



# Groups and Meetings: Market Opportunity Redefined

*Executive Summary*

Industry Partner



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## **Groups and Meetings: Market Opportunity Redefined**

Written by Daniel J. Connolly, Ph.D.

With William J. Carroll, Ph.D. and Susan Steinbrink

Contributing researchers:  
Corbin Ball, Julien Beresford, John Bray

Edited by Lorraine Sileo

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Philip C. Wolf  
President and CEO

Carol Hutzelman  
Senior Vice President

Bruce Rosard  
Vice President,  
Sales and Marketing

Lorraine Sileo  
Vice President,  
Information Services

1 Route 37 East, Suite 200, Sherman, CT 06784-1430 USA,  
+1 860 350-4084, fax +1 860 354-3112  
[www.phocuswright.com](http://www.phocuswright.com)

c/o h2c consulting GmbH, Tannenstrasse 13, 40476,  
Duesseldorf, Germany +49 211 989 2558

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## SECTION ONE

# Executive Summary

Information technology (IT) adoption in the groups and meetings arena tends to lag behind other travel industry sectors, but this is about to change due to a convergence of several factors, including a host of competitive activities and new market entrants, advances in technology and technology standards within the industry, and a growing disdain for the status quo. As a result, this space is quickly becoming one of the industry's next major competitive battlegrounds, and given the dollars at stake, it should be.

In the latter half of 2006, PhoCusWright conducted extensive research on groups and meetings within the United States to better understand the current state and, more importantly, where this business segment is headed. Specifically, its research goals were to size the overall groups and meetings market, to determine what portion would be driven by electronic commerce, and to establish an initial baseline for future tracking and monitoring.

The results of this first-ever research effort are presented in this report, *Groups and Meetings: Market Opportunity Redefined*. One key finding is that the size of the market opportunity is big – really big. By the end of 2006, groups and meetings revenue was projected to reach US\$164.1 billion. The market is projected to grow to \$175 billion by 2008, with travel (air, hotel, car rental, ground transportation, cruise



and tour) representing 54% of the total. Non-travel expenses (e.g., meeting rooms, catering, audio/visual equipment) represent the remaining 46%. By 2008, 41% of all groups and meetings travel revenue, or \$39 billion, will be booked online.

Given the overall size of the groups and meetings marketplace and subsequent online opportunities, many will find this space remarkably attractive and worthy of pursuit. As traditional suppliers, intermediaries and new market entrants vie for market share, there will be great shifts in competitive dynamics and the industry landscape as a whole, making this an exciting space to watch but a difficult one to navigate. Companies have found it difficult to develop compelling business cases with an articulated return on investment (ROI) for many technology initiatives supporting the groups and meetings space. This report should change that. It should also help hospitality, travel, and technology executives interested in the groups and meetings arena understand how the marketplace is changing, the market potential, and what sorts of actions are necessary to remain competitive.

Although developments in this market arena tend to be more evolutionary than radical, no one can afford to sit on the sidelines taking a wait-and-see approach. Given the tipping point this market is reaching, companies must be both proactive and agile and work aggressively to automate the entire distribution network and supply chain supporting groups and meetings or else risk ceding control of this space to competitors and/or new entrants.

Some of the key findings discussed in this report are as follows:

- The small, social/leisure gathering (under nine rooms) represents one of the most significant market opportunities within the groups and meetings arena. This segment, which has fallen outside of the traditional "group" definition, includes family reunions, weddings and religious groups. In the 2005-2008 period, the total travel market for small leisure groups will grow at nearly twice the rate of larger group travel (10+ rooms).
- Smaller corporate meetings will represent another major opportunity. In 2005, two thirds of all corpo-

rate meetings were for less than 50 attendees. This trend is expected to continue. While the total market for corporate meetings will be relatively flat, corporate meetings with fewer than 25 attendees are projected to grow an impressive 13% in 2007.

- Corporations are becoming keenly aware of the need to reduce and consolidate travel, entertainment, and meeting-related costs and to be more fiscally responsible as a result of the Sarbanes-Oxley Act. They are, therefore, turning to technology tools, their internal procurement groups, and travel management companies (TMCs) to assist them in tracking and controlling travel, leveraging purchasing volumes for better negotiated rates, and maintaining compliance with corporate travel policies.
- Hotel companies are working to centralize their groups and meetings inventory and rates to enhance offerings and leverage/optimize resources to achieve efficiencies and economies of scale. As they build their technology capabilities, they will push supply online.
- Components of large meetings (e.g., RFP processing, housing management, attendee registration) will continue to move online largely to achieve efficiencies and to empower or off-load tasks to planners and attendees.
- The rise in new market entrants and efforts by established players to automate portions of the groups and meetings lifecycle will help to draw attention to the technology tools, educate the marketplace and encourage people to book electronically online.
- The proliferation of Generation X and Generation Y into the workforce and traveling population (with both decision-making authority and economic means) coupled with the rise of Travel 2.0 will have profound impacts on how travel is planned, purchased and managed.

Companies must embark on multi-pronged strategies to ensure that their services and technology offerings appropriately meet the needs of each sub-segment of the groups and meetings marketplace. Some over-

arching guidelines to keep in mind when developing these strategies include the following:

- Suppliers need to break out of their traditional mindsets to become more competitive in a flat-growth market. This study reveals a number of gaps between supplier perceptions and consumer/planner expectations in terms of needs and capabilities sought. These must be rectified to maintain relevance. Otherwise, the doors will be left open for opportunistic companies to enter the arena and capitalize on these gaps.
- Suppliers must simplify and streamline business processes to make them more efficient and conducive to moving to online channels having lower overhead.
- Companies must improve their systems and reporting capabilities to track each sub-segment, particularly small groups under 10, which presently get lumped with transient or leisure business.
- Groups and meeting inventory and rates must be centralized and well integrated into other core systems, including hotel property management, revenue (yield) management, central reservations, customer relationship management, e-commerce and dynamic packaging.
- Companies should start tapping into the capabilities of Travel 2.0 and apply them to the groups and meetings arena, placing particular emphasis on the elements of community, user-generated content and social networking.
- Supplier companies (brands) should evaluate their capabilities and core competencies, the role and value they can provide to their property affiliates, and their relationships with intermediaries. How a company governs in this space will be dependent upon its technology abilities, brand strength and relationships with its property owners and staff.
- In developing their strategic plans, groups and meetings providers should conduct scenario planning exercises based on a number of possible what-if scenarios of potential pairings (through mergers, acquisitions or alliances), technology developments, or other events that could alter the industry landscape and competitive dynamics so that they won't be caught by surprise as the market intensifies.

*Groups and Meetings: Market Opportunity Redefined* elaborates on these key market trends, opportunities, and overall estimates and forecasts, and describes how migration to an online world will evolve. The report puts the groups and meetings market into context by taking into account where the industry has been and where it is headed, and provides strategies and pragmatic tips to help companies determine how best to plan for the future. There are certainly a number of barriers that must be conquered, but there is enough evidence to suggest that the level of dissatisfaction and frustration with the current state is great enough to overpower any hurdles or opposition. Innovation by new entrants and competitive posturing by other, more established players signify that this will be an exciting area poised for great opportunity and technology advances in the years to come.

## APPLIED TRAVEL INTELLIGENCE

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## About PhoCusWright Inc.

PhoCusWright Inc. is an independent travel, tourism and hospitality research firm specializing in consumer, business and competitive intelligence. The company conducts and publishes primary work focused on strategic assessment and segment forecasting, offers a wide range of custom research and strategic consulting services and produces a series of high-profile executive conferences. With pioneering roots in sizing the market's notable online sector, clients now emanate from six continents across all facets of the industry's value chain and they use PhoCusWright's information on a daily basis.

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### PhoCusWright Inc.

1 Route 37 East, Suite 200, Sherman, CT 06784-1430 USA, +1 860 350-4084, fax +1 860 354-3112

[www.phocuswright.com](http://www.phocuswright.com)

c/o h2c consulting GmbH, Tannenstrasse 13, 40476, Duesseldorf, Germany +49 211 989 2558, fax +49 211 239 836-20