Hospitality and Leisure
Hospitality Directions Europe

Meeting expectations?

Specialised conference and training venues have been the height of fashion recently, especially with private equity firms, but with the competition heating up and the economy cooling down, what are the latest trends and outlook?

February 2008 Issue 17

PricewaterhouseCoopers

The story: 10 key findings

1. The competition is getting hotter

Little change in the number of larger specialised training centres since we examined the sector in 2005; currently we highlight 61 centres with almost 6,600 bedrooms. But, beneath the surface the supply situation is far from static; a variety of new venues have opened around the UK and are competing hard for corporate custom:

- Serviced office space providers such as Regus, eoffice and MWB Business Exchange
- New specialised training venue providers such as "wallacespace"
- New facilities at stadium and sports venues[1]
- International conference centre operator, Dolce also plans to re-enter the UK
- Hotels are fighting-back for specialised meetings.

2. There has been a 'flight to quality'

Existing operators have invested heavily in facilities (including alternative styles of training space to allow more creative learning), services and people across many dedicated venues: for example, Wyboston Lakes has invested £30m over 10 years; De Vere Venues has invested significantly at many centres.

3. Venues have seen strong demand for corporate meetings and events

Demand for corporate meeting events grew strongly in 2006 and market leaders report that trading has continued to be strong in 2007.

4. Unbranded, undifferentiated and lower quality residential centres may be faring less well?

Residential conferences generate around £5bn of the conference sector's revenues although several surveys suggest they are declining as a proportion of all events. Challenging this, leading branded operators report buoyant trading and suggest tired, lower quality and non-branded centres may be the ones seeing a decline.

5. Well located city centre venues are thriving

Well located non-residential city centre venues are in demand from consumers as well as operators. It's mainly in London now but could be the regional cities tomorrow.

6. Supply is 'converging'

A trend to supply convergence as hotels improve their conference facilities and conference venues improve their accommodation and leisure offerings. Some dedicated operators have switched to event business and transient accommodation at weekends.

7. Hoteliers now lead the field

The two largest UK training centre providers, Principal Hayley Hotels and Conference Venues and De Vere Venues are now integrated into wider leisure and hotel brands.

8. The sector remains fashionable with private equity investors

Private equity investors continue to see profitable opportunities in high quality and high yielding meetings and training products and conference resorts. For example, Permira acquired Hayley Conference Centres (2007); Dunedin Capital Partners funded a buy-in-management-buy-out (BI-MBO) of etc.venues (2006) and Dolce has recapitalised with Broadreach Capital Partners, a US-based private equity real estate firm (2007); Dolce are also pursuing expansion opportunities with Irish fund, Inchydoney Partnership.

9. More green thinking

Corporate Social Responsibility and green thinking will continue to drive the popularity of city centre venues served by public transport links. We will see increased use of video link-ups driven by the need to reduce firms' corporate carbon footprint, travel and accommodation costs.

10. Harder times may lie ahead

Face-to-face meetings and training events will continue but the uncertain economic outlook is likely to impact corporate demand patterns in 2008 and beyond. This will in turn impact revenues and profits for operators. However, their investment in quality should pay off. More polarisation and consolidation is likely as larger branded operators raise the bar for smaller, less differentiated venues.

For those companies with the right brand, locations and product, this niche is still viewed as a profitable investment opportunity.

1 See PricewaterhouseCoopers Hospitality Directions Europe September 2007 'Rooms with a View: why are so many sports venues developing hotels?'

Background

In 2005 PricewaterhouseCoopers reported that dedicated residential training and conference centres (TCCs) “did exactly what they said on the tin”, delivering high quality meetings and conferences, focusing on learning and development.[4] Our research also suggested that, by concentrating on what they did best, in a secure and often purpose-designed centre, with a clear focus on their core business, they offered an inherent advantage over their full service hotel cousins that dominate conference and meetings venue provision.[5]

This paper updates previous research and shows that although this advantage still holds, it is perhaps less clear than a few years ago with a certain amount of ‘blurring’ at the edges, as supply converges between hotels with conference facilities and TCCs with accommodation. Despite this trend we found the gap between high-quality, branded dedicated centres and less differentiated products may actually be widening.

What’s different since 2005?

- Data issues suggest a less buoyant overall UK conference market in 2007 than in 2004 and 2005. However, it doesn’t appear to be quality branded centres that are seeing a decline and key players report strong demand and trading in 2006 and 2007 and plans for further growth

- Residential training events also appear to have become less popular, although market leaders such as De Vere Venues and Principal Hotels and Hayley Conference Venues report that they have bucked any such trend

- The external training market appears to have stalled (in both volume and value terms), with only marginal annual growth forecast by Key Note over the next four years

- We are seeing a more intense ‘flight to quality’ with significant investment in branded venues

- Competition has intensified as a variety of new conference venues have opened and the market is likely to become more crowded and less specialised in the future

- In the current environment, with companies keen to reduce their carbon footprint and ‘stretch’ budgets, city centre non-residential venues that can be reached by public transport have an advantage and are likely to become more popular. These centres seem likely to remain specialised learning environments with fewer leisure event ‘distractions’.

4 A number of acronyms are used for specialised conference and management training centres, including MTC – Management Training Centre and TCC – Training and Conference Centre. They may be residential or non-residential. In this article we have used TCC to cover these terms

5 *“Nice little earners? Specialised residential training and conference centres have a clear focus that can deliver a competitive advantage”*, Hospitality Directions Europe Edition December 2005; *“A review of the European and UK conference and meetings market as innovative, dedicated residential conference products increase market share”*, Hospitality Directions Europe Edition December 2003

What's the same?

Certainly private equity interest in the potential of some players in this niche remains keen. The conference and meetings sector is still viewed as an attractive investment opportunity, for those companies with the right brand, locations and product. Traditionally conference centres have delivered higher profit margins compared to the average UK hotel, because the conference market is relatively highly priced, they have a proportion of contracted business and business levels are easier to predict. As a consequence, they have greater efficiency in both labour and raw materials cost.

Hotels come full circle?

However, the clear distinction between hotels and the specialist training and conference centre providers has now begun to blur with the two market leaders in TCCs, Principal Hayley Hotels and Conference Venues (previously Hayley Conference Centres) and De Vere Venues (previously Initial Style) integrated into wider hotel and leisure brands. Having previously taken market share from hotels, are they now set to start taking market share from the 'pure' TCCs? De Vere Venues (owned by the Alternative Hotel Group (AHG)) are marketed as an integral product alongside De Vere's Luxury and Heritage hotel brands as well as golf and other weekend leisure business. Many of their hotels are reported to be obtaining licences to take transient accommodation as well as upgrading the product. Similarly, Hayley Conference Centres are marketed as a part of the Principal Hayley Hotels and Conference Venues brand. Both brands benefit from pooling the management skills of hoteliers and conference centre organisers, amalgamating reservations, marketing and purchasing networks as well as

"The AHG strategy of Richard Balfour-Lynn seems to be one of turning conference centres into hotels, probably a good one because of the decline of the residential training market upon which these venues depend"

Alistair Stewart,
Managing Director, etc.venues[6]

6 Conference News August 2007

"My impression is that for many of these venues the market is actually quite buoyant"

Tony Rogers,
Chief Executive BACD, November 2007

sharing a loyal customer base. When we examined the sector in 2005 we questioned just how well business and leisure mixed within the focused learning environment offered by the TCCs, and this remains an issue.

Recent declines in the residential training market have already necessitated a response from some providers. For example, De Vere Venues is reported to be disposing of two non core venues as well as further developing the hotel side of its other conference centres.

Since our last survey high UK hotel room rates have helped drive extensive investment in UK hotels and many like the Chester Grosvenor have invested in new conference facilities to attract lucrative meetings business.

Since 2005, TCC providers too have invested heavily in renovating bedrooms, in more flexible modern training facilities, innovative food offerings and creative settings. For example, etc.venues' latest addition to its portfolio, Dexter House in London EC3, has an indoor garden area with grass, low tables, stools and trees, reflecting the courtyard and gardens of the venue it overlooks. Theobalds Park, a De Vere Venue in Hertfordshire has a tree house meeting place for up to 10 people constructed between two oak trees. Alternative styles of training space that allow more creative learning in a comfortable environment are a new trend.

Mixed data re UK conference and meetings market trends[7]

Volume

- **Number of conferences**

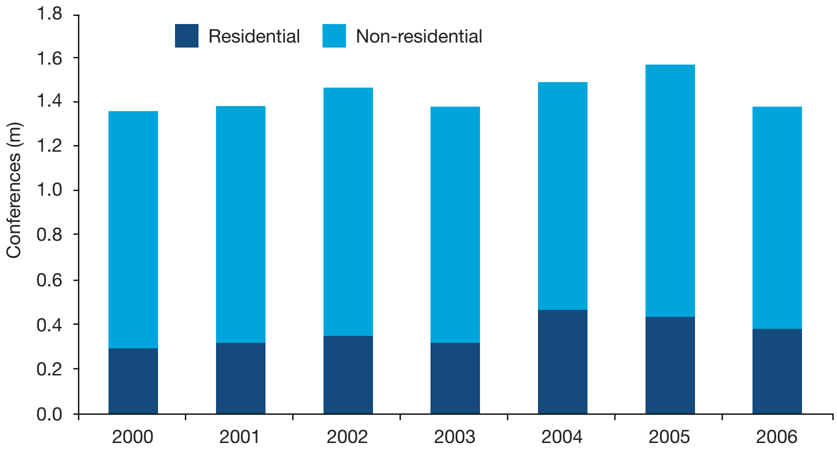
Our research shows divergent views between the two key data providers, the British Association of Conference Destinations (BACD) and the Meetings Industry Association (MIA).The BACD shows a decline whilst MIA shows volume growth, particularly in corporate events.

The latest British Conference Venues Survey from the BACD shows a more mixed picture in 2006 compared to 2005.[8] There were an estimated 1.37m conferences held in 2006 compared to 1.58m in 2005 (a 13 per cent decline). See chart 1. However, the BACD Chief Executive, Tony Rogers told us that BACD believe inconsistent samples between this and past surveys have influenced the decline, as only 40 per cent of respondents in the 2007 survey had taken part in the previous surveys. In addition the inclusion of a disproportionate number of venues from outside London and the south east may have distorted the results. BACD's 'gut feel' is that this decline is not universal and that many TCCs have not suffered as much as some other types of venues.

In another analysis, the latest MIA Survey also showed a mixed bag of results for 2006 but revealed the biggest rise in corporate events in

7 There are two basic statistical sources on the UK market; one from the British Association of Conference Centres (BACD) and the other from the Meetings and Industry Association (MIA). Both are sample surveys but neither is comprehensive and there are issues regarding consistent samples.
8 British Conferences Venues Survey 2007, British Association of Conference Destinations, May 2007

Chart 1 – Conference volumes 2000-2006



Source: BACD 2007

"The 2007 survey reveals a very positive picture of the UK Conference market over the last 12 months with an increase of 27 per cent in the volume of corporate events. This is the most significant increase in the volume of corporate events since 1999"

Jane Evans,
MIA Chief Executive, November 2007

eight years. This was in contrast to associations and not-for-profit event business which remained relatively static.[9] The survey reported a 27 per cent increase in the number of corporate events with an average of 12.6 events per corporate respondent compared to 9.9 events in the 2006 report. See quote above.

Additionally, conversations with the top operators suggest that the leading players such as De Vere Venues reflect the MIA experience rather than that of BACD. De Vere Venues report strong demand in 2006 and 2007 at both residential and non-residential venues. It may be that operators and venues that have invested heavily in product, services and people are now reaping their reward and standing out from the crowd.

- **Data from several sources suggest long-term decline in residential training events – but some operators disagree**

Research from BACD suggests residential meetings and conference events increased their share of the market from 23 per cent in 2000 to 27 per cent in 2006, but that this still represents a decline from the 33 per cent share achieved in 2004 (see chart 2 on next page). Moreover, data from the MIA survey supports the same directional trend albeit showing a more severe decline. Over the past three years they report that the proportion of overnight events reduced from 43.5 per cent in 2005 to 26 per cent in 2006, rising slightly to 29 per cent in 2007. Data from VisitBritain's United Kingdom Tourism Survey (UKTS) also indicated a decline in the number of residential business trips in 2006.

9 Only 25% of corporates polled were involved in past surveys and there was an 18 month gap between 2006 and 2007 surveys

Is residential training declining?

Three views from PwC interviews with key players January 2008

"Residential training is to some extent "going out of fashion"

Alastair Stewart,
Managing Director, etc.venues

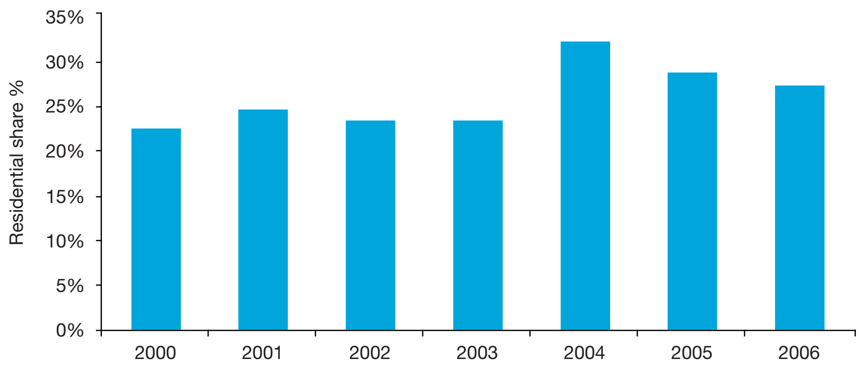
"De Vere Venues has experienced a real surge in residential training demand "

Tony Dangerfield,
CEO, De Vere Venues

"Its not the branded, quality centres that are seeing a decline"

Tony Troy,
CEO, Principal Hayley Group

Chart 2 – Share of residential training events?



Source: BACD 2007

Some factors that may account for this trend include:

– Changes in corporate learning strategies towards more bespoke and shorter programmes; as well as the introduction of e-learning and pre-course work to reduce the length of programmes

– Pressures on costs of accommodation

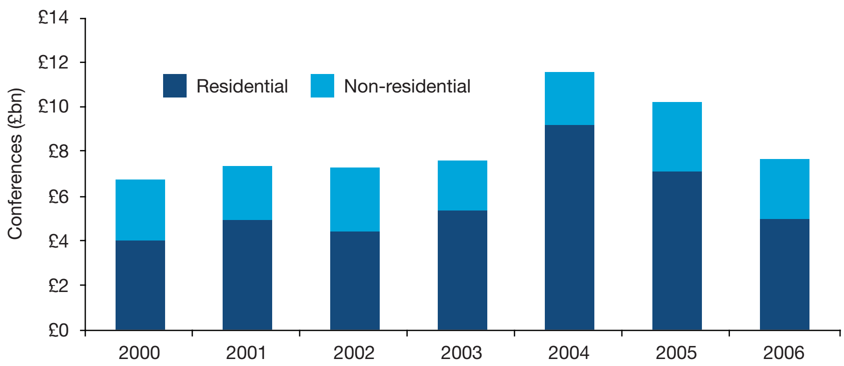
– Initiatives to reduce travel in the light of concerns about climate change

However, Tony Dangerfield, CEO of De Vere Venues disagrees that residential training is going out of fashion and insists that the evidence is just not there to support this claim and De Vere has seen a surge in demand. Tony Troy, CEO of Principal Hotels and Hayley Conference Centres suggest that it may be the non branded and lower quality centres that are feeling the pressure.

- **Have some TCCs bucked the trend?**

PwC research with industry players suggests that, although some centres may have experienced a decline in residential events, trading has remained strong for many players. This was partly because some have been able successfully to switch to hotel business with substantial increases in revenues from event business such as weddings and parties and transient

Chart 3 – Conference values 2000-2006



Source: BACD 2007

"Diversification has certainly been the key to ensuring the continued success of many residential centres.....the wedding and leisure market does not affect the traditional business of the residential centre, it leaves them still available to deliver management and training facilities and service their regular clients. They improve their profitability without jeopardizing their future income."

Jane Evans,
MIA Chief Executive, January 2008

"I see this as supplementing the residential side. Peak residential days are Tuesday to Thursday with availability on the shoulder nights. This has been one of the main reasons the TCCs are looking to leisure business – maximising occupancy over seven days instead of three."

Samantha van Leeuwen, Head of
UK Hotels and Venue Procurement,
PricewaterhouseCoopers, January 2008

accommodation. Of course, just how well mixing business and pleasure works for those customers seeking a focused business environment (and vice versa) is an issue, especially if leisure breaks are taken mid-week.

Jane Evans, Chief Executive of the Meetings Industry Association also disagrees that it could be a bad move and feels the switch does not jeopardise the core focus of the business.

- **Shorter and more specialised meetings and conferences**

The MIA shows that the majority of events were still for less than 100 delegates and the average length of a corporate event was 1.3 days, the same as 2005. Generally, however, in the training market, smaller, shorter and more bespoke learning strategies are the vogue.

Value

- Despite concerns regarding the accuracy of recent data, we present BACD's estimates below. According to the BACD, the UK conference market declined 25 per cent in terms of value in 2006 compared to 2005. In the past, growth in conference revenues has been driven by expenditure by conference attendees and the number of conferences held rather than the size of event. See Chart 3. According to the BACD the downturn from £10.3bn in 2005 to £7.6bn in 2006 was caused by:

– The lower volume of conferences

– A slight downturn in the ratio of higher value residential conferences compared to non-residential events – 27 per cent compared to 29 per cent in 2005

– A marginally shorter length of stay for non-residential conferences

– Lower reported delegate rates

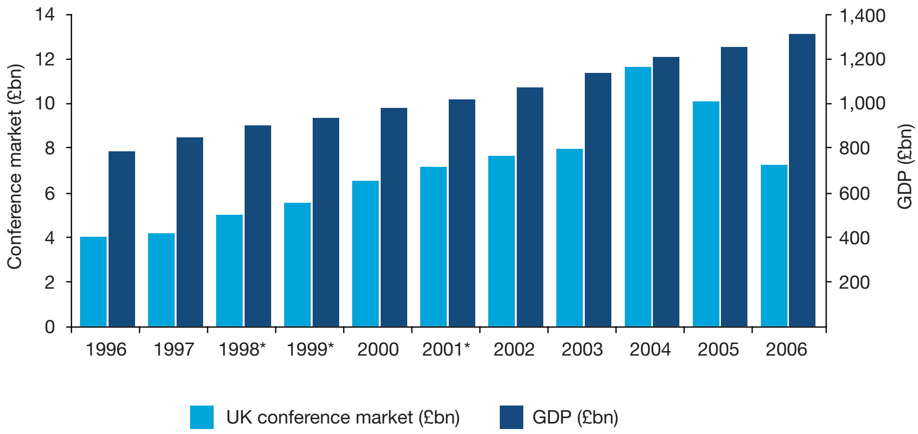
• Delegate rates

In contrast, MIA show that average budgeted delegate rates increased since the previous year reflecting the fact that so many more events are held in London, where rates are higher. However, despite the increases in average delegate rates, the average annual spend on corporate conferences and meetings fell to £136,000 from £141,000 compared to the 2005 survey, suggesting buyers are still budgeting carefully.

• Price transparency and 'stretching' the budget[10]

Corporates continue to demand better value for money and are anxious to compress more into the time available for meetings. This could favour TCCs where the focus and environment encourages a more concentrated learning 'experience' and hence value for money for corporate budgets. Greater cost transparencies will become essential. According to the Institute of Travel Management, procurement teams will increasingly look at the cost of a meeting with and without an overnight stay and venues need to facilitate attempts to allow these teams to maximise the return on investment for meetings.

Chart 4 – Conference market vs UK GDP



Source: BACD; Key Note; ONS 2007

• Residential conferences still dominate conference revenues…

BACD data shows residential conferences account for a relatively small proportion of conferences but they dominate revenues, accounting for 65 per cent or £4.9bn in 2006.[11] However, this is lower than the 78 per cent share achieved in 2004. Residential conference centres have been the main driver of overall growth in the conference and meetings market in recent years, exhibiting a CAGR in conference value of 3.5 per cent between 2000 and 2006, compared to negative CAGR in the non-residential sector of 0.7 per cent.

• ….and UK Conference market still outperformed GDP growth over the past decade

Analysis of recent conference demand shows a significant growth in value of the UK conference market over the 10 years to 2004, although a negative growth rate was recorded in 2005 and 2006. Overall the compound annual growth rate (CAGR) of the conference sector over the past decade to 2006 was 6.2 per cent compared to GDP growth of 5.4 per cent over the same years. This compares to our findings two years ago when we examined growth over the decade 1994 to 2004. CAGR then reached 11.3 per cent for the UK conference market overall compared to 5.5 per cent for GDP over the same period. See Chart 4.

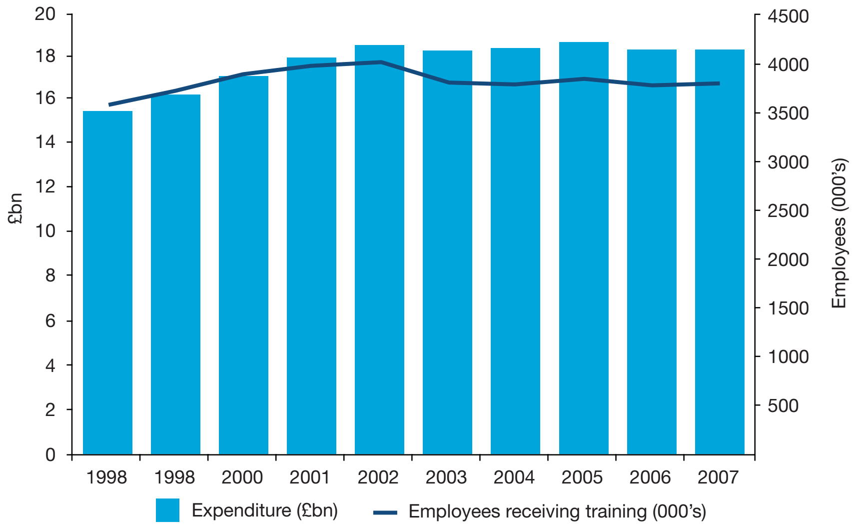
10 MICE sector dragged into the CSR debate, E-tid 5 April 2007
11 Residential conferences include those held at hotels, conference and training centres.

• External training market stalled but still worth £18.4m in 2006

Chart 5 shows employer expenditure on external training. It demonstrates that this market has experienced a small decline in value of almost one per cent since 2002, as well as a decline in the numbers of employees receiving training of 1.6 per cent. The market is still worth around £18.4m but according to the latest market data from Key Note the market appears flat or contracting. Despite this, there may be pockets of growth.[12] Training for those in the public sector remains high as employment growth in this sector has been rapid with higher standards demanding more training. Financial services volumes are relatively high too although they may be adversely affected by fallout from the so called 'credit crunch' and a slowdown in the economy.[13]

What could stimulate demand? Mike Campbell, Development Director at the government funded Sector Skills Development Agency, recently complained that low investment in skills and training was threatening British manufacturing growth.[14] Mr Campbell advised Lord Leitch's Treasury-commissioned review into skills shortages published in December 2007 and has announced his aim to raise training expenditure on corporate agendas in the future.

Chart 5 – UK expenditure on external training and number of employees receiving training



Source: Key Note 2007

However, as a result of the slowdown in the economy, Key Note forecasts the external training market to grow by only 0.4 per cent per annum over the next four years – not great news for some specialised training providers.

UK conference and meetings venue trends

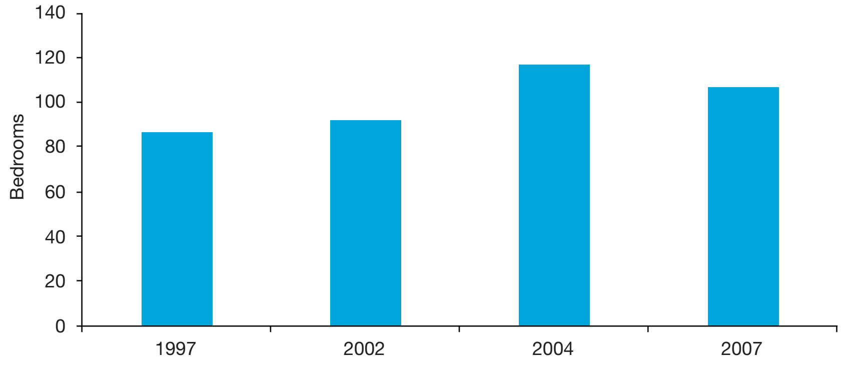
Key venues and players - PwC research shows 61 centres and 6,600 rooms in 2007

Although the sector is highly fragmented with a large number of single operators, the larger training and conference centre providers account for around 61 centres and just under 6,600 residential rooms. This represents little change since we last looked at this sector in 2005 – no change in terms of the number of centres and nine per cent fewer rooms. This means the sector is only marginally larger than in 2002 when we found 55 centres and almost 6,000 rooms. In addition, De Vere Venues are seeking to dispose of two non-core centres. These changes reflect the inclusion of two more non-residential centres not reported last time, one more centre at etc. venues and a slight reduction in the number of centres of three residential operators despite one apiece more from De Vere and Chartridge.

12 Training, Key Note Market Report, 2006 and 2007
13 Key Note
14 FT.com site : Skills expert warns on 'gap' with EU and US. 19 October 2007

The average number of residential rooms has increased over the past 10 years, from 86 bedrooms in 1997 to 108 in 2007. However, in 2004 the figure stood at 118 rooms. See chart 6.

Chart 6 – Average number of bedrooms at residential training and meeting centres



Source: PricewaterhouseCoopers 2007

The competition is getting hotter

Specialised venues are facing more competition from non specialised conference providers. This includes stand-alone conference centres such as the recent £4.2 m refurbishment of the quirky Congress Centre in London's West End as well as high quality offerings from hotels, universities and serviced office providers such as MWB Business Exchange and Regus which are well equipped for small meetings of around eight or less. Many have developed more sophisticated and stylish products than in the past. New specialised training venue providers such as "wallacespace" in London's Covent Garden are popular and the group is opening a second venue in London in April 2008. Competition for corporate business also comes from stadia such as Emirates Stadium and Wembley and many other iconic sports venues that have been developing their conference, meetings facilities recently.[15] Hotels too are developing innovative prototypes, for example the innovative training centre concept IHG have developed at Crowne Plaza which may be replicated through all their hotels. In contrast, Tony Dangerfield, CEO of De Vere Venues, commented to us that their non-residential meeting venue product has successfully 'wooed' business away from London hotels and now retains customers through providing a completely different experience to a standard hotel venue.

The main players are listed in Table 1. The largest operator De Vere Venues has 27 centres and over 3,000 rooms, followed by Hayley Conference Centres (now part of Principal Hayley Hotels and Conference Centres), with nine centres and some 1,400 rooms. The third largest player is the non-residential venues operator etc. venues with seven centres in London. Selected centres included in Table 1 are discussed briefly below and include leading venues that have reinvested heavily in facilities, technology and people for the future.

Key players

De Vere Venues: The former Initial Style Conference Centres company was renamed after their acquisition by Alternative Hotel Group in 2006. Now the largest operator of specialist training and conference centres in the UK, their latest venue is West One, a £6m non-residential centre opened in the old Arts Council building in London in September 2007 where the largest meeting room can cater for up to 250 delegates. A third non-residential centre opens in

15 See PricewaterhouseCoopers Hospitality Directions Europe September 2007 'Rooms with a View: why are so many sports venues developing hotels?'

Table 1: The main UK TCC operators

Company	No. of centres	No. of bedrooms
De Vere Venues	27	3,037
Hayley Conference Venues*	9	1,442
Warwick Conferences	3	479
Wyboston Lakes	1	403
Whittlebury Hall Management Training Centre	1	211
Sundial Venues	3	223
Accenture	1	330
Longhirst	2	173
etc. venues**	7	
Chartridge	5	276
wallacespace***	2	
Total	**61**	**6,574**

* Includes Château de St. Just, Paris – opens Spring 2008
** non residential
*** non residential, includes St Pancras opening April 2008
Source: PricewaterhouseCoopers 2007/2008

"De Vere Venues are wanting to rapidly develop non-residential venues in the UK with London being prime for further sites."

Tony Dangerfield CEO,
De Vere Venues, January 2008

"There are definite and ambitious plans to grow the Hayley Conference Centres brand"

Permira spokesman[16]

"The development of Château de St. Just near Paris will also allow us a platform for growth into Europe"

Tony Troy, CEO, Principal Hayley Group[17]

Canary Wharf in June this year and we were informed the group plans to open more in London and around the UK. De Vere has also invested in high quality food service offerings, adding a new foodservice offering in ten venues around the UK. AHG plan to sell two non-core De Vere Venues, The Mill and Old Swan, a 62 bedroom hotel near Oxford and Branksome Place, a 60 bedroom listed hotel near Haslemere.

Hayley Conference Venues:
Acquired by Principal Hotels (owned by Permira) from 3i in May 2007 for £358m. The portfolio comprises eight UK centres with a ninth centre under construction in Paris and set to open in 2008 giving Hayley a total of over 1,440 rooms. Now marketed as part of Principal Hayley Hotels and Conference Venues, Permira have expressed a desire to retain the brand name Hayley and to expand further. The recent acquisition of three Marriott Hotels is part of an ambitious plan by Permira to turn Principal Hayley into a pan-European four star hotel and conference chain. We were informed that Hayley properties saw like-for-

16 Conference and Incentive Travel August 2007
17 Principal Hotels Press Information 2007

"Our private equity investment was based on a plan to roll-out a portfolio of non-residential venues on a national basis - we have plans to start this in Birmingham and in Manchester. The huge growth in the availability of budget hotels and serviced apartments has allowed those seeking accommodation to "buy as needed" on much more flexible terms than generally offered by residential venues. All venues will be within walking distance of main line railway stations".

Alastair Stewart, Managing Director, etc. venues, January 2008

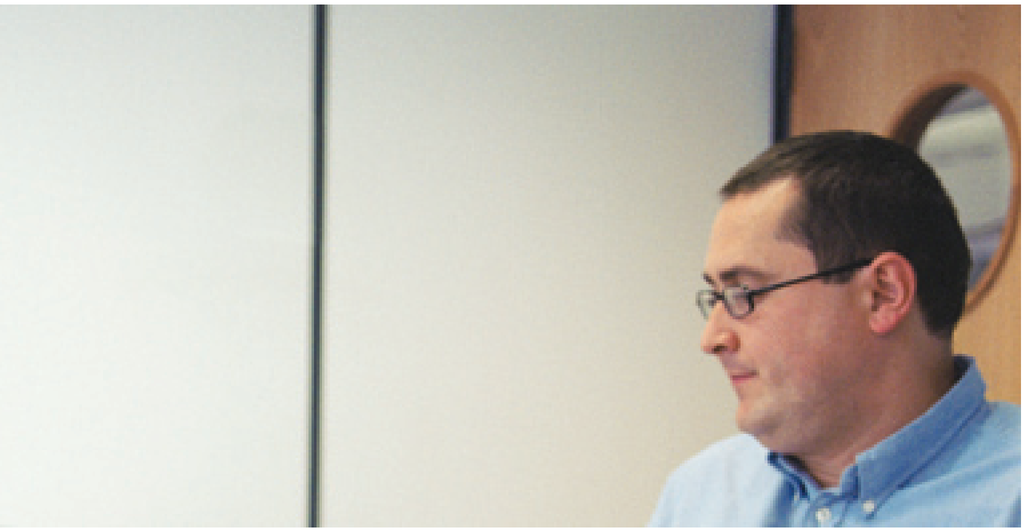
like sales increase by 10 per cent in 2007 compared to 2006 with the residential conference business alone seeing even stronger year-on-year sales growth.

Sundial Venues: Established in the 1960's and still owned by the Chudley family, the group's logo is "Venues with Values". The Sundial brand was adopted in 1998. Sundial's three venues include Barnett Hill, Guildford , Highgate House in Northamptonshire and Woodside at Kenilworth in Warwickshire. The group recently disposed of a fourth centre.

etc.venues: Founded 15 years ago, 2006 saw a £21m buy-in-management-buy-out (BI-MBO) funded by Dunedin Capital Partners. etc.venues informed us that revenues increased by 35 per cent to £7.50m for the six months to December 31st 2007 compared to the same period in 2006. The group plans to be 20 strong within five years. As a part of this plan, the group recently opened a seventh property, Dexter House at London's Tower Hill which has seen a £2m refurbishment and offers 2,090 sq.m of flexible meeting space. This venue achieved £1.1m of sales in its opening 14 weeks. All the properties are non-residential and currently based in London but their expansion plan aims to see half the growth coming from outside London in the future.

Wyboston Lakes: Comprising the Robinson Executive Conference Centre, the Waterside Centre and the Willows Training Centre. The Waterside Centre has just completed the first phase of a three-part bedroom refurbishment programme for the 64 bedrooms, upgrading to three star standard. Overall the centre has seen £30m invested over 10 years.[18]

18 Dedicated Venues Conference News, November 2007



"Today we serve over half of the world's Fortune 100 firms. Over the next five years, we expect to double in size so we can serve the rest of them"

Andy Dolce, Chairman and Managing Director, Dolce International

"I think the next step for us will be to buy some more European hotels which are not branded as Dolce, and re-brand them"

Des O'Dowd, Inchydoney Partnership[19]

"European conference business displayed steady growth (2007) with high occupancies and good growth opportunities"

Jan Janssen, European Development Director, Dolce International, January 2008

Warwick Conferences: Recently spent £3m enhancing its three centres and Conference Park for completion by 2008. It added flexible meeting space and new refurbished bedrooms and meeting rooms.

New kid on the block?

Dolce International: Dolce was founded in the US in 1981 and currently has 26 branded hotels, resorts and conference centres, in US, France, Germany, Spain and Belgium. Dolce's European Development Director, Jan Janssen told us that they are keen to re-enter the UK market, having exited in 2005 after selling Norton Manor Training centre to Quintessential (who subsequently converted it to a hotel). Dolce cited the location near Winchester as the key reason for the exit. This time their first priority is to bring their conference destination product to the London area followed by Birmingham and Manchester.

The group recently announced a major recapitalization for expansion in the United States, Europe and potentially in Asia with Broadreach Capital Partners. We were informed that Dolce's conference product in the UK is likely to be between 200-500 rooms and will have significantly more conference space per bedroom than conventional conference hotels.

They have also attracted investment funds through capital partners in North America and Europe, including the Inchydoney Partnership, an Irish PE fund which recently acquired its third Dolce-branded hotel in the last 18 months with the Dolce Fregate near Marseilles. Bought from AEW LP, a Boston Investment Fund for €30m, the 133 bedroom hotel has a 200–seat conference centre, golf course and extensive leisure facilities.

19 Sunday Times, 11 November 2007

"Dolce is a growing powerhouse in the conference centre industry, a segment of the hospitality industry we think has been largely overlooked by investors."

Philip Maritz, Managing Director, Broadreach Capital Partners

"Corporates are looking for more creative and stimulating environments to hold their meetings and events. Hotels and venues have finally realised this and are starting to develop their products by using different styles and offering alternative food and beverage offerings. The Crown Plaza Brussels is an example of this and has a concept called Balanced Senses which is a far more superior and innovative product than many and makes it a much more interesting place to hold a meeting! "

Samantha van Leeuwen. Head of UK Hotels and Venue Procurement, PricewaterhouseCoopers, January 2008

"Branding is a key and growing element in this market."

Jan Janssen, European Development Director, Dolce International, January 2007

Key issues

- **Private equity funds still interested in products 'overlooked' by other investors**

The decline in demand for residential events and the opening of new less specialised conference centres competing with the TCCs suggests more consolidation is likely in the future – this could be seen as a positive for the quality of the sector.

Continued private equity confidence in high quality profitable products in this sector was demonstrated by Permira's acquisition of Hayley Conference Centres (2007), and Dunedin Capital's funding of a buy-in - management buy-out (BI-MBO) at etc.venues (2006). Both investment funds plan further growth for these products. At Dolce International, management shareholders led the recapitalization with Broadreach Capital Partners, a California-based private equity real estate firm. Broadreach plan to acquire 85 percent of Dolce International for an undisclosed sum. Dolce management will hold the remaining 15 percent ownership stake. The 85 percent equity stake was bought from departing investors AEW Capital Management of Boston and Soros Real Estate Investors. In the UK, The Belfry in Warwickshire was bought by the Quinn group last year; they are planning a multi million pound refurbishment which will make it one of the biggest hotel and conference centres in the UK.

- **Firms are looking for something different**

Investment in new and innovative facilities will continue, for example, more new players such as "wallacespace" and meetings products such as the Crowne Plaza meeting space prototype. Dolce's imminent arrival in the UK will also raise the game for existing players.

- **More branded venues**

Branding is likely to become increasingly important in the future as new branded operators enter the UK. Well known brands are likely to provide opportunities for management contracts at corporates' own centres.

- **Lack of office meeting space drives city centre non-residential demand**

With many companies using their office space to the full, this leaves few meeting spaces on-site and is likely to continue to drive demand for external non-residential and city centre space. De Vere Venues has told us that demand for non-residential space has increased 'spectacularly'.

- **Online training now a friend not a foe?**

A major issue facing external training centres has been the challenge from cheaper forms of training such as e-learning. Most commentators believe that e-learning is not a substitute for classroom-based learning but rather a complementary form of training.

20 Accountancy Age 22 February 2007

• The economy cools down

The private training market is already static and although venues are optimistic about prospects for this year the uncertain economic climate and credit crunch may impact continued investment in facilities, training and marketing budgets and levels of corporate training. Training is often one of the first budgets to be cut. Avoiding overnight stays will reduce costs and one large operator informed us that several bank sector clients have indicated that they are likely to concentrate on non-residential training in 2008.

Nevertheless, in the 1990s many companies learnt to their cost that a failure to train and invest in staff was short sighted. Rather than cutting training in 2008, De Vere Venues expect companies to become more selective of their suppliers and to consolidate their training into only a few specialised venues that deliver a high quality product.

Despite conflicting views regarding the macro-economic backdrop, the outlook is less positive than when we examined this sector in 2005. Additionally, venue providers are likely to face rising costs for energy, commodities, food and wages which may hamper attempts to manage their businesses more efficiently.

• Video link-up threat?

In the past there was considerable hype, but very little adoption of video conferencing link-ups, and now, despite the consensus view that the technology really does work, it is still not being used as much as it could be. As a result there is mixed opinion surrounding the implications for face-to-face meetings. Usability is to blame according to Andrew Davis, Managing Partner at online collaboration market research firm Wainhouse. He suggests this is because "They are just too difficult to set up."[21]

"If there is a recession then one of the first budgets to be axed is training"

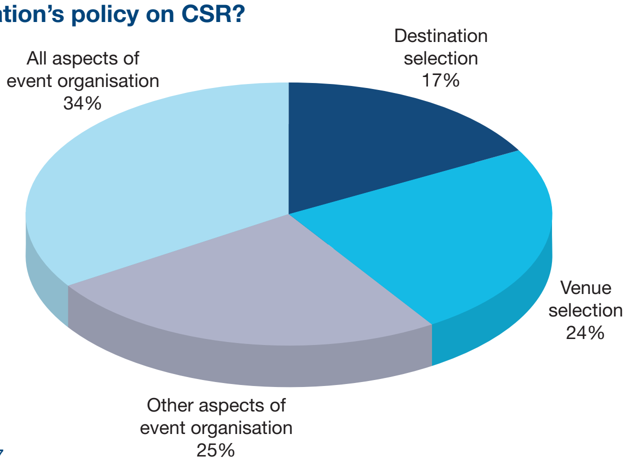
Janice Howard, Head of Courses and Conferences , Institute of Management Accountants

"A couple of years ago it was unheard of to request environmentally friendly venues or feature Sustainability as an objective of the conference. However, in some parts of the business PwC have begun using these venues with a view to not only minimising their carbon emissions but working with local suppliers to support the environment. "

Samantha Van Leeuwen, Head of UK Hotels and Venue Procurement, PricewaterhouseCoopers

21 Digital Business, Financial Times 21 November 2007

Chart 7 – Which of the following are influenced by your organisation's policy on CSR?



Source: MIA 2007

However there is evidence that these issues are being overcome and companies such as Nortel are developing a new segment called telepresence whereby life size high definition screens allow eye contact between participants and sound from a speaker's mouth.[22] Price and security are also issues for some companies. Nevertheless, as the pressure on companies to reduce their carbon footprint intensifies, so video link-ups are expected to become an even more attractive alternative to travelling.

- **Growing importance of CSR policies and green thinking**

More companies are intensifying their green commitment and expect their suppliers to do the same. PricewaterhouseCoopers represents a growing environmentally conscious client base. The firm has reduced its carbon output by 45 per cent since 2005 and cut energy consumption by 20 per cent. Videoconferencing has doubled and will grow further and delegates are discouraged from flying to destinations less than 300 miles away. In addition, PricewaterhouseCoopers is set to create an environmental ranking system for the venues it uses. In a recent industry survey, some 64 per cent of associations and 77 per cent of corporates marked CSR as being either 'extremely' or 'somewhat important' in planning their events.[23] Chart 7 above from the MIA 2007 Survey demonstrates the importance of CSR policy on organising conference and meetings.

22 Financial Times, Companies taking the road less travelled, 12 October 2007
23 MIA Conference Market survey results in 'Corporates buck the trend', Conference and Incentive Travel December 2007

Conclusion

Looking ahead, specialised residential training and meeting venues are likely to find the going getting tougher. New challenges include an economic slowdown and more supply from a variety of traditional and new venues that have successfully developed events and conferences to help underpin their core business. However, some high quality specialised venues, including non-residential centres, are well placed to exploit their niche position. The battle for market share is likely to be vigorous. Recent private equity investment demonstrates continued confidence in the profit potential for investing in replicable, high quality conference and meeting products that can deliver a high return on capital for owners. Location, branding, reputation and marketing power will become pivotal future considerations.

Tony Troy, CEO of Principal Hotels, said "We are delighted with the acquisition of Hayley. Hayley is a highly respected brand in the conference and meetings industry. The combined group offers two distinct brands of hotels and conference centres in strategically important locations. The development of Château de St. Just near Paris will allow us a platform for growth in Europe"

Press Release on Permira's acquisition of Hayley Conference Centres, 25 May 2007

Research base

We acknowledge with thanks the contribution to the article made by the following with whom telephone or face-to-face discussions were held.

Jane Evans, Chief Executive, Meetings Industry Association

Tony Rogers, Chief Executive, British Association of Conference Destinations

Tony Troy, Chief Executive Officer, Principal Hayley Group

Jan Janssen, European Development Director, Dolce International

Tony Dangerfield, Chief Executive Officer, De Vere Venues

Alastair Stewart, Managing Director, etc.venues

Contacts

To discuss any of the issues in this article, please contact:

Julie Clark

Head of Leisure

+44 (0) 207 213 4170

julie.d.clark@uk.pwc.com

Liz Hall

Head of Research – Hospitality & Leisure and Editor Hospitality Directions Europe

+44(0) 20 7213 4995

liz.hall@uk.pwc.com

For further hospitality & leisure research and news visit **www.pwc.com/hospitalitydirections**

© 2008 PricewaterhouseCoopers LLP. All rights reserved. “PricewaterhouseCoopers” refers to PricewaterhouseCoopers LLP (a limited liability partnership in the United Kingdom) or, as the context requires, the PricewaterhouseCoopers global network or other member firms of the network, each of which is a separate and independent legal entity.

This publication has been prepared for general guidance on matters of interest only, and does not constitute professional advice. You should not act upon the information contained in this publication without obtaining specific professional advice. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication, and, to the extent permitted by law, PricewaterhouseCoopers LLP, its members, employees and agents do not accept or assume any liability, responsibility or duty of care for any consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it.