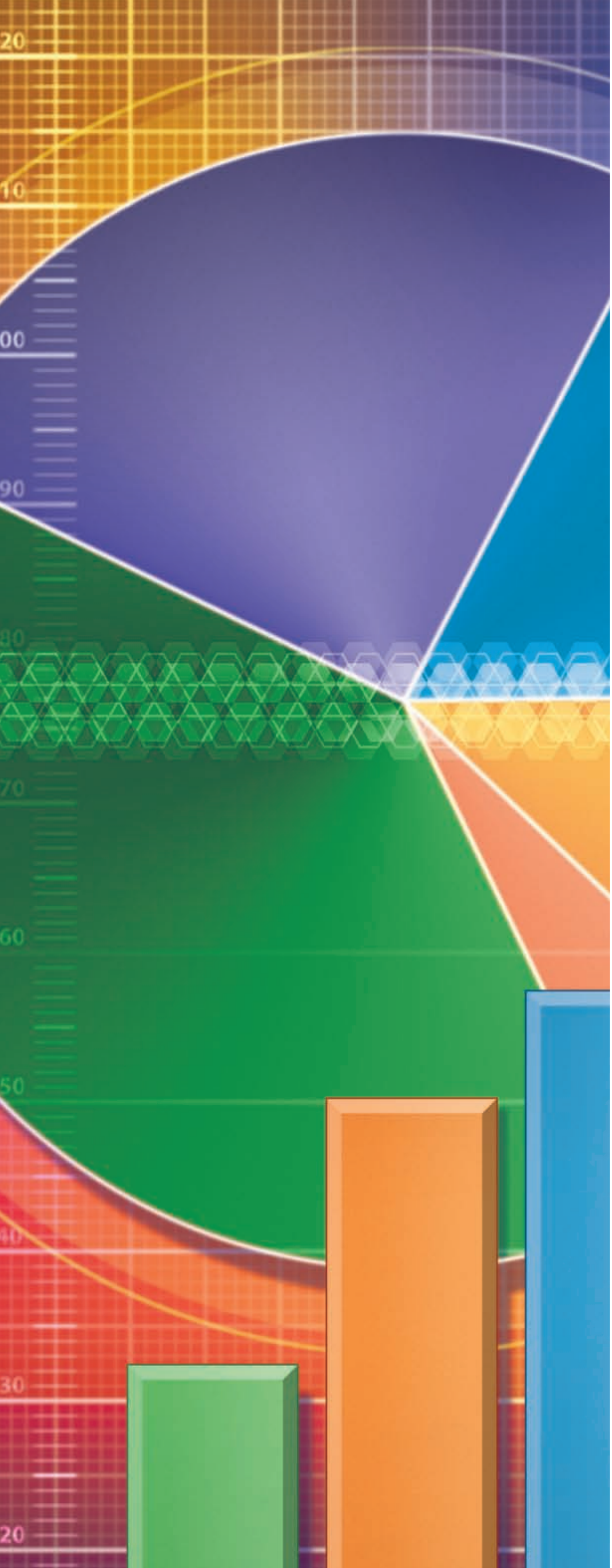

MEETING PROFESSIONALS INTERNATIONAL
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# FUTURE WATCH 2007

## A Comparative Outlook on the Global Business of Meetings

MEETING PROFESSIONALS INTERNATIONAL

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# FUTURE WATCH 2007

For the fifth consecutive year, the annual *FutureWatch* survey conducted by Meeting Professionals International (MPI), in partnership with American Express, takes the pulse of the meetings industry and reports on industry trends expected for the coming year.

As in years past, the trends presented in *FutureWatch 2007* reflect the economic and societal trends impacting the world. In 2004, the meetings, conventions and incentive travel industry was estimated to have contributed more than $122 billion* to the U.S. economy. If the growth predicted by *FutureWatch* respondents during each of the past four years has been realized, then the contribution of the meetings and events industry will reach new highs in 2007, both in the U.S. and around the globe.

Based on survey responses from 1,443 meeting professionals, *FutureWatch 2007* provides a portrait of an industry that is strong, thriving and moving quickly to meet a variety of internal and external challenges.

**In this year's study, we asked planners to report on the trends internal to their organization, such as:**

- Workload
- Budgets
- Shifting organizational goals and strategies
- Centralization of the planning function
- Use of virtual, or webcast, meetings and the current and future involvement of planning departments in those activities

**Planners, suppliers and meeting management and services professionals were asked to report on the more global trends expected to impact the industry:**

- The impact of terrorism and war on business travel
- Various factors impacting the cost of doing business, such as the cost of oil and gas and general inflation
- Possible economic downturn or recession
- Increasing globalization of both client- and supplier-side organizations

**Finally, we asked respondents to identify trends in how planners, suppliers and meeting management organizations might work together in tomorrow's marketplace. Topics include:**

- The technologies planners will seek in 2007 and the availability of solutions
- Tomorrow's outsourcing - what will be outsourced and to whom?
- Where suppliers' meetings clients reside, whether within or outside the organization
- The successes and challenges of preferred vendor programs and the involvement of procurement departments in the purchasing process
- The steps suppliers are taking to build loyalty among their planner clients, and what planners would prefer
- Location of meetings across regions of the world and types of venues

**Use the data and analysis provided in *FutureWatch 2007* as a guide to the changes and growth expected in the meetings industry in 2007 and beyond.**

## *FutureWatch* Participants

**Client-side planners** (441 respondents) include corporate, association, government, non-profit and others planning meetings for clients internal to their organization.

**Meeting management and services professionals** (180 respondents) or intermediaries, include independent planners, PCOs (professional conference organizers) and those working for third-party, multi-management, site selection or other meeting services providers.

**Meeting suppliers** (814 respondents) include meeting facilities such as hotels and resorts, convention and conference centers and unique venues, convention and tourism bureaus, transportation providers and other onsite service providers such as caterers and production companies.

*Convention Industry Council

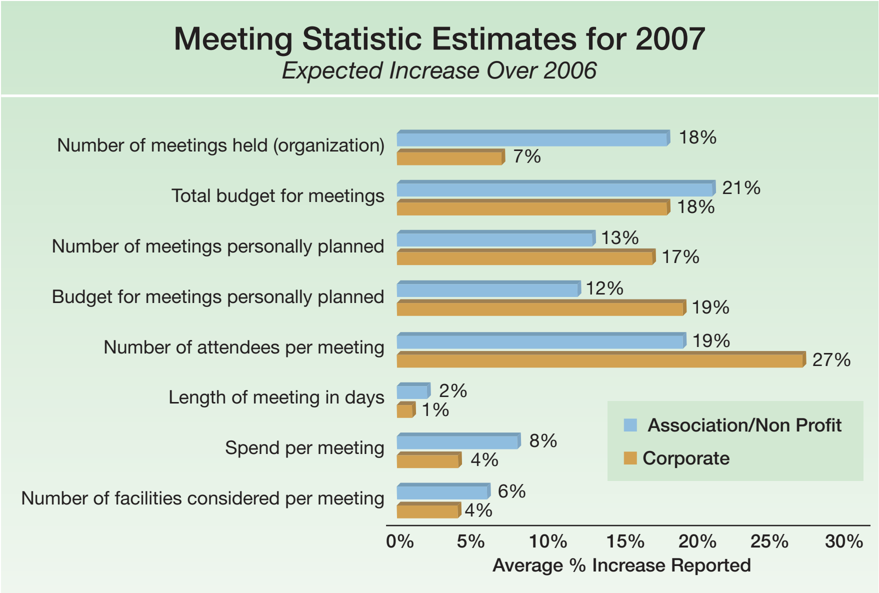
# Inside Meetings

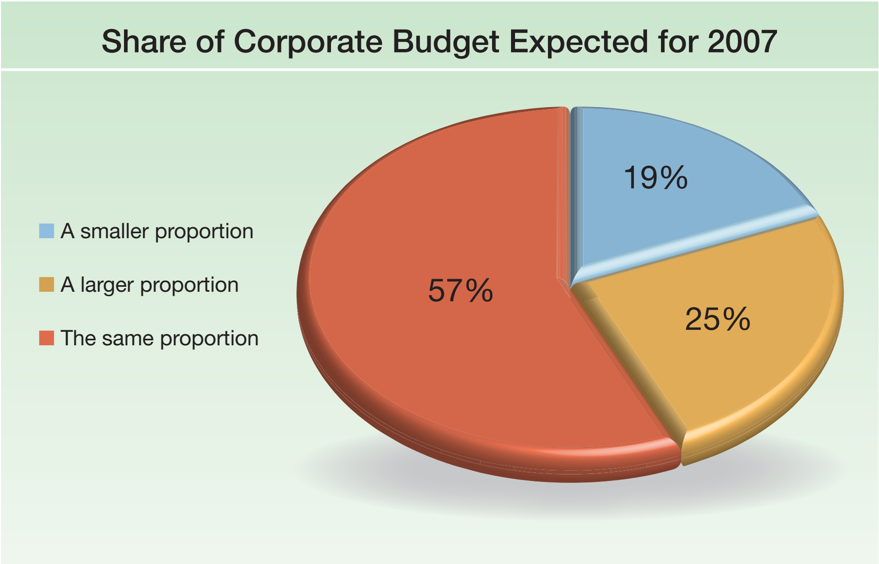
This look inside the meetings function assesses expected growth in the number, size and budget for meetings along with internal trends impacting planners. MPI also presents baseline data addressing the centralization of the meetings function and the extent to which total meeting spend is being calculated at the organizational level.

## Continued Health in the Marketplace

Respondents' expectations for the coming year paint a picture of sustained industry growth. Planners expect to manage more meetings in 2007 and expect to see larger budgets, both in dollar terms and as a percentage of the total organizational budget.

- Association and corporate planners expect the number of meetings held by their organizations to increase by 18% and 7%, respectively.
- Although overall meeting budgets are expected to increase by 21% for associations and 18% for corporations, spend per meeting is expected to increase by only 8% and 4%, respectively.
- Planners expect to see more attendees at meetings, but do not expect an increase in the length of those meetings.



## Trends within Organizations

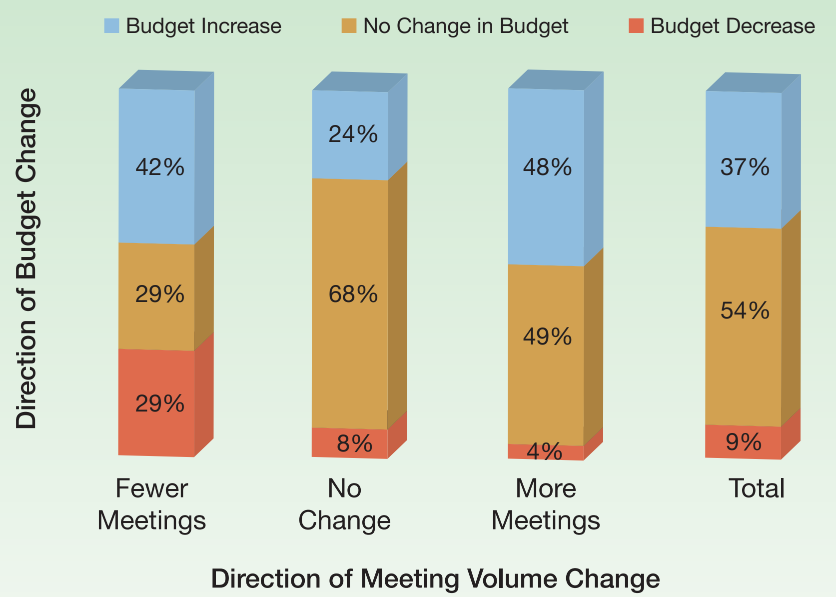
*Budget, work load, shifting strategies and changing expectations*

With the trend toward more meetings, larger budgets and higher attendance rates continuing into 2007, it is not surprising that planners identified budget changes and workloads as two of the factors they expect to have the greatest impact on their jobs next year. Emphasis on these factors, however, varied by job level and organization type.

## Ranking of Internal/ Organizational Trends Impacting Planner Jobs

1. Budget changes within the organization
2. Workload of meeting planners
3. Shifting organizational goals and strategies
4. Changes in the way meetings and events are viewed within the organization
   - Respondents with non-managerial titles were more likely to indicate that department-specific issues like changing budgets and workloads would have the greatest impact on their jobs.
   - Managerial respondents were more likely to emphasize broader organizational and strategic issues such as shifting organizational goals and strategies and changes in the way meetings and events are viewed or used within the organization.
   - Association planners expect workloads to impact planners most in 2007, followed by shifting organizational goals and changes in the way meetings are viewed and used. Budgets were not ranked as a main concern for association planners.

### Budget Change by Meeting Volume Change




### Implication

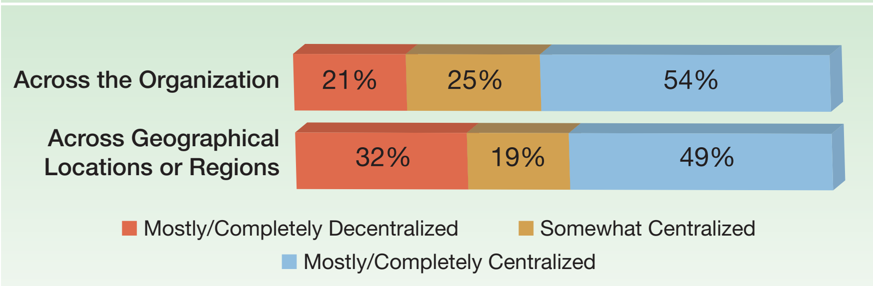
Although it is a positive sign for the industry that on average, meetings and meeting budgets are on the rise, many planners may still have budgeting challenges. Of the 46% of planners expecting an increase in the number of meetings they personally manage or support in 2007, less than half (48%) are expecting their personal budget to increase.

When asked what internal organizational trends were expected to have the greatest impact on their jobs, fewer respondents than in 2006 ranked the involvement of the procurement department as a major factor. On page 11 planners describe the successes and challenges of the partnership between these two functions.

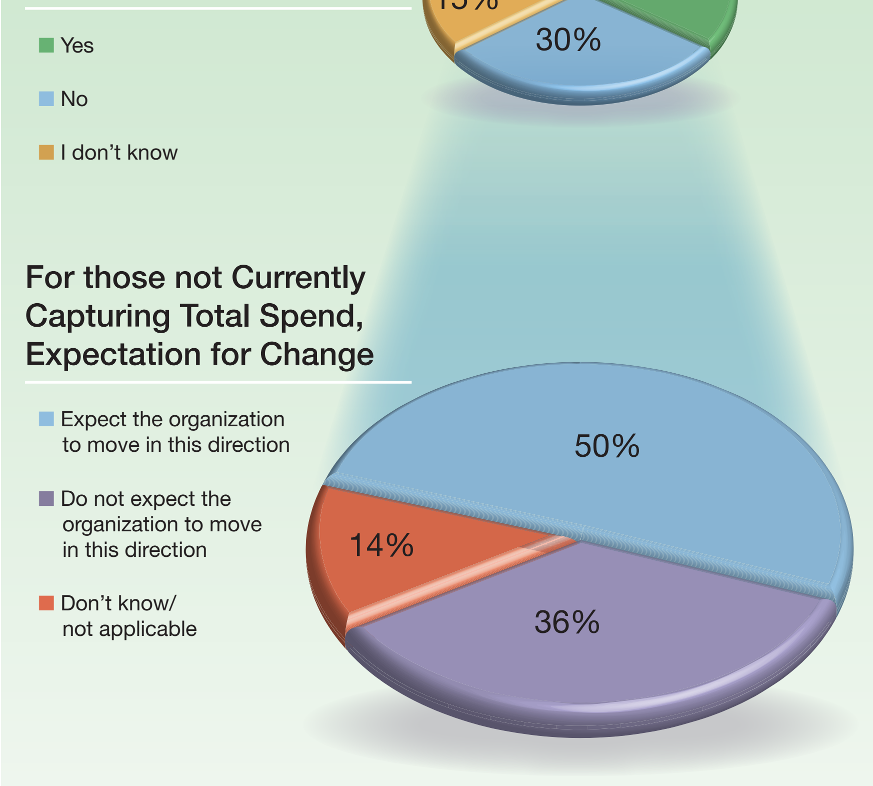
## Centralization of the Meetings Function

Although industry professionals have speculated about the shift toward a more centralized meetings function within corporations, very few data have been collected. This year's report provides a baseline against which future shifts and developments can be measured.

- 54% of corporate planners surveyed indicated that their meetings function was either mostly or completely centralized across the organization.
- 49% of planners reported having a meetings function that was centralized across different organizational locations or regions.



Centralization of the Corporate Meetings Function



Total Organizational Meeting Spend Currently Calculated and Reported

For those not Currently Capturing Total Spend, Expectation for Change

## Calculating Total Meeting Spend

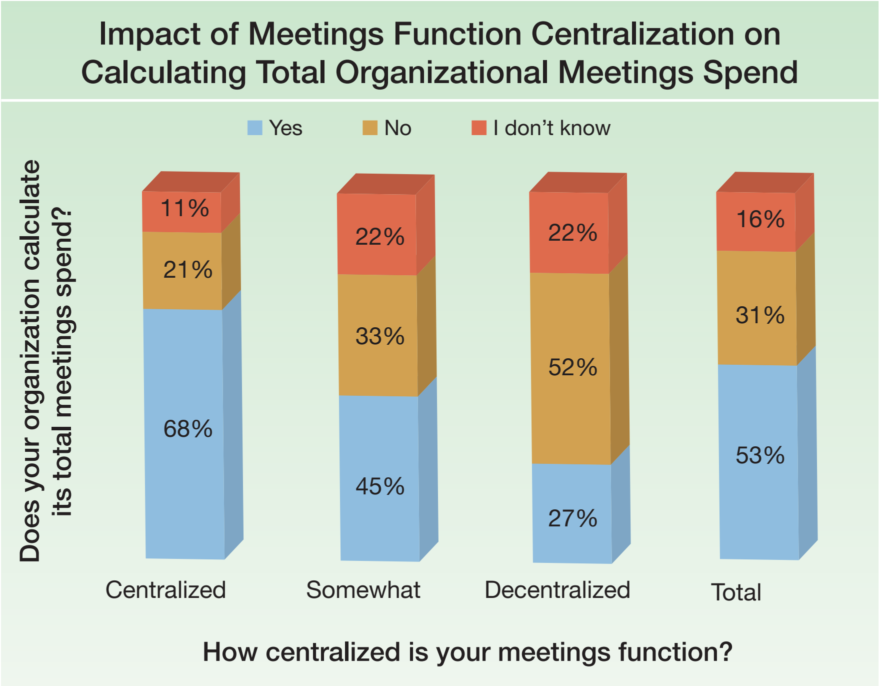
With more organizations focusing on return on investment (ROI) measurements, a baseline was needed to understand the extent to which corporations understand what they are spending on meetings.

- 55% of corporate planners indicate that total meeting spend is calculated for their organization, while 30% say that it is not and 15% do not know.
- Of those not currently calculating total spend, 51% of organizations expect more emphasis to be placed on this in the future.
- 68% of organizations with a more centralized meetings function calculate the meeting spend for the entire organization, compared with only 27% of organizations with more decentralized planning.

## Virtual Meetings

Although virtual meetings, or webcasts, are on the rise, most planning departments are not currently involved in managing these meetings for their internal clients and are not likely to position themselves as the 'go to' function for virtual meetings during the next year.

- 47% of client-side planners expect the use of virtual meetings to increase over the next year, whereas only 20% expect a decrease.
- Expectations for the use of webcasts within live meetings are mixed, with almost one-third expecting to incorporate webcasts more frequently in 2007 and 29% expecting to do so less frequently. 39% anticipate no change.
- While nearly 40% of respondents expect webcasts to reduce onsite attendance, one-third believe the total number of participants (live and virtual) will actually rise.
- Fewer than 30% of planning departments are currently involved in planning virtual meetings for their internal clients and fewer than 40% believe that the meetings department would be responsible for planning virtual meetings in the future if their organization made a significant move toward using virtual meetings in place of live meetings.
- 32% report that their meetings department is likely to position itself as the 'go to' department for virtual meetings and events, although this number is significantly higher for association planners (39%) than for corporate planners (29%).




### Implications

Responses suggest that, overall, webcasts are not yet seen as a standard part of a meeting planner's repertoire. As corporate and government planners consider what their involvement in virtual meetings should be in the future, they should consider looking to their association counterparts, who are further along in their efforts to prepare for the wider use of virtual events and position their departments as a resource for non-traditional meetings.

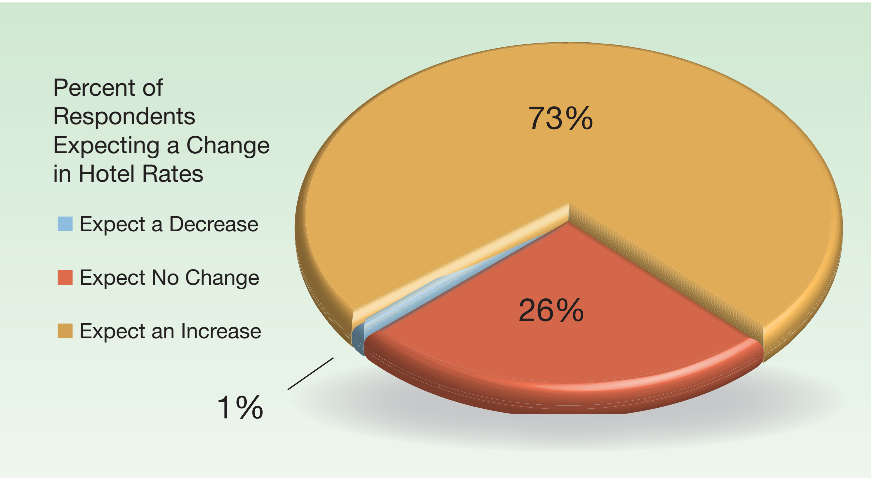
# Looking Outward

## External Trends: Terrorism, Gas Prices and Economic Trends

In 2006, planners and suppliers identified the economy as the external factor expected to have the greatest potential impact on meetings and events, followed by travel costs and the cost of oil and gas. For 2007, the impact of terrorism and war on business travel has surged ahead of all other concerns, receiving a first-, second- or third-place ranking from 38% of respondents.

- Behind terrorism and war (the top concern), increasing costs are expected to have the greatest impact on the industry. The cost of oil and gas is expected to have the second-greatest impact, followed by general inflation.
- The fourth- and fifth-ranked trends were both related to the economic outlook, with some predicting that an economic downturn would impact them in 2007 and another group expecting economic improvement.
- Increasing globalization and increased access to information are expected to impact the meetings industry as well.
- European respondents expect terrorism and war, increasing globalization and a positive economic environment to have the greatest impact on the industry in 2007.
- Canadian respondents are most concerned about the possible impact of the Western Hemisphere Travel Initiative's new passport and visa regulations, followed by terrorism and war and a current or impending economic downturn. Canadians are also concerned about health pandemics and diseases such as SARS and avian flu.
- Pharmaceutical planners expect government regulation to have the greatest impact during the coming year.

Expected Change in Hotel Rates for 2007




## Top External or Global Trends Expected to Impact the Industry in 2007

1. Impact of terrorism and war on business and travel
2. Cost of oil and gas, including the impact on travel costs
3. General inflation of costs
4. Current or impending economic downturn or recession
5. Current or impending economic upturn or improvement
6. Changes or advances in technology
7. Increasing globalization (more vendors and customers across the globe)

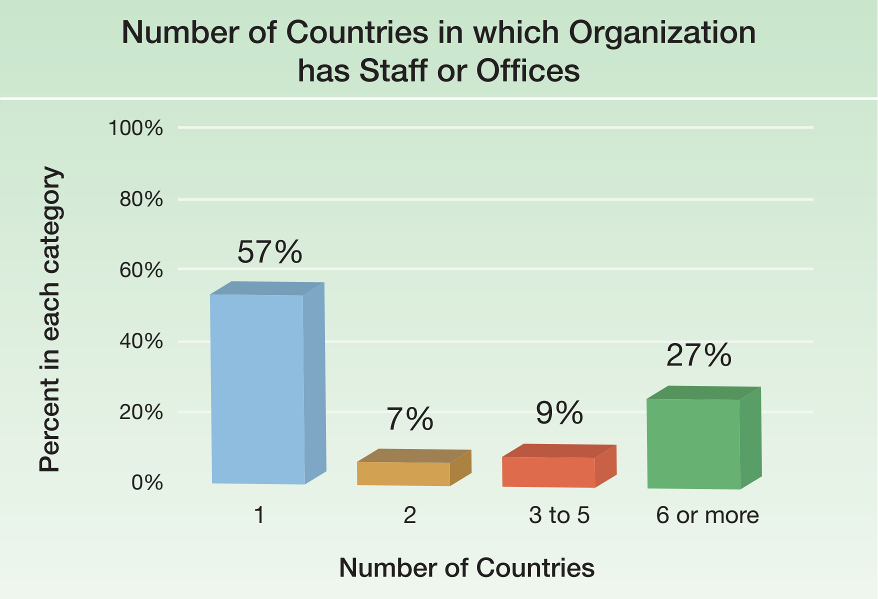
## Hotel Rates on the Rise

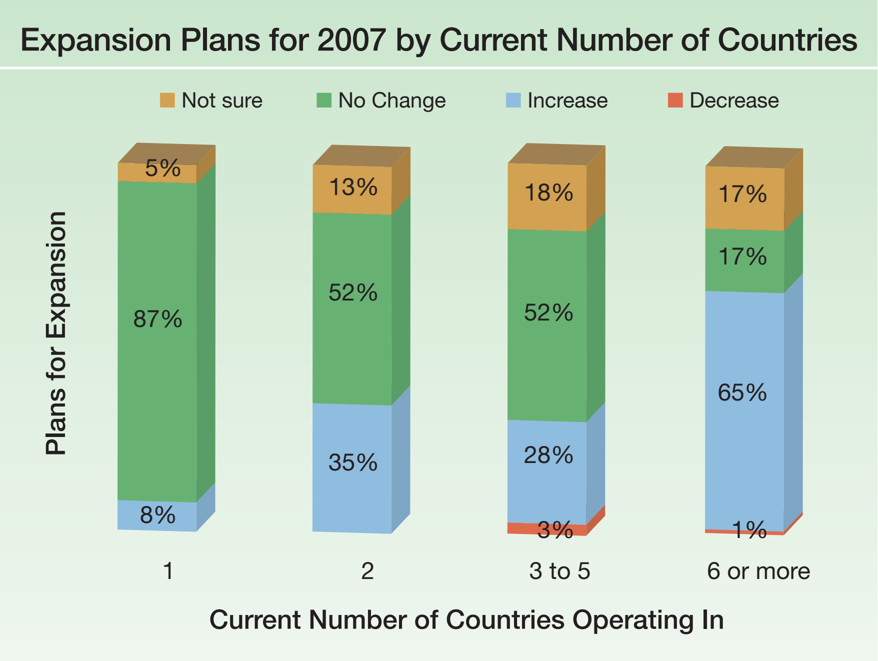
73% of respondents expect hotel rates to increase in 2007, while only 1% expect a decrease and 26% expect no change. The average amount of the increase expected is 8%.

## Entering the Global Market

Globalization is on the rise in all areas of the meetings industry. Client-side planners, meeting management and services companies and especially hotel and resort companies expect to increase their global presence in 2007. Those with a foot in the global market are more likely than their single-country counterparts to expand that presence over the next year.

- Overall, 57% of responding organizations are located in only one country. Over half of the other 43% operate in more than five countries.
- Corporate planners are most likely to work for organizations with staff or offices in more than one country (71%), followed by those working for a hotel or resort company (60%) and meeting management and services companies (42%).
- Independent and association planners are least likely to work for organizations that operate in multiple countries.
- 27% of all respondents expect the number of countries in which they operate to increase in 2007.
- Hotel companies plan to expand to new countries at the highest rate (47%), followed by meeting management and services companies (36%) and corporate planners' organizations (26%).
- European respondents' organizations are more likely to be located in multiple countries (56%) and are more likely to expand operations into other countries in 2007 (44%).
- Organizations operating in five or more countries are more than eight times more likely than single-country organizations to expand globally in the next year.



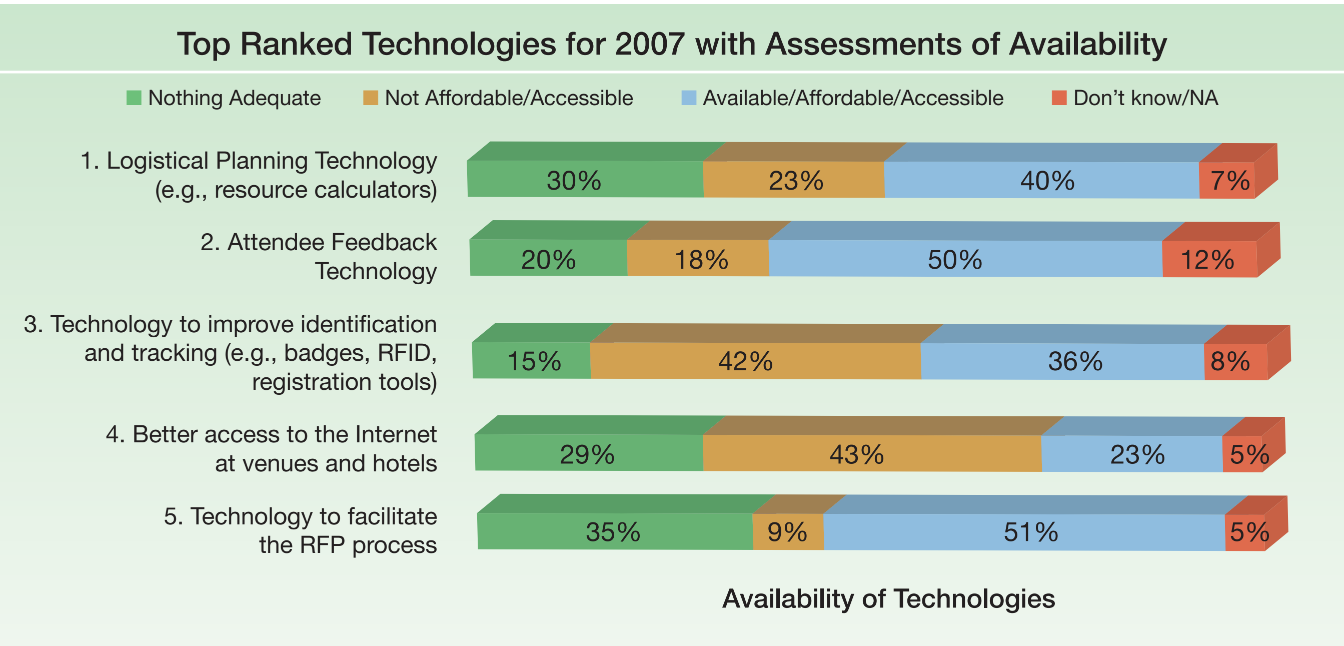
# The Middle Ground

Like most industries, the meetings and events industry is a complex system made up of interdependent organizations and functions. As indicated earlier, this system is impacted by trends and events within client organizations and by the economy and world at large. Together, the organizations and professionals within the industry adapt to these changes and optimize everyone's opportunity for success.

## Meetings Technology: A Wealth of Possibilities

Technology is one of the many tools that planners rely on to help them execute at the highest level. While planners are clear about the technology they will be seeking in 2007, they are not always as confident that the right resources will be readily available to them.

- In 2007, planners will first and foremost seek technology and tools to help with meeting logistics. This includes resource calculators, room layout tools, etc. Although 40% feel that adequate and affordable tools exist, 23% feel that existing tools are not affordable or accessible.
- Second on planners' list are tools to get better attendee feedback about meetings and events. Half of respondents feel that adequate and affordable options are available to them.
- Third most popular are technologies and tools for identifying and tracking meeting attendees (registration tools, badge solutions, RFID technologies, etc.). 42% feel that these tools are not affordable or accessible to them.
- Whereas Internet access at venues and hotels is most likely to raise concerns about cost and accessibility (43%), tools to facilitate the RFP process are least likely to raise cost concerns (9%). Instead, respondents either believe adequate RFP tools do not exist (35%) or that the tools are available and affordable (51%).
- The five least-sought technologies for 2007 (of the technologies listed on the survey) are tools to:
  - Match attendees with relevant courses, vendors and peers at an event
  - Facilitate networking on site (e.g., wireless handheld devices)
  - Share conference content and course documents
  - Provide alternatives to live meetings (via webcast, etc.)
  - Allow remote participation in 'live' meetings



## Outsourcing Holds Steady

As found in 2006, client-side planners predict little change in the number of meetings they will outsource in 2007. While planners expect to outsource 15% of their meetings in 2007, this year's survey drilled deeper to determine how client-side planners are using outside meeting management organizations and services.

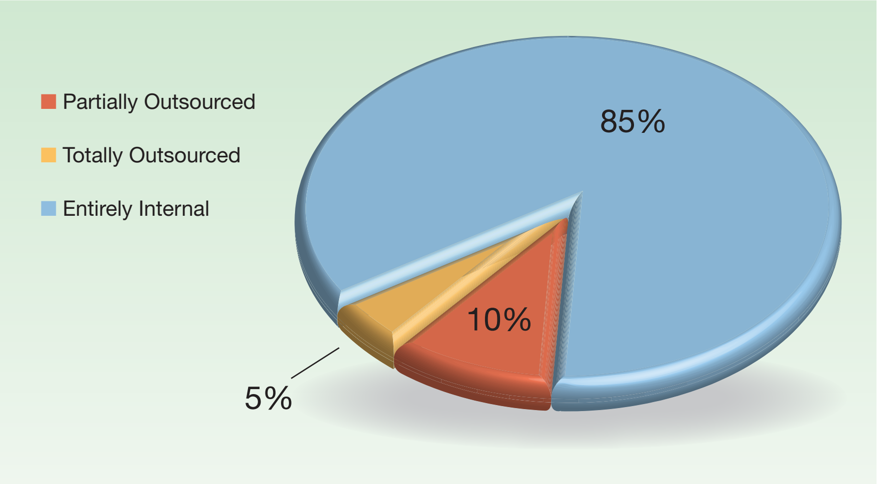
- One-third of outsourced meetings will be completely outsourced, whereas two-thirds are predicted to be partially outsourced.
- In addition, 69% of outsourcing by client-side planners will be for logistical services and support, compared to only 16% for strategy. This suggests that while these planners are prepared to outsource meeting logistics, they intend to retain control of strategic planning and value-added consulting.

## Vendor Selection

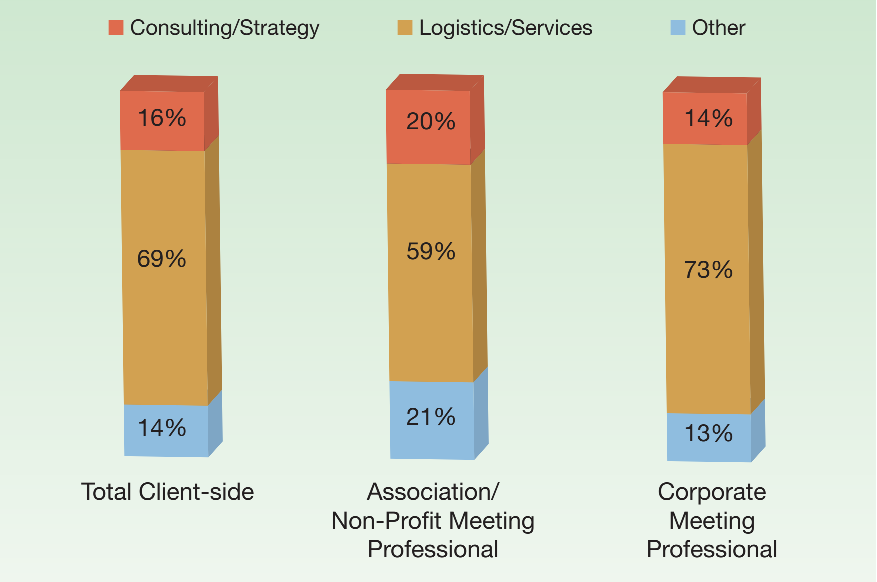
Authority over vendor selection varies widely among meetings industry decision-makers.

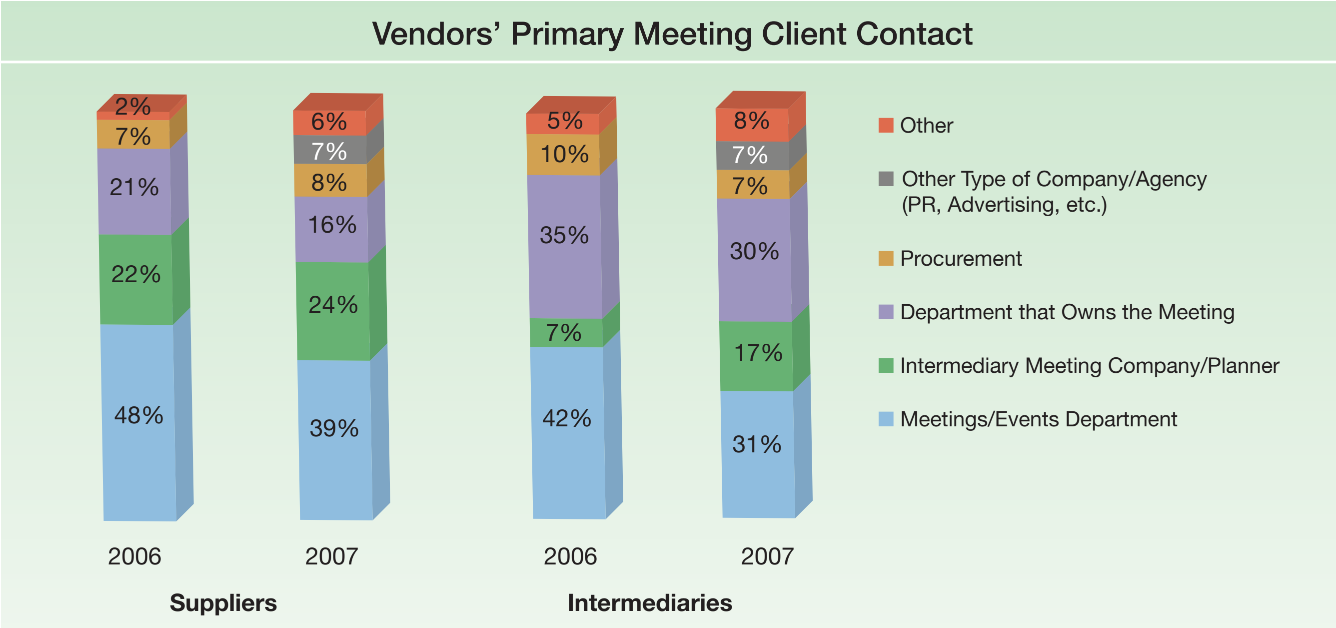
- Overall, intermediary planners indicate that they select the vendors for their meetings two-thirds of the time, while their clients select the vendors one-third of the time.

Percent of Events to be Outsourced in 2007




What is Being Outsourced by Organizational Type

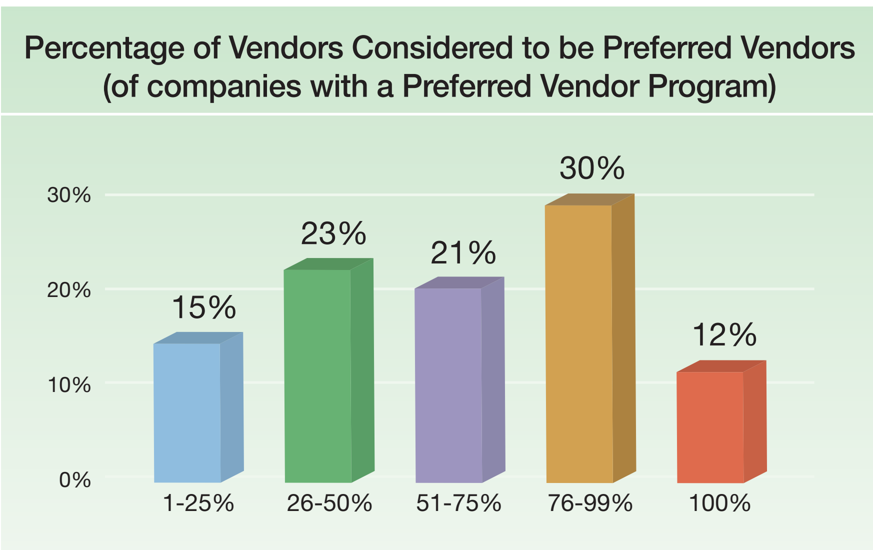





## A Business of Relationships

For suppliers and meeting management and services providers, meeting professionals are still the primary contacts within client organizations when an event is on the horizon, though meeting management and services professionals more often than last year report being engaged by other intermediary meeting companies and other types of agencies:

- 39% of suppliers and 31% of intermediaries identify someone within the internal meetings function as their main point of contact, down from 48% and 42%, respectively versus 2006.
- This decrease may reflect the addition of a new option to this year's survey, as opposed to a strong shift in activity. Specifically, this year's survey allowed respondents to select non-traditional (non-meetings) organizations as a main point of contact. This includes advertising and public relations agencies that sometimes handle meetings as part of a larger contract or area of responsibility. 7% in both groups work through this type of organization.
- 16% of suppliers and 30% of third parties deal directly with the department that owns the meeting, a decrease of 5 percentage points for both groups versus 2006.
- 8% of suppliers (up from 7% in 2006) and 7% of third parties (down from 10%) work through procurement.




## A Report Card for Procurement and Preferred Vendor Programs

It is widely acknowledged that procurement or purchasing departments are playing a more active role in purchasing decisions for meetings within many organizations. In this survey, planners assessed the prevalence of this involvement and provide both positive and negative feedback about the impact of this involvement.

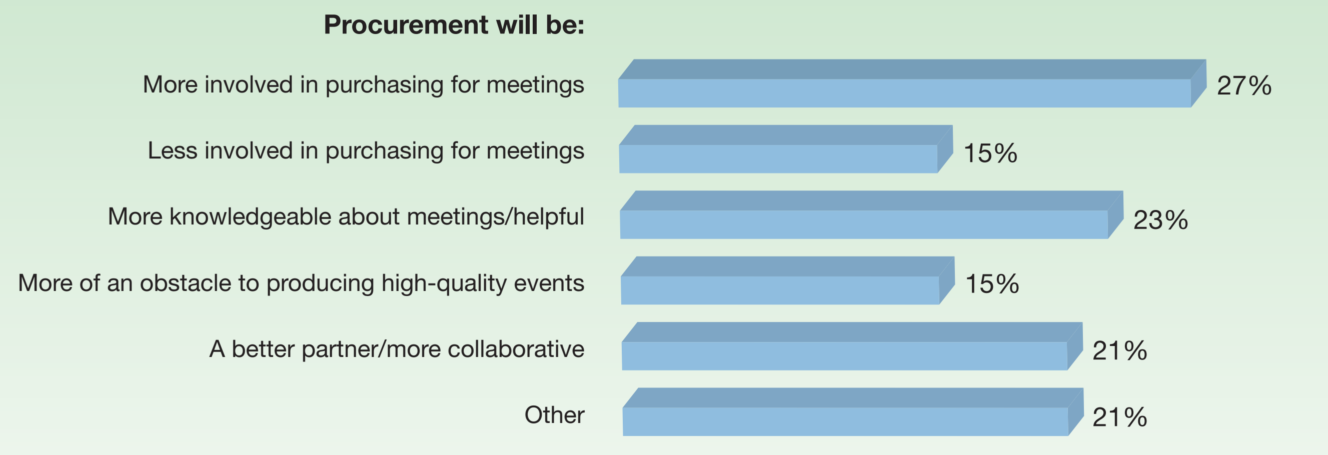
## Prevalence

- 30% of corporate and government planners say procurement plays a major part in their purchasing decisions and another 34% report some participation.
- 27% of respondents expect purchasing departments to become more involved with meetings in 2007, while 15% predict they will be less involved.
- 26% of corporate planners do not have a preferred vendor program, while a surprising 30% are not sure.
- Of companies that do have a preferred vendor program, 63% state that more than half of their meeting vendors are included in the preferred vendor group. Only 12% say that all of their meeting vendors are included.

When asked why they rated their preferred vendor program as being successful, planners cited the following reasons:

- Cost savings
- Time savings
- Improved relationships and partnerships with vendors that better understand their needs

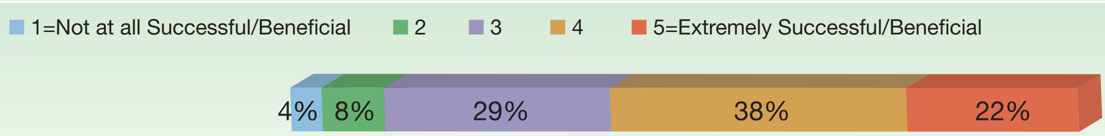
### Expectations for Procurement's Involvement in 2007




## Impact

- 23% of planners believe that procurement professionals will become more knowledgeable about meetings and events and therefore more helpful to meetings departments.
- 21% expect procurement to become a stronger collaborative partner for meeting professionals.
- 15% of planners, however, believe that procurement will become more of an obstacle to high-quality, high-impact meetings in 2007.
- 60% of corporate planners believe that their organization's preferred vendor program has been successful or beneficial (rating it either a 4 or 5 on a 5-point scale).
- Procurement also is impacting vendor organizations, demonstrated by the finding that 36% of meeting management professionals report that the involvement of procurement has influenced their fee structures. This trend is more pronounced for larger meeting management/services companies (46%) than for smaller, independent planners (23%).

### Planners'* Evaluation of Success of Preferred Vendor Program




*Corporate and government planners

*FutureWatch 2007* gathered primary intelligence on preferred pricing strategies for meeting management firms and independent planners. The following pricing strategies are used by the percentage of respondents noted:

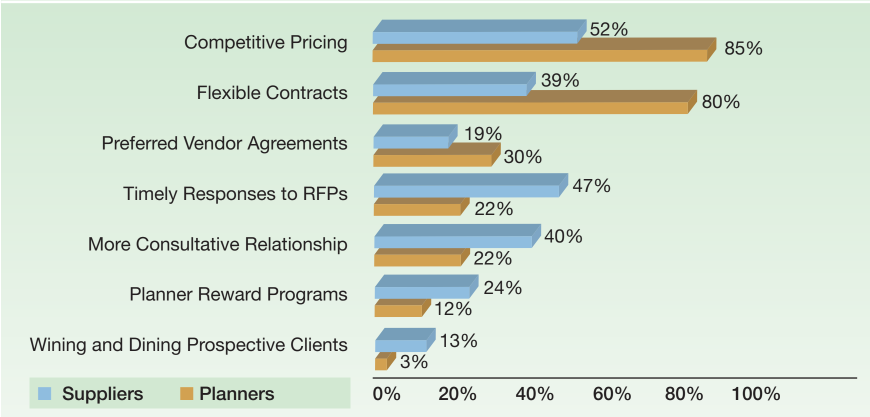
- **Time-spent fee:**
  41% of independent planners
  24% of meeting management/services companies
- **Fixed project fee:**
  28% of independent planners
  18% of meeting management/services companies
- **Commissions:**
  7% of independent planners
  33% of meeting management/services companies
- **Fee as % of cost:**
  15% of independent planners
  24% of meeting management/services companies

## Building the Relationship

Planners and hotel representatives agree that wining and dining prospective clients is by far the *least* effective way for vendors to build a long-term relationship. Differences were identified between the strategies suppliers plan to use and what planners would prefer. It is important to note, however, that consumers and clients are not always completely aware of, or forthcoming about, their motivations and the factors that influence loyalty.

- The vast majority of planners indicated that to win their loyalty, hotel representatives should offer competitive pricing (85%) and flexibility in contracts, clauses, etc. (80%).
- Although competitive pricing was first on both planners' and hotels' lists, only 52% of hotel respondents identified it as a means of building loyalty.
- No other means of inspiring loyalty received more than 30% support by planners, including becoming a preferred vendor, responding quickly to RFPs or being more consultative.
- Hoteliers may also be overestimating the effectiveness of providing a timely response to RFPs, creating a more consultative relationship and offering planner reward programs. For some of these strategies, high performance may simply be expected to continue to be considered as a vendor and may not be viewed as value-added service.

### Preferred Strategies for Building Loyalty with Planner Clients



## The Mapping of Meetings

The coming year tracks significant shifts in the geographic locations that meeting planners are considering for their events. A comparison with *FutureWatch 2006* data shows planners from the United States keeping more of their meetings closer to home, with Canadians traveling a bit farther from home.

In 2007, what percentage of your total number of meetings do you project to hold in the following areas of the world?

| | United States | Canada | Central America* | South America | Europe | Asia | Other | Mexico* | Caribbean* |
|---|---|---|---|---|---|---|---|---|---|
| **2007 Respondents** | | | | | | | | | |
| USA | **90** | 1 | 0 | 0 | 3 | 1 | 1 | 1 | 1 |
| Canada | 15 | **72** | 0 | 0 | 5 | 1 | 2 | 2 | 2 |
| Europe | 7 | 1 | 0 | 1 | **81** | 3 | 6 | 0 | 0 |
| **2006 Respondents** | | | | | | | | | |
| USA | **83** | 5 | 1 | 1 | 5 | 1 | 2 | | |
| Canada | 7 | **86** | 1 | 1 | 2 | 1 | 4 | | |
| Europe | 12 | 1 | 4 | 3 | **71** | 8 | 2 | | |

*Adding Mexico and the Caribbean as separate destinations for the first time affects comparison with past *FutureWatch* data.

- In 2006, U.S. planners expected to hold 83% of their meetings in the U.S., 5% in Canada and 5% in Europe. For 2007, they anticipate 90% in the U.S., 3% in Europe and just 1% in Canada—an 80% drop in volume that may be attributable to new passport regulations.
- Last year, European planners planned to hold 71% of their 2006 meetings in Europe, 13% in North America and 8% in Asia. For 2007, they predict 81% in Europe, 8% in North America and 3% in Asia.

- Canadian planners expect to hold 72% of their meetings in Canada, compared to 86% last year. Their activity in the U.S. will more than double, from 7% to 15% of meetings, perhaps to accommodate U.S. meeting attendees who might not be prepared for the new visa and passport regulations going into effect in January 2007 as part of the Western Hemisphere Travel Initiative.

| | USA | | Canada | | Europe | |
|---|---|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| City Hotels | 35% | 28% | 49% | 38% | 28% | 32% |
| Resort Hotels | 30% | 31% | 14% | 16% | 13% | 15% |
| Airport and Suburban Hotels | 10% | 11% | 6% | 7% | 5% | 7% |
| Conference Centers and Universities | 8% | 8% | 9% | 12% | 20% | 15% |
| Convention Centers | 8% | 12% | 15% | 13% | 17% | 16% |
| Restaurants, Country Clubs & Unique Venues | 7% | 10% | 5% | 14% | 9% | 15% |
| Other | 4% | NA | 2% | NA | 9% | NA |

## Facility Usage

On average, meeting planners expect to bring 35% of their business to city hotels in 2007. Resort hotels will receive 26% of meetings volume, followed by airport and suburban hotels, conference centers and universities and convention centers at 9% each.

- U.S. planners do not predict a significant departure from last year, with city hotels to host 35% of meetings, followed by resort hotels at 30%.
- Canadians expect to use fewer restaurants and unique venues in favor of using more city hotels.
- European respondents expect to follow their traditional usage patterns by using city hotels most frequently (28%), followed by conference and university centers (20%) and convention centers (17%).

Two-thirds of Canadian meeting planners predict a slight or major decrease in meeting attendance by U.S. citizens, compared to 34% across all *FutureWatch* respondents.

## About Meeting Professionals International

Meeting Professionals International is the association for the global meetings industry and is committed to delivering success for its 21,000 worldwide members by providing innovative professional development, generating industry awareness and creating business development opportunities. Founded in 1972, the Dallas-based organization delivers success through its 68 chapters and clubs in 20 countries around the world. For more information, visit www.mpiweb.org.

**Headquarters**
3030 LBJ Freeway, Suite 1700
Dallas, TX 75234-2759
**tel** 972.702.3000
**fax** 972.702.3089

**In Europe**
15, route de Grundhof
L-6315 Beaufort
Grand-Duchy of Luxembourg
**tel** +352-2687.6141
**fax** +352-2687.6343

**In Canada**
6519-B Mississauga Road
Mississauga, Ontario L5N 1A6
Canada
**tel** 905.286.4807
**fax** 905.567.7191

www.mpiweb.org

MEETING PROFESSIONALS INTERNATIONAL

Publisher
**Bruce MacMillan, CA**

Editorial and Design Support
**Dawn Myers**, Director of Research
**Edjuan Bailey**, Vice President of Marketing and Brand Management
**Kathryn Goldstein**, Director of Communications
**Paula Nourse**, Director of Marketing
**Val Bhakta**, Marketing Manager
**Jeff Daigle**, Assistant Art Director
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