

## **BUSINESS TOURISM MARKET - TRENDS AND PERSPECTIVES**

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### **Abstract**

*Currently, business tourism is considered to be dynamic and profitable. Its economic importance is related to two important aspects, namely: the purchasing power of a business tourist is considered to be higher than that of a loisir tourist, and at international level this type of tourism has reached quite high quotas. With economic growth and development, business tourism is characterized by a favourable trend that is manifested worldwide, but also an intensification of relations and international contacts of all kinds. Therefore, the aim of this paper is to analyze the main coordinates of business tourism market in the current economic context.*

**Keywords:** business tourism, events industry, emitting markets

**JEL classification:** L83

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### **1. Introduction**

Communication is the key word of the postmodern society, with countless facets, and can be achieved through the most sophisticated communication environments, but surprisingly even in the business sphere, the emphasis is increasingly high on meetings, seminars, team building, events that have a growing share in the business tourism segment, tending to become a true industry. Such events are usually organized in the country where they are initiated, with international participation, and the tendency is to organize them more frequently in destinations outside the country, which proves globalization in this area as well.

The **MICE** domain, more precisely, shows, exhibitions, conferences, congresses, incentives, team building and trainings has an essential role. We notice that in the last 15-20 years, the reasons for traveling tourists are based on individual or group travel to participate in these activities. Travel agencies

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have already noticed the importance of business members because they do not value money but are rather interested in the speed, quality and efficiency of the services they offered. That is why a 40% share of the activity of many agencies is represented by the conference and congress tourism sector.

Furthermore, the importance of MICE industry on the national economy of a country and the necessity to analyze its evolution on the global market it is highlighted by the fact that WTO estimates that the number of international tourism arrivals will reach 1.56 billion in 2020, and 1.8 billion in 2030.

Thus, the paper presents the trends in the M.I.C.E. market, and here we have to keep in mind that this sector depends tremendously on the global economic situation.

## **2. Business tourism market developments in the current economic context**

### **2.1. General considerations regarding the business market**

Professional event organization is a component of the hospitality industry and generates positive and substantial revenue for the destination. It can be considered to be the most efficient and profitable component of tourism (Stănciulescu, 2010).

The main propose of organizing any meetings, incentive, convention or exhibition event is to bring together the purveyor of a message with its recipients (Whitfield and Webber, 2010). Therefore, in order to facilitate these global meetings the MICE industry recorded a continued grown (Fan, 2011). In doing so, convention and exhibition industry has a significant impact on a nation's' economy as a business tourists spends more than a leisure tourist (Wan, 2011).

Under these conditions it should be mentioned that the forms of business tourism are structured in (Newstrom and Scannell, 1998, Davidson and Cope, 2003):

- individual business trips common to many occupational areas;
- tourism of reunions and meetings, that include a wide range of events (conferences, product launches, team-building, , annual meetings, etc.) of companies or associations;
- varied trade fairs and exhibitions for product presentation;
- incentive trips and those type of trips that companies offer their employees as a reward for good results in work;

- corporate events including generous forms of entertainment that companies use in order to build or enhance business relationships with their most valuable customers.

Business trips may be internal or external, depending on the beneficiary and their results. Forms of internal business tourism address employees to an enterprise and aim to motivate staff to increase work productivity and improve performance.

The main features of business tourism are as follows:

- represents a field of tourism of the highest quality;
- business tourism has its own unique facilities, such as conference and exhibition centres;
- many of the investments for tourism infrastructure are designed specifically for business tourism and provide benefits that can be used by classical tourists;
- the superior quality of the service staff required by business travelers is found in the services provided by them;
- business tourism affects less the environment in relation to classical tourism;
- research in the field suggests that about 40% of business tourists returning to the same destinations are seeking personal travel motives.

One of the trends of tourism development in the world is the national conference and congress tourism. It can provide related services, participant visits, entertainment programs, etc., so that the package becomes complex and, implicitly, brings great revenue. Europe is the continent that generates and organizes the most meetings, followed by Asia and North America, and as states, Japan, USA, Germany, Britain and France.

MICE domain, represented by fairs, conferences, congresses, cultural or sporting events and incentives organized by companies, is supported in particular by high demand for conferences and incentives.

Thus, business tourism targets people's journeys for purposes related to their work, namely, travels in official, commercial or other interests, participation in various events, being a fast-growing industry that can provide economic benefits to a country by generating additional business opportunities within related economic sectors.

## **2.2. Global trends on business tourism market**

In 2017, the study conducted by American Express Meetings & Events based on interviews with industry experts indicates an increase in the importance of business tourism. The analysis took into account issues such as: the structure of business tourism, the number of meetings organized, the cost per attendee etc. Referring to the types of events, the data in Table 1 shows an increased importance for conferences and tradeshows, but also for sales and marketing meetings.

**Table 1. Business tourism structure**

<b>Meetings Activity by Type</b>	<b>Europe</b>	<b>North America</b>	<b>Central/Southern America</b>	<b>Asia Pacific</b>
<b>Conference/Tradeshow</b>	20%	23%	10%	17%
<b>Sales/Marketing</b>	17%	13%	20%	20%
<b>Advisory</b>	11%	8%	9%	7%
<b>Training</b>	17%	20%	17%	16%
<b>Incentive</b>	9%	11%	12%	10%
<b>Internal Team Meeting</b>	14%	12%	13%	13%
<b>Senior Leadership Board Meeting</b>	11%	12%	10%	13%
<b>Product Launch</b>	9%	6%	11%	9%

Source: Global Meetings an Events Forecast, American Express Meetings &Events, 2017

The answers given by respondents indicates several global trends across meeting types that vary by region. Thus, in Europe and North America, respondents give greater importance to conferences and tradeshows, totalizing 20% of meetings activity in Europe and 23% in North America. At the same time sales and marketing meetings hold a percentage of 17% or more, of

meetings, in Central and South America, Europe and Asia Pacific. Not least, training is comprising 16% to 20% of meetings activity in all four regions.

Respondents anticipated that the greatest decreases in the meeting numbers will be register in Asia Pacific, namely a decrease with 1.1% in the number of advisory and 1.2% for incentive meetings. At the same time, respondents estimate an increase of 1.1% for sales and marketing meetings in Central and South America. Similarly, the respondents suggest an increase in the number of training meetings, with 0.9% in Europe and 0.6% in North America.

Conferences as events representative of business tourism are influenced by the geographical distance from the participants. Thus, the city with the most conferences organized at the level of 2016 was Paris, according to data provided by ICCA, followed by Vienna and Barcelona, while at country level the first place was occupied by the USA, then by Germany and the United Kingdom (see table 2)

**Table 2. Top 5 destinations by number of meetings organised in 2016**

<b>Rank</b>	<b>City</b>	<b>Number of meetings</b>	<b>Rank</b>	<b>Country</b>	<b>Number of meetings</b>
1	Paris	196	1	US	934
2	Vienna	186	2	Germany	689
3	Barcelona	181	3	UK	582
4	Berlin	176	4	France	545
5	London	153	5	Spain	533

Source: Trends Watch Report 2017, IBTM 2017

The business tourism market can be analyzed also in terms of number of attendees, thus in North America respondents predict an increase up to 1.8%; 1.4% for Central and South America; respectively up to 1% for Asia Pacific; for Europe it is expected a decrease in the number of attendees up to

0.8%. It is also important to know the approach to incentive and special events, for the regions taking into account (see table 3).

**Table 3. Approach to Incentive and Special Events**

	<b>Europe</b>	<b>North America</b>	<b>Central and South America</b>	<b>Asia Pacific</b>
Main attendee only (employee, incentive winner, etc.)	81%	37%	78%	68%
Main attendee may bring a 'plus one'	14%	55%	15%	18%
Main attendee may bring family	1%	6%	2%	8%
Other	5%	3%	5%	8%

Source: American Express Meetings & Events Surveys, August 2017

Compared to the previous year, for the four regions, the forecasts on the days per meeting indicates the following aspects:

- in North America will be no significant changes;
- Europe will registered an decrease up to 0.9% for several meeting types – sales/marketing; training; internal team meeting; conference/tradeshaw; senior leadership meeting, advisory.
- in Central and South America the only meeting types that are expected to suffer significant changes are advisory and incentive, that are will increase in terms of days per meeting with 0.9%, respectively 1%;
- in Asia Pacific the only meeting type that will register significant changes is senior leadership board meeting, that will decrease with 0.5%

Regarding the cost per attendee, it should be mentioned that it may vary by region and also by meeting type. Globally, meetings leaders point that clients demand quality attendee experience, which requires strategic planning and integrating technological innovation (see table 4).

**Table 4. Cost per attendee (excluding air transport)**

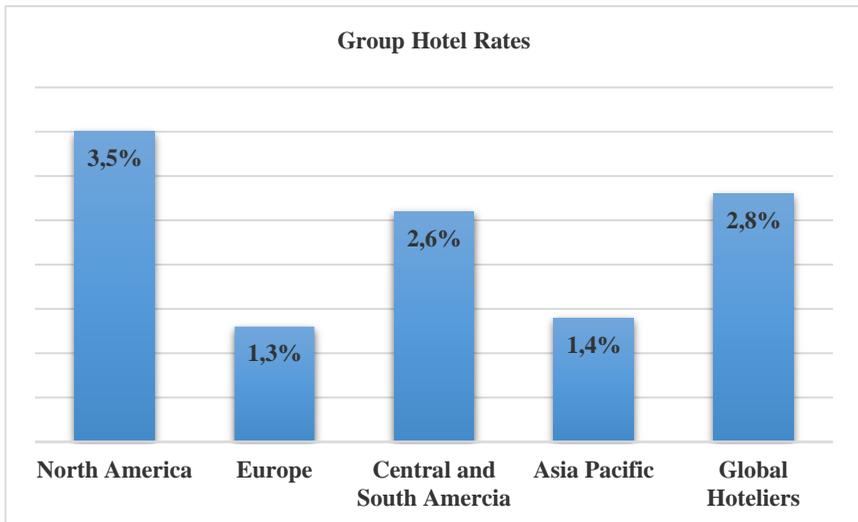
<b>Meetings Activity by Type</b>	<b>Europe</b>	<b>North America</b>	<b>Central/Southern America</b>	<b>Asia Pacific</b>	<b>Global Hoteliers</b>
<b>Conference/Tradeshaw</b>	609\$	560\$	467\$	585\$	534\$
<b>Sales/Marketing</b>	345\$	517\$	464\$	427\$	410\$
<b>Advisory</b>	426\$	525\$	521\$	363\$	440\$
<b>Training</b>	342\$	417\$	319\$	346\$	247\$
<b>Incentive</b>	720\$	629\$	702\$	496\$	507\$
<b>Internal Team Meeting</b>	367\$	320\$	305\$	411\$	235\$
<b>Senior Leadership Board Meeting</b>	544\$	552\$	516\$	565\$	539\$
<b>Product Launch</b>	508\$	488\$	560\$	516\$	451\$

Source: American Express Meetings & Events Key Supplier Surveys, August 2017

Thus, in Europe and Asia Pacific it is expected a decrease of the cost per attendee up to 0.8%, while in North America the respondents predict an increase by 0.5%. In Central and South America respondents point an increase in cost per attendee from 0.7% up to 1% for senior leadership, advisory and incentive meetings, but also a decrease from 0.5% up to 0.9% for training and internal team meeting. As for the global hoteliers the respondents predict the following increase in cost per attendee: 0.8% for training; 1.2% for advisory; 1.3% for sales/marketing; 1.6% senior leadership; 1.7% for product lunch and conferences; 2.2% for incentive meetings.

Under these conditions the global hoteliers estimate that in 2018, compared to 2017, the hotel rates will increase with 2.8%. Analyzing the figure bellow we can see that the highest increase it is expected to be registered in North America – namely 3.5% compared to the previous year – at the opposite, Europe will record the lowest growth in the four analysed regions – 1.4% compared to 2017.

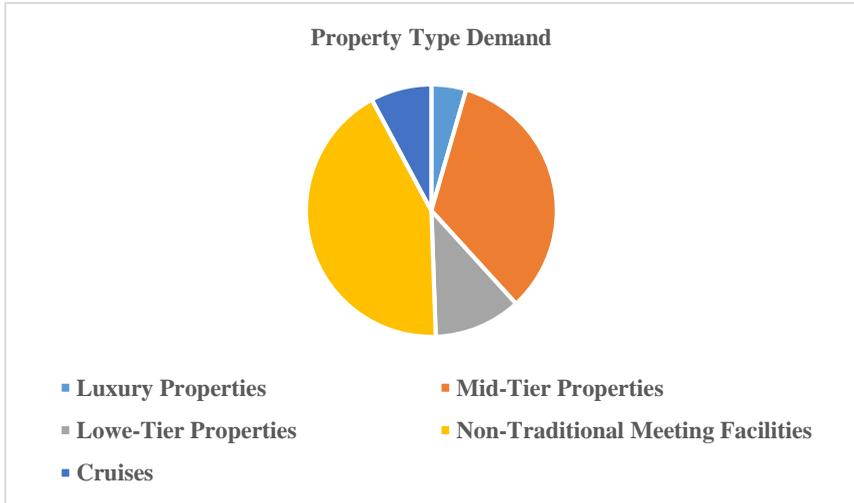
**Figure 1. Group Hotel Rates forecasts in 2018 vs.2017**



Source: American Express Meetings & Events Key Supplier Surveys, August 2017

Considering the global meeting property demand, it must be highlighted that a growing demand will be registered for non-traditional meetings facilities – an increase with 3.8% compared to 2017 – and mid-tier properties – an increase with 3% compared to the previous year. An increase in demand will also be recorded for other types of properties dedicated to MICE domain, but to a lesser extent, namely 1.0% for low-tier properties; 0.7% for cruises and 0.4% for luxury properties (as seen in figure 2).

**Figure 2. Property Type Demand 2018 vs.2017**



Source: American Express Meetings & Events Key Supplier Surveys, August 2017

In this regard there are several factors that influence the choice of a meeting location, among which: economic/political instability concerns; currency/exchange rate; online reviews; safety concerns; specific location type needed; transportation to location for attendees; past experience of colleague; client directive based on past experience;; participation in company or organization’s preferred supplier program; repeat destination for meeting; perceptions around “resort” destinations for meetings. All these factors have a different influence on the choice of a meeting location by those involved in MICE domain, at the level of the four regions (see table 5)

**Table 5. Top Factors Influencing Meeting Location**

Factors influencing meeting location	Europe	North America	Central and Souther America	Asia Pacific	Global Hoteliers
Economic/political instability concerns	28%	12%	50%	43%	36%
Currency/exchange rate	8%	3%	33%	11%	10%

Online reviews	4%	3%	6%	3%	6%
Safety concerns	33%	14%	14%	41%	29%
Specific location type needed – airport, near training facility, near customer location, etc	44%	52%	33%	25%	29%
Ease of air lift / transportation to location for attendees	26%	49%	15%	24%	42%
Past experience of colleague	7%	7%	4%	11%	14%
Client directive based on past experience	18%	16%	13%	13%	11%
Participation in company or organization's preferred supplier program	14%	15%	12%	13%	14%
Repeat destination for meeting	11%	16%	6%	6%	7%
Perceptions around "resort" destinations for meetings	8%	13%	15%	10%	3%

Sources: American Express Meetings & Events Key Supplier Surveys, August 2017

Analysing the data contained in the above table, we can see that around all four regions, the factors with the higher impact in the process of choosing a certain location for meetings, are: specific location type needed – highest influence recorded in North America, namely 52% – ease of transportation to location for attendees – an influence of 49% in the MICE domain of North America; economic/ political instability concerns – highest impact on Central and South America, 50%.

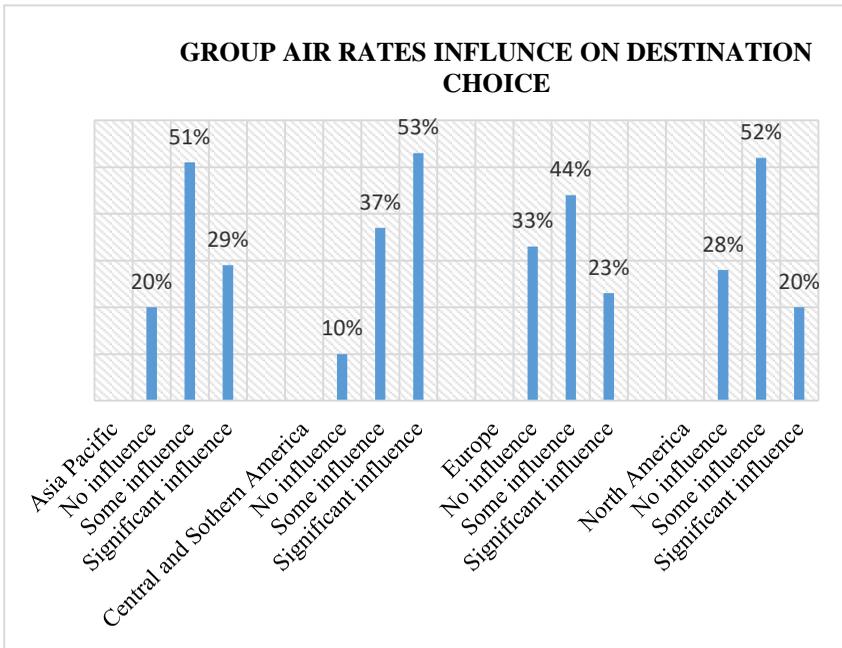
As for difficulty of meeting approval process the hardest meeting types in the four regions, are the following:

- in North America and Europe: incentive/special events; conferences/tradeshows;
- in Central and Southern America: incentive/special events; product launch (Internal/External);
- Asia Pacific: incentive/special events; sales/marketing; internal team meeting.

The overall meeting spend within organizations, indicates that in 2018 the budgets allocated will increase with 1.0% in North America and decrease with the same percentage in Asia Pacific, for Europe and Central and Southern America are not expected significant changes.

The development of air transport has contributed to the development of business tourism. Thus, in figure 3 we can see the group air rates influence on the destination choice for organizing meetings in the four regions, namely: Asia Pacific; Central and Southern America, Europe, North America.

**Figure 3. Group Air Rates Influence on Destination Choice for MICE Industry**



Source: American Express Meetings & Events Key Supplier Surveys, August 2017

For 2018, the regional group air rates will rise from 1% to 2.9%, also stakeholder mention that over half of their meetings include group air management– 22% in North America, 33% in Europe; 47% in Central and South America, 13% in Asia Pacific.

Globally, the MICE industry characterised by an increase in the number of attendees, the cost per attendee, the budgets allocated for organizing different meeting types etc. highlights the impact of business tourism on the national economy, even more as it brings three times higher incomes than leisure travel.

### **3. Conclusions**

Business tourism offers the community and not only more specific benefits, including: high profit, seasonality (most international meetings take place in off-season), environmental impact (business tourists are among the most environmentally friendly visitors to everyone else) advertising opportunities - a business tourist who leaves with a good impression on the organized event becomes a "free ambassador" for that destination).

Meeting tourism is an important segment of the hospitality industry, generating substantial revenue, especially during the offshore season, as well as a positive image of the destinations involved and even on the overall picture of a country.

Therefore, meeting tourism is the efficient and dynamic component of the tourism economy of a country, regions, localities that embody not only common tourism activities but also a complex series of professional organizational services for meetings, conferences, exhibitions, seminars, incentive programs or training, etc. hosted on that destination.

Under these conditions, this year the MICE industry will be characterised by the following trends:

- the increase confidence towards incentive travel;
- the ability to adapt to the changes generated by economic, political or ecological uncertainties;
- the move towards experience, meaning that meetings are now valued for their long-lasting impacts on people, for the integration of technology. This trend, also highlights the importance of destinations in creating these experiences with business travelers looking forward to participate in cultural exchanges and have meaningful trips.

In fact, the biggest challenge for the MICE industry is to learn how to adapt to the uncertainties defined by the economic, social and political

environment in which it operates and how to function effectively within these new and emerging market environment. It should also be mention that the study conducted by IMF's World Economic Outlook, predicts a rise in world growth from 3.5% in 2017 to 3.6 % in 2018. Do not add any text to the header and footer, not even page numbers.

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