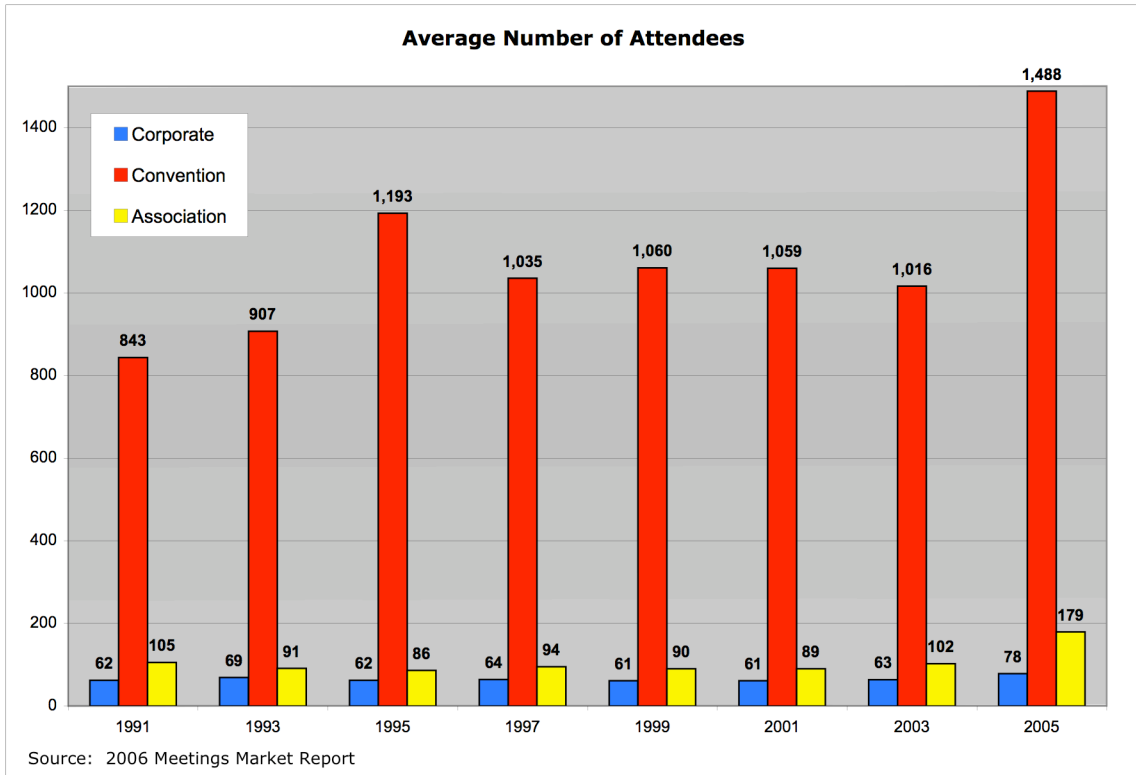
Figure 3-6



Corporate meetings had the most attendees by far, followed by association attendance and convention attendance. Total attendance was approximately 80 million for all categories throughout the period, except for 2005, when attendance spiked to nearly 137 million.

The figure below shows the average number of attendees at each type of meeting.

Figure 3-7



The average number of attendees is highest at conventions, with an average of 1,500. Association meetings are the next largest in terms of average attendance with approximately 179 attendees per meeting. Corporate meetings are about one-third smaller at 78 attendees per event. Both association and corporate meetings are the day-to-day business on which many hotels and some convention centers heavily rely.

The following table shows the estimated breakdown of association and corporate meetings by type.

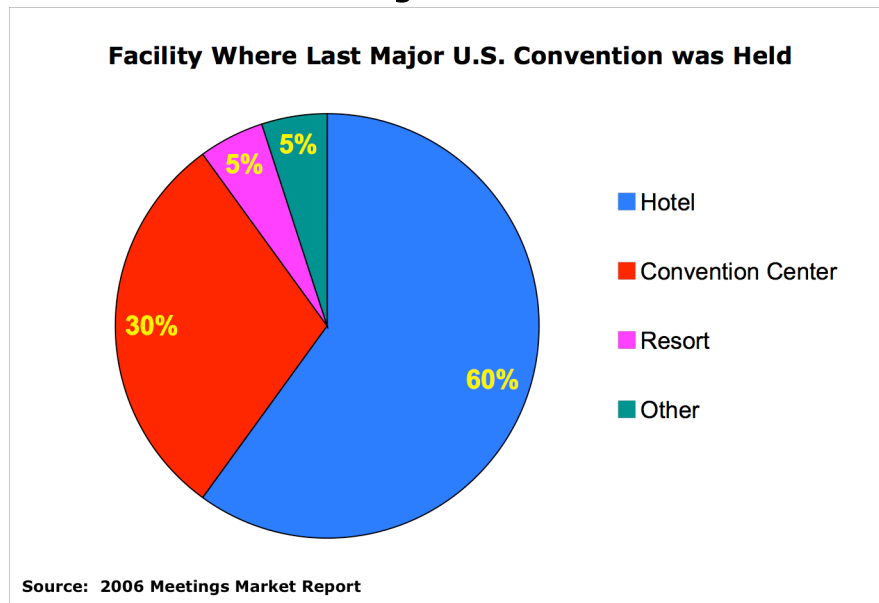
Table 3-12

Estimated Meetings Market Breakdown			
Type	Number	Events % of Total	Avg. Attendance
Corporate Meetings			
Training and Education Seminars	418,300	41%	93
Sales and Marketing Meetings	224,500	22%	96
Management Meetings	142,800	14%	44
Professional & Technical Meetings	91,800	9%	97
New Product Introductions	40,800	4%	97
Group Incentive Meetings	40,800	4%	113
Stockholder Meetings	10,200	1%	93
Other Meetings	51,000	5%	210
Total	1,020,200	100%	105
Association Meetings			
Training and Education Seminars	54,300	26%	122
Board Meetings	62,800	30%	30
Professional & Technical Meetings	35,800	17%	465
Regional/Local Chapter Meetings	26,500	13%	374
Other Off-Premises Meetings	31,200	15%	935
Total	210,600	100%	493
Source: 2006 Meetings Market Report			

Of the over 1 million corporate meetings, 41 percent were training and education seminars, 22 percent were sales and marketing meetings, and 14 percent were management meetings. Association events were comprised of training and education seminars (26 percent), with an average of 122 attendees, followed by board meetings, with an average of 30 attendees. Overall, the 2006 Meetings Market Report shows over 1.2 million corporate and association meetings.

The figure below shows the facility type that an association uses for annual meetings and/or conventions.

Figure 3-8



While convention centers hold 30 percent of conventions, hotels host approximately twice as many, 60 percent of the total. Resorts and other facilities host a total of 10 percent of annual meetings and/or conventions, again illustrating the relative importance of hotels in the meetings industry.

The following table shows the types of facilities used for all conventions and meetings (respondents could give more than one answer).

Table 3-13

Types of Facilities Used for U.S. Meetings and Conventions	
Downtown Hotels	68%
Suburban Hotels	48%
Resort Hotels (excluding golf resorts)	42%
Airport Hotels	26%
Convention Centers	19%
Golf Resorts	16%
Suites Hotels	16%
Gaming Facilities	9%
Residential Conference Centers	9%
Nonresidential Conference Centers	6%
Cruise Ships	1%

Source: 2006 Meetings Market Report

Suburban hotels and convention centers were used by a combined total of two-thirds of event planners.

The table below shows the important factors when choosing a meeting destination/city.

Table 3-14

Important Factors when Selecting a U.S. Meeting Destination			
	Convention	Association Meeting	Corporate Meeting
Availability of hotels and/or other facilities suitable for meetings	83%	79%	74%
Affordability of Destination	77%	81%	77%
Safety and Security of Destination	46%	na	na
Ease of Transporting Attendees to/from Location	43%	na	62%
Transportation Costs	43%	na	na
Source: 2006 Meetings Market Report			

Between convention, association, and corporate meeting planners, little differentiation in the factors driving decisions exist. The top criterion for convention planners was the availability of hotels and/or other facilities suitable for meetings. It was the second-most important item for both association and corporate planners. Affordability was the most important factor for association and corporate planners and the second most important for convention planners, although based on HSP's experience, convenience is key for state association planners.

Once a destination is selected, planners must then choose a hotel.

The table below shows the important factors for selecting hotels within the destination.

Table 3-15

Important Factors when Selecting a Hotel within a U.S. Meeting Location			
Item	Convention	Association	Corporate
Number, Size and Quality of Meeting Rooms	93%	69%	81%
Negotiable Food, Beverage and Room Rates	87%	80%	79%
Cost of Hotel or Meeting Facility	82%	80%	80%
Number, Size and Quality of Sleeping Rooms	79%	54%	72%
Quality of Food Service	70%	63%	70%

Source: 2006 Meetings Market Report

The most important factor for convention and corporate planners when selecting a hotel is the number, size and quality of meeting rooms. This speaks to the power of full-service properties versus limited-service or rooms-only hotels. This criterion is the third most important for association planners. Corporate planners list number, size and quality of meeting rooms and affordability of the facility as the two most important factors, highlighting the balance between quality and affordability. Cost of the meeting facility is an important criterion for association and convention planners as well. Note that while the number, size and quality of sleeping rooms is very important for convention planners, it is considerably less important for association planners and somewhat less important to corporate planners, showing that convention planners are more concerned with the availability of quality than the affordability of hotels. The ability to negotiate food and beverage and room rates is the third most important factor for corporate planners but does not rank as high percentage wise as meeting room amenities and affordability of facilities.

The following table shows the breakdown of hotel rates paid by groups.

Table 3-16

Average Guest Room Rates Paid for U.S. Meetings	
\$0 to \$70	4%
\$71 to \$90	5%
\$91 to \$100	8%
\$101 to \$120	7%
\$121 to \$140	13%
\$141 to \$150	15%
\$151 or more	48%
Average Daily Room Rate	\$161

Source: 2006 Meetings Market Report

While groups have a reputation for obtaining the lowest room rates, the rates paid by many groups (48 percent) are over \$151. These are usually in resort or popular urban destinations like New York, Chicago, Boston, San Francisco, or Miami.

However, for all meetings, only 24 percent paid less than \$120 per room night. The other 76 percent were willing to pay more than \$120 per night.

Downtown Madison, Wisconsin as Meetings Destination

The city of Madison, as a meetings destination, offers a unique package that attracts major events like the World Dairy Expo, the Ironman Wisconsin and the ESPN Great Outdoor Games, along with many other environmental, engineering, agri-business and medical groups. The fact that Madison is home to the University of Wisconsin and also the state capital of Wisconsin creates a strong demand for meetings in the area.

The table below shows the function space breakdown for all of the venues in and near downtown Madison.

Table 3-17

Downtown Madison - Function Space Summary						
Name	Rooms	Function Space Per Room (SF)	Total Function Space (SF)	Exhibit Space (SF)	Ballroom Space (SF)	Meeting Space (SF)
Alliant Energy Center	0	--	130,200	100,000	0	23,400
Monona Terrace	0	--	84,370	37,200	26,024	14,306
Madison Concourse Hotel	356	93	33,123	0	20,680	12,443
Fluno Center	100	188	18,763	0	0	14,640
Best Western Inn on the Park	213	87	18,510	0	5,208	11,440
Sheraton	237	72	16,967	0	5,300	11,667
Doubletree	163	30	4,857	0	0	4,857
Hilton Monona Terrace	240	15	3,576	0	0	3,576
Total	1,309	--	310,366	137,200	57,212	96,329
<i>Average</i>	<i>164</i>	<i>81</i>	<i>38,796</i>	<i>17,150</i>	<i>7,152</i>	<i>12,041</i>

Source: HSP, STR, Mpoint.com, Respective Hotels

There are two primary public meeting venues near downtown Madison, the Monona Terrace Community and Convention Center (Monona Terrace) on Lake Monona, just blocks from the Wisconsin State Capitol and the Alliant Energy Center, south of downtown. Below is a table that shows a detailed function space breakdown for Monona Terrace.

Table 3-18

Monona Terrace Convention Center Function Space			
	Total (SF)	By Division (SF)	Divisions
Exhibit Space			
Exhibition Hall	37,200		2
Exhibition Hall A		18,600	
Exhibition Hall B		18,600	
Ballroom Facilities			
Madison Ballroom	13,524		4
Madison Ballroom A		3,822	
Madison Ballroom B		3,822	
Madison Ballroom C		2,940	
Madison Ballroom D		2,940	
Meeting Rooms	33,646	33,646	21
	<u>84,370</u>	<u>84,370</u>	<u>27</u>
Adjacent Hotel Rooms	240		
Total Exhibit Space	37,200	Per Guest Room	155
Total Ballroom Space	13,524		56
Total Meeting Space	33,646		140
Other Space	0		0
Total Function Space	84,370		352
Total Exhibit Space Divisions	2	/100 Guest Rms	1
Ballroom Divisions	4		2
Meeting Room Divisions (incl. audit/am)	21		9
Total Divisions (including Ballroom)	27		11

Source: GMCVB, Monona Terrace, mpoint.com, HSP

Below is a similar summary table for the Alliant Energy Center.

Table 3-19

Alliant Energy Center Function Space			
	Total (SF)	By Division (SF)	Divisions
Exhibit Space			
Exhibit Hall	100,000		4
Exhibit Hall A		25,000	
Exhibit Hall B		25,000	
Exhibit Hall C		20,000	
Exhibit Hall D		30,000	
Meeting Rooms	23,400	23,400	21
Other Space	6,800	6,800	n/a
	<u>130,200</u>	<u>130,200</u>	<u>25</u>
Adjacent Hotel Rooms	140		
Total Exhibit Space	100,000	Per Guest Room	714
Total Ballroom Space	0		0
Total Meeting Space	23,400		167
Other Space	6,800		49
Total Function Space	130,200		<u>930</u>
Total Exhibit Space Divisions	4	/100 Guest Rms	3
Ballroom Divisions	0		0
Meeting Room Divisions (incl. audit/am)	21		15
Total Divisions (including Ballroom)	25		<u>18</u>

Source: GMCVB, Monona Terrace, mpoint.com, HSP

Although the Alliant Energy Center contributes room nights to the downtown hotels, this study is more focused on the needs of downtown and Monona Terrace, as well as the need and opportunity for city-wide events.

HSP collected data on the performance of the Monona Terrace Convention Center and the Madison meetings market as a whole to better understand the opportunity that Madison has to capture additional meetings business with a larger hotel package.

Below is a table that shows the event and attendance figures for Monona Terrace since 2004.

Table 3-20

Monona Terrace Event Summary												
Event	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	Total
Conventions & Conferences	28	59	43	34	54	72	73	70	73	60	66	632
Banquets	260	368	342	322	315	279	307	273	281	291	276	3,314
Meetings	223	415	381	394	345	274	260	220	200	220	210	3,142
Consumer Shows	8	13	13	12	6	12	17	12	11	10	11	125
Free Non-Profit Meetings	-	73	45	45	33	43	31	18	21	21	22	352
Free Community Programming Events	14	89	65	86	75	61	57	50	55	61	70	683
Entertainment Events	23	34	36	34	32	28	36	26	30	30	33	342
Total Events	556	1,051	925	927	860	769	781	669	671	693	688	8,590
% Change Over Previous Year	--	89%	-12%	0%	-7%	-11%	2%	-14%	0%	3%	-1%	--
Total Attendees	150,000	182,615	171,948	205,310	228,240	249,778	258,924	212,070	210,365	216,825	218,123	2,304,198
% Change Over Previous Year	--	22%	-6%	19%	11%	9%	4%	-18%	-1%	3%	1%	--

Source: Monona Terrace

Monona Terrace has hosted nearly 2.3 million attendees from the nearly 8,600 events held at the facility since it opened in 1997. There have been more banquets than any other event type for most of the years, primarily because the facility is highly desired for weddings, corporate/association dinners and receptions, and also is advertised as a community center. This is typical for smaller meeting facilities. The majority of banquets is from local organizations and typically generates very few room nights for the local hotels. Meetings are the next most frequent event type at the facility, followed by conventions and conferences, which are typically much larger in terms of attendance and can generate significant room night demand in the market.

The table below shows a summary of the revenues and expenses at the Monona Terrace Convention Center from 2001 through 2007.

Table 3-21

Historical Revenues and Expenses								
Revenues	2001	2002	2003	2004	2005	2006	2007	Average Growth
Banquets	\$ 636,678	\$ 699,436	\$ 855,219	\$ 794,920	\$ 870,949	\$ 916,483	\$ 999,724	8.16%
Meetings	\$ 559,269	\$ 552,166	\$ 557,627	\$ 526,406	\$ 515,243	\$ 622,025	\$ 671,930	3.46%
Conventions	\$ 1,091,731	\$ 1,171,527	\$ 1,240,872	\$ 1,191,003	\$ 1,625,634	\$ 1,430,629	\$ 1,415,875	5.45%
Conferences	\$ 242,484	\$ 381,420	\$ 389,962	\$ 419,397	\$ 423,477	\$ 508,763	\$ 658,498	19.60%
Consumer Shows	\$ 112,663	\$ 101,307	\$ 80,764	\$ 66,509	\$ 75,679	\$ 63,990	\$ 70,621	-6.55%
Entertainment	\$ 69,733	\$ 70,271	\$ 97,638	\$ 58,143	\$ 49,710	\$ 57,460	\$ 66,929	2.81%
Community Events	\$ 51,023	\$ 80,608	\$ 63,476	\$ 70,477	\$ 80,308	\$ 78,865	\$ 98,677	14.17%
Gift Shop	\$ 131,712	\$ 184,221	\$ 184,811	\$ 211,600	\$ 201,612	\$ 202,799	\$ 208,562	8.90%
Miscellaneous	\$ 57,208	\$ 74,639	\$ 68,616	\$ 93,172	\$ 91,251	\$ 125,140	\$ 195,171	24.87%
Total Revenue	\$ 2,952,501	\$ 3,315,595	\$ 3,538,985	\$ 3,431,627	\$ 3,933,863	\$ 4,006,154	\$ 4,385,987	6.99%
Expenses								
Payroll & Benefits	\$ 2,986,546	\$ 3,243,358	\$ 3,404,756	\$ 3,540,600	\$ 3,817,252	\$ 3,966,525	\$ 4,090,264	5.40%
Services	\$ 1,535,810	\$ 1,557,296	\$ 1,686,015	\$ 1,673,619	\$ 1,741,697	\$ 1,776,207	\$ 1,892,742	3.59%
Supplies	\$ 290,119	\$ 513,219	\$ 552,025	\$ 463,331	\$ 550,000	\$ 596,879	\$ 773,451	20.87%
Inter-D	\$ 99,569	\$ 79,693	\$ 79,693	\$ 109,863	\$ 111,756	\$ 111,792	\$ 122,630	4.89%
PILOT	\$ 240,000	\$ 244,000	\$ 251,000	\$ 259,000	\$ 266,000	\$ 274,000	\$ 284,400	2.87%
Operating Capital					\$ 24,500	\$ 65,517	\$ 60,841	
WRS Principal \$ Interest					\$ 31,239	\$ 32,413	\$ 33,701	
Total Expenses	\$ 5,152,044	\$ 5,637,566	\$ 5,973,489	\$ 6,046,413	\$ 6,542,444	\$ 6,823,333	\$ 7,258,029	5.91%
Subsidy Budget	\$ 2,993,000	\$ 2,927,386	\$ 2,906,495	\$ 2,853,641	\$ 2,674,908	\$ 2,912,452	\$ 2,925,661	
Subsidy Actual	\$ 2,399,543	\$ 2,322,328	\$ 2,439,104	\$ 2,614,786	\$ 2,608,737	\$ 2,817,179	\$ 2,881,043	
Difference	\$ 593,457	\$ 605,058	\$ 467,391	\$ 238,855	\$ 66,171	\$ 95,273	\$ 44,618	

Source: Monona Terrace

Revenue increased 12 percent in 2002, the first full year after the opening of the Hilton. The years 2005 and 2007 also showed large increases in revenue. Conference growth has been strongest in terms of revenue growth, increasing from \$243,000 in 2001 to \$658,000 in 2007. Conventions provide the most revenue for the facility, accounting for 32 percent of revenue. Expenses have increased from \$5.2 million to \$7.3 million over the period, causing an increase in the annual subsidy from \$2.4 million to nearly \$2.9 million last year.

The ability for events at any meeting facility to generate room nights is crucial to the success of a convention headquarter hotel. The table below shows the hotel room nights generated in the market by events hosted at Monona Terrace.

Table 3-22

Hotel Room Nights Generated by Monona Terrace			
Year	Social Room Nights	Conv/Conf Room Nights	Total Room Nights
2003	2,583	52,270	54,853
2004	2,048	34,875	36,923
2005	2,093	59,802	61,895
2006	2,455	35,935	38,390
2007	1,882	39,444	41,326
Total	11,061	222,326	233,387
<i>Average</i>	2,212	44,465	46,677

Source: Monona Terrace, Hilton

As mentioned above, hotel room nights associated with conventions and conferences represent a significant proportion of the room nights that Monona Terrace generates. The total number of room nights that Monona Terrace generated averages nearly 47,000 per year, which is a very strong figure given the limited amount of exhibit space at Monona Terrace.

This number has the potential to increase if the business that currently is not able to find hotel accommodations due to room availability has more room block options downtown to bring visitors to Madison. Monona Terrace and the Greater Madison Convention and Visitors Bureau (GMCVB) track the business that has to be turned away from the center and Madison because not enough hotel rooms are available in the city to accommodate the blocks that certain groups require. The following table sets out the data that the GMCVB gathered, showing the amount of business that was turned away from Madison due to issues with hotel room block availability. The information is classified by the date the event was expected to take place. This business is not solely related to Monona Terrace, but includes all events that were bid on by the CVB.

Table 3-23

Madison Lost Business Due to Room Availability			
Year	Room Nights	Attendees	Economic Impact
2001	1,950	1,225	\$482,263
2002	3,610	1,375	\$496,009
2003	1,350	1,150	\$454,492
2004	5,535	6,350	\$1,614,480
2005	4,225	1,780	\$907,717
2006	8,068	3,595	\$1,688,083
2007	28,273	18,695	\$12,035,326
2008	23,710	18,675	\$8,586,124
2009	14,415	6,300	\$5,087,700
2010	15,875	9,150	\$8,979,500
2011	16,260	8,350	\$6,725,900
2012	1,074	4,000	\$2,904,000
2013	5,581	700	\$637,000
Total	129,926	81,345	\$50,598,594

Source: GMCVB, City of Madison

The amount of business that is lost in Madison because of the unavailability of rooms is quite substantial. The GMCVB estimates that the city has lost more than \$50 million in economic impact from groups since 2001, including future lost business through 2013. Essentially, if one fairly large group wanted to host a meeting in Madison and the available meeting space was adequate, it is likely that no adequate block of rooms exists to accommodate the group.

HSP also analyzed the lost business data by the year in which the decision was made to not host in Madison (versus the above table, which shows the year the business would have taken place). The table below shows the decision dates for business that was lost between 2005 and 2007.

Table 3-24

Lost Business Decision Dates			
Year	Room Nights	Attendees	Economic Impact
2005	23,652	13,645	\$8,960,162
2006	15,626	10,440	\$6,685,076
2007	35,655	23,925	\$14,464,626
Total	74,933	48,010	\$30,109,864
Total Lost Business 2001-2007			\$50,598,594

Source: GMCVB

The trend above shows lost business increasing as time progresses. For example, nearly 60 percent of the total lost business since 2001 was lost between 2005 and 2007.

Room Block. Currently, Madison offers roughly 450 rooms which can be blocked throughout the city for most conventions. These rooms are not necessarily centrally located as they come from the Hilton, Madison Concourse, Best Western Inn on the Park and the Doubletree. Conflicts arise when the number of corporate transient room nights begins to compete with the group room nights. Hotels can capture a higher rate with most corporate transient room nights and therefore sometimes have to sacrifice the additional revenue to accommodate a group. Group blocks also have to be booked well in advance, before the properties accept enough other reservations to jeopardize the group's chances of obtaining an adequate block of rooms. In addition, the Hilton (which was originally intended to be larger) is not large enough and does not provide the meeting space most planners need when considering a headquarters hotel.

Practically speaking, the two most favorable hotels for group business are the Hilton and the Concourse, even though the Concourse is more than four blocks from Monona Terrace. The Best Western is not of sufficient quality and size to impress and attract groups. And, the other hotels nearby are not within walking distance, of sufficient quality, and/or of sufficient size, thereby requiring transportation to multiple hotels be provided, which adds to the cost of the business.

Accordingly, the addition of a large, true downtown convention hotel would add to the room block capability of Madison and optimize the performance of Monona Terrace and the ability of the CVB to lure other major events to town.

Implications

When comparing Madison's current situation to the trends and needs of the meetings and convention market (as well as the special event market), several critical conclusions can be drawn:

- Meeting planners expect a destination with several large hotels so they can put their attendees in as few hotels as possible. Planners are not willing to make numerous agreements with smaller hotels in order to achieve their room block requirements. With only two large hotels downtown of sufficient quality and within reasonable walking distance of Monona Terrace, Madison's hotel room block is severely limited to 450 rooms, instead of the 1,000 that could be booked if they were available.
- Meeting planners generally require a destination with adequate hotel room blocks within walking distance of the convention facility and prefer those hotels to be connected or adjacent, especially in cold weather climates like Madison's. This puts further pressure on Madison to not use the Concourse, even though they currently need to so for room block purposes.

- Meeting planners expect the primary convention headquarters hotel to have a large amount of rooms they can easily block (in addition to being connected to the convention center). Madison does not have a hotel with a large number of rooms adjacent to Monona Terrace.
- Meeting planners absolutely prefer a convention headquarters hotel to have a significant amount of meeting space in the hotel, including ballrooms and meeting and board rooms. This not only provides a location for offsite, ancillary (non-convention center) meetings and events, but allows the hotel to generate its own group-based business when the convention center is not generating room night business. Hotels without function space that are beholden to the convention center generally fare worse than those with function space, although in Madison this has not been the case (due to the downtown location and high quality compared to other downtown hotel options).
- HSP's professionals spoke with GMCVB and Monona Terrace staff and determined that the ability to block rooms for events at Monona Terrace is severely limited compared to their competitors. While the facility can comfortably hold events with 800 – 1,500 attendees, the room block for this number of people requires shuttles and the use of many hotels, which could be an additional expense incurred by the group.
- While Madison has been successful in attracting groups with 2,000 – 3,000 for certain events, it has not been due to the hotel package, but due to the other factors, such as the quality of meeting space and an effective CVB sales and marketing plan. With the proper hotel package, Madison could attract many more such groups.
- The opportunity for additional business in Madison is substantial based on the MINT database analysis. If Madison were able to offer peak room-nights to groups that totaled 500-750 rooms, an additional 665 meeting s would become potential prospects, with attendees ranging from 1,000 to 1,500.