

UNIT II

THE HISTORICAL DEVELOPMENT OF BUSINESS TRAVEL AND TOURISM

Business travel and tourism is certainly not a new phenomenon. People have been travelling because of their work for many centuries. However, some forms of business tourism, such as incentive travel, are modern inventions.

The problem with writing about the historical development of business travel and tourism is that it is a subject that has attracted very little attention from academics. There are, therefore, few sources to draw upon other than archive material relating to specific forms of business travel such as the Silk Route or the medieval trade fairs of Europe.

Nevertheless, understanding current business travel and tourism requires an appreciation of its origins and history, for some forms of business tourism today are simply the latest manifestations of age-old phenomena.

In Figure 2.1 we have attempted to offer a comprehensive, if highly generalized, view of the historical growth of business travel and tourism. This is clearly not based on hard data but is instead a generalized impression. Nevertheless, it makes the important point that business travel and tourism has grown more in the twentieth century than in all previous centuries, for a variety of reasons we will look at later in the chapter.

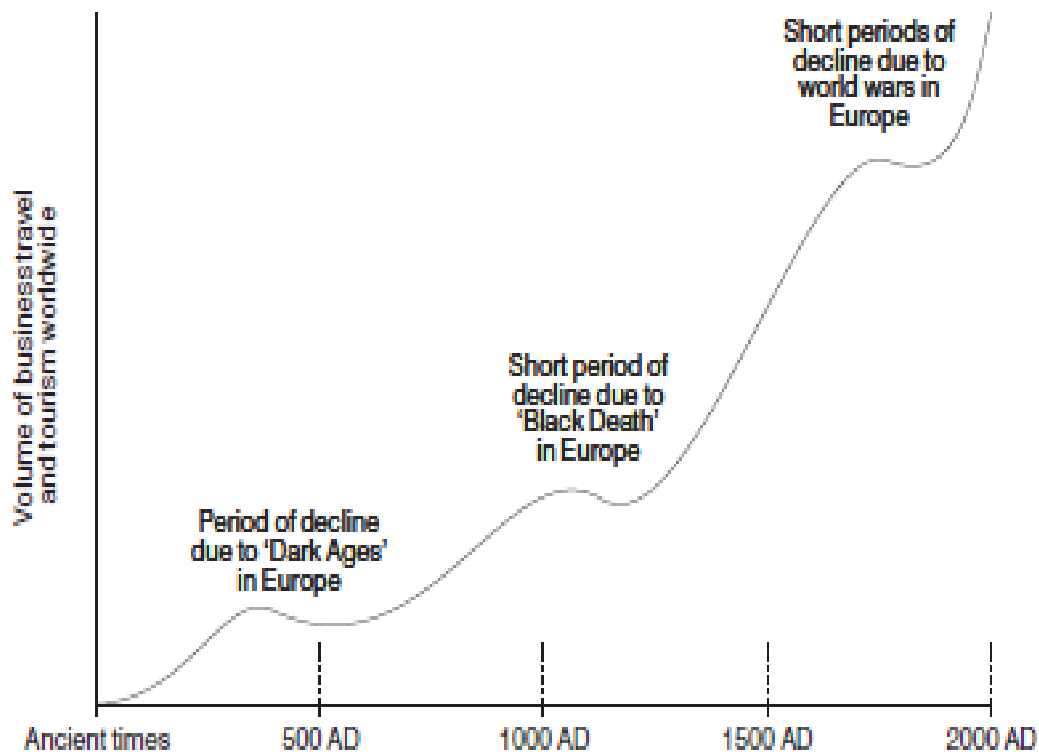


Figure 2.1 The historical growth of business travel and tourism worldwide

Figure 2.2 looks at some important developments in the historic development of business travel and tourism. We can also see that there have been some fluctuations in the volume of business travel during periods of war, instability or widespread disease.

While endeavoring to be a truly global picture, it is likely that Figure 2.2 reflects the situation in Europe and North America, more accurately than that in Africa and Asia, for example. Figure 2.2 suggests that business travel and tourism changed dramatically in the latter half of the twentieth century as new forms of business

tourism developed and the supply side responded with new products and services.

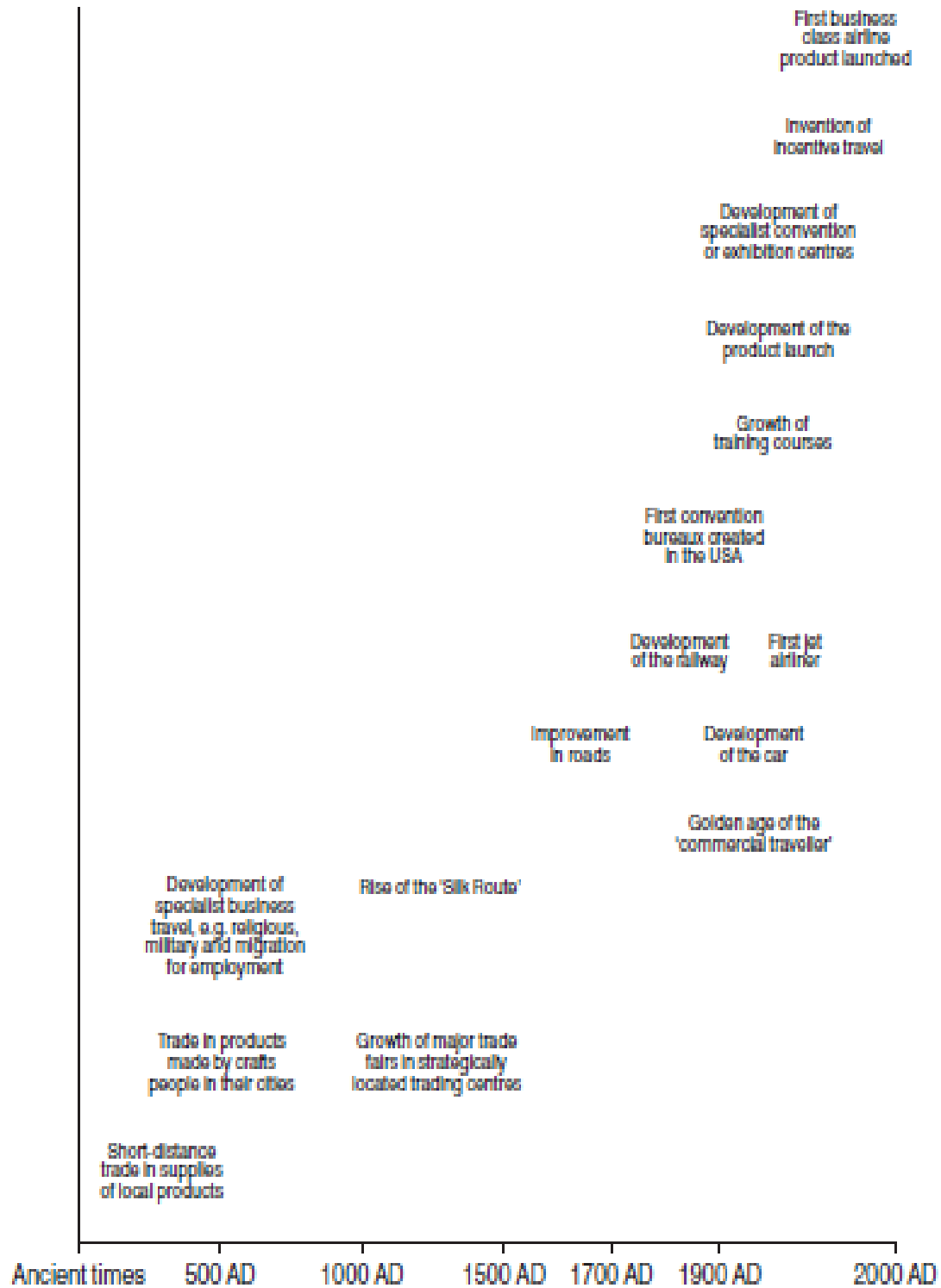


Figure 2.2 Major developments in the history of business travel and tourism

The origins of business travel and tourism

Business travel and tourism originated with trade between communities. Once agriculture developed beyond the subsistence level in areas of Africa, Asia and Europe, thousands of years before Christ was born, communities began to trade agricultural products. This led to the growth of markets, and producers travelled sometimes hundreds of kilometres to take their produce to market.

Then urban settlements began to grow and develop. These were home to artisans producing a range of products including clothes, tools and decorative arts. These were traded with the surrounding countryside for foodstuffs. However, they were also marketed further afield, particularly if they were of high quality or were made of materials not available in other countries. Archaeological evidence shows us that this trading often took goods thousands of kilometres from where they were made.

The earliest business travellers were, therefore, artisans and small-scale traders.

The great empires of Egypt, Persia, Greece and Rome

The rise of great empires including those of Egypt, Persia, Greece and Rome, among others, further stimulated this growth of trade-based business travel.

For example, in the Roman Empire, well-established trade routes developed across the empire, transporting goods in all directions. The museums of Europe, the Middle East and North Africa are full of evidence of this fact. A local museum of the Roman period in the UK, for example, could well contain pottery made in Italy, olive stones from Spain, wine jars from Greece and precious stones from Asia and the Middle East.

However, once these empires fell, there was often a period of economic and political instability, and as ever such instability was seen as undesirable and tended to temporarily reduce the volume of business travel and tourism.

The medieval trade fairs

By the medieval period business travel for trade was well established and its infrastructure included a number of massive trade fairs in strategically located towns and cities. These were vital days in the calendar for medieval merchants. The fairs might last for several weeks during which time great use was made of local accommodation, eating and entertainment facilities. One of the most famous of these fairs was the Beaucaire trade fair on the Rhone river in Southern France, which attracted tens of thousands of visitors.

The Silk Route

In the Middle Ages, perhaps the greatest business travel route of all time, the Silk Route, reached its peak. Although named after one commodity, this route was a conduit for the transportation of a wide variety of goods from Asia to Europe and vice versa. And while the term Silk Route implies a single route, the fact is that there were a number of routes, starting and ending in different places.

The Silk Route was very important in two main ways:

1 It stimulated the growth of a sophisticated set of support systems for business travelers including accommodation and restaurants – the ‘Caravanserai’ – transport services such as camel traders and guides.

2 The route was also the way in which scientific inventions and ideas, as well as goods, moved from Asia to Europe and vice versa. It is this route which brought phenomena as diverse as gunpowder, new religions, knowledge of astronomy and advances in medicine to Europe and the Middle East, from Asia. The Silk Route also created a network of major stopping points on the route which have tended to remain major trading cities ever since. For example, the role of Istanbul, a great trading centre, linking Asia and Europe, was established partly due to the Silk Route.

Other early forms of specialist business travel

Throughout history, there have been three highly specialist but important forms of specialist business travel, notably:

1 Priests of all religions, who have often had to travel with their employment, making pilgrimages to shrines.

2 Soldiers, particularly mercenaries, travelling to take part in battles or moving into newly occupied territory. Even more often they simply moved because they were ordered to move to a different garrison.

3 Workers migrating temporarily in connection with their trade. In many rural communities in France, for example, there was until recently a tradition of crafts people moving to cities to practice their trade for a few months every year when there was little demand for their services at home on the farms at certain times of the year.

Interestingly, while very ancient in origin, all three forms of business travel survive in many parts of the world.

The industrial age and business travel

Business travel and tourism in Europe grew dramatically between 1750 and 1900, for three main reasons:

1 The Industrial Revolution, which began in the UK, steadily spread to many other European countries. This movement increased the scale of production of industrial goods which then had to be marketed and transported. This stimulated a growth in business travel and tourism, particularly with the rise of the on-the-road salesperson, the commercial traveller.

2 Many European countries developed empires in Africa, the Middle East and Asia, and these colonies created a demand for business travel. Industrialists needed the raw materials from these countries while their populations also provided a market for the finished goods. Furthermore, administering the colonies created a

demand for business travel for the 'army' of colonial administrators from the home country to the colony, and within the colony.

3 This period saw the improvement of roads in general in Europe which made business travel easier. However, more importantly, the railway was born. Rail travel was faster than road transport and allowed business travellers to make business trips to more distant cities without it costing too much in terms of time or money.

Because of these factors, in Europe at least, the late nineteenth century in particular was a major period of growth for international business travel and tourism.

The early twentieth century

As the twentieth century dawned, the next major development in business travel and tourism was taking place in the USA. Meetings have gone on since time immemorial, but the concept of the conference or convention was developed, at this time, in the USA.

Trade and scientific associations, together with the political parties, began to organize large-scale gatherings in the late nineteenth century. This activity gathered pace in the early decades of the twentieth century. Cities soon realized that hosting such events brought great economic benefits and convention bureaux began to appear to market cities as convention destinations. As Rogers (1998) notes, the first was established in Detroit in 1896, followed soon after by Cleveland (1904), Atlantic City (1908), Denver and St Louis (1909) and Louisville and Los Angeles (1910). The phenomenon of the convention bureau is now well established around the world.

Because of these factors, in Europe at least, the late nineteenth century in particular was a major period of growth for international business travel and tourism.

The early twentieth century

As the twentieth century dawned, the next major development in business travel and tourism was taking place in the USA. Meetings have gone on since time immemorial, but the concept of the conference or convention was developed, at this time, in the USA.

Trade and scientific associations, together with the political parties, began to organize large-scale gatherings in the late nineteenth century. This activity gathered pace in the early decades of the twentieth century. Cities soon realized that hosting such events brought great economic benefits and convention bureaux began to appear to market cities as convention destinations. As Rogers (1998) notes, the first was established in Detroit in 1896, followed soon after by Cleveland (1904), Atlantic City (1908), Denver and St Louis (1909) and Louisville and Los Angeles (1910). The phenomenon of the convention bureau is now well established around the world.

DEMAND-RELATED FACTORS OF BUSINESS TOURISM

Figure 2.3 illustrates the demand-side factors which stimulated the growth of business travel and tourism worldwide in the second half of the twentieth century.

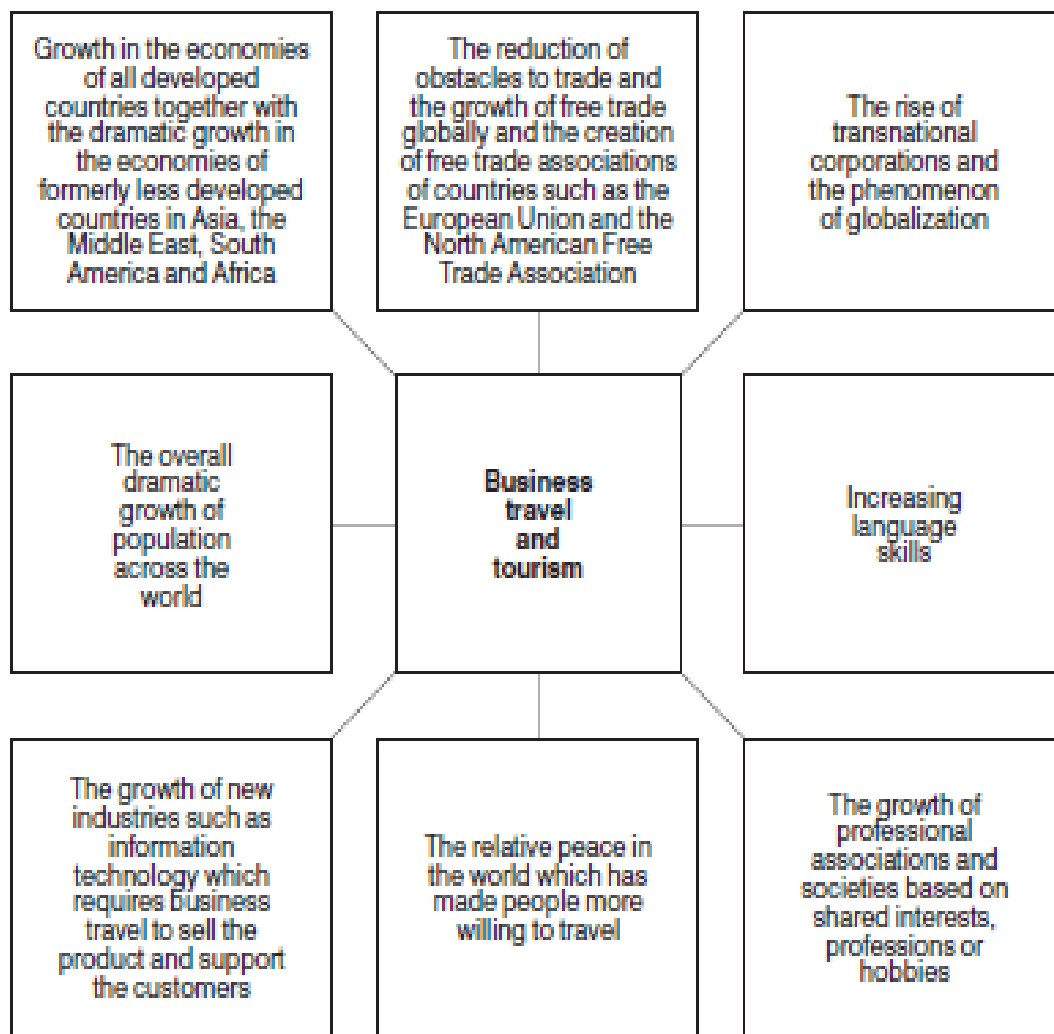


Figure 2.3 Demand-side factors in the growth of business travel and tourism, 1950–2000

SUPPLY-SIDE FACTORS OF BUSINESS TOURISM

The increase in business travel and tourism has only been possible because of developments on the supply side. These are illustrated in Figure 2.4.

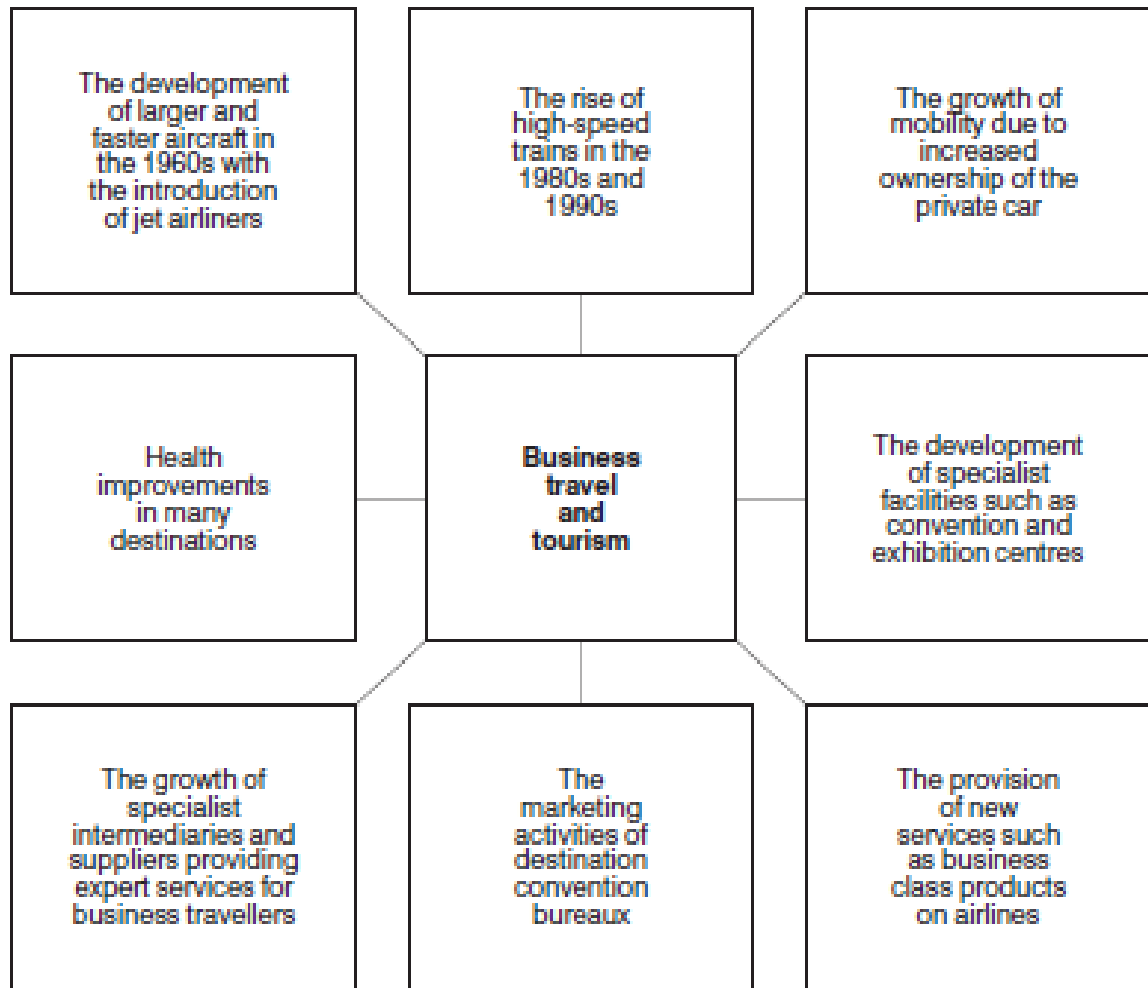


Figure 2.4 Supply-side factors in the growth of business travel and tourism, 1900–2000

FACTORS RELATING TO THE GROWTH OF PARTICULAR TYPES OF BUSINESS TRAVEL AND TOURISM

Table 2.1 lists the factors that have stimulated the growth of some particular types of business tourism.

Table 2.1 Factors stimulating the growth of selected types of business tourism

<i>Type of business</i>	<i>Factor</i>
Incentive travel	<ul style="list-style-type: none">● Introduction of human resource management theories and practices based on stimulating performance at work by offering non-monetary rewards and tangible recognition of the contribution of key individuals● The rise of specialist incentive travel agencies which offer tailor-made incentive travel packages
Training courses	<ul style="list-style-type: none">● The growth of new technologies which require staff to be trained● The emphasis on quality and service which requires training
Product launches	<ul style="list-style-type: none">● The growing globalization of markets and the need to market products to more than one country● The growth of competition and the need for high-profile launches to raise awareness of new products very quickly
Education-related travel	<ul style="list-style-type: none">● The growth of transnational co-operation in education● The increase in student exchanges● The growth of field visits in education at all levels

THE CHANGING GEOGRAPHY OF BUSINESS TRAVEL AND TOURISM

Over the ages, the geography of business travel and tourism has changed in a variety of ways. Having started in Asia, Africa and the Middle East in ancient times, the focus of development between 1000 BC and AD 1900 was generally Europe. Then the USA increasingly began to make its impact felt, but in the late twentieth century the 'tiger economies' of South East Asia and the oil-rich states of the Middle East dominated developments in terms of both demand and supply. In spite of the economic problems in Asia in the late 1990s, Japanese and Taiwanese business travellers are now a major element in the global market, and Asian cities and hotel chains are widely regarded as the leaders in terms of quality and service.

The future of business travel and tourism

While we are debating which part of the world will lead the way in developing business travel and tourism in the future, some commentators are suggesting the future for business travel and tourism may be much less buoyant than in the recent past. They argue that after several decades of rapid growth business travel will be badly affected by the threat of substitution, that is, the replacement of business travel by the use of new information and communication technologies, such as video- and computer conferencing as well as virtual reality. These, it is suggested, will reduce the overall demand for general business travel. Others dispute this, suggesting that the social and personal contact dimension of business travel will reduce this impact.

THE DEMAND SIDE OF BUSINESS TRAVEL AND TOURISM

Given the complexity of business travel and tourism, any attempt to seek to measure its volume is almost certainly doomed to failure. Data is collected on different bases in different countries and it can be a considerable time between the collection of data and its publication. Furthermore, much data is collected for commercial purposes and is never published.

There is also considerably more data available on conferences and meetings than on incentive travel or exhibitions, for example. This chapter, therefore, has a bias

towards conferences and meetings, although it does endeavour to consider all types of business travel and tourism.

However, before we begin to look at the demand for business travel and tourism, in statistical terms, we need to say a few words about the nature of demand, in this field, in general. First, we need to recognize that demand in business travel and tourism has two dimensions, namely, the customer and the consumer.

Customers and consumers

A major difference between business travel and leisure travel is the fact that in the former, there is often a clear distinction between the customer and the consumer. This phenomenon is illustrated in Table 3.1.

Table 3.1 The distinction between the customer and the consumer in business travel and tourism

<i>Customer</i>	<i>Consumer</i>
<ul style="list-style-type: none">● Employers or sponsoring organizations who make decisions that employees will travel, or give permission for employees to travel● Employers or sponsoring organizations who usually pay the bill for the travel undertaken by employees or representatives	<ul style="list-style-type: none">● Employees who actually travel and consume business travel and tourism services● Employees and representatives who travel but do not usually pay the bills themselves

While this is clearly a gross simplification of the situation it is still valid and helps explain one of the key perceived characteristics of the business travel and tourism market, namely the idea that business travel is less price elastic than leisure travel because, often, the business traveller him or herself is not paying the bill. However, this generalization does not apply to the self-employed, who constitute a significant proportion of the business travel and tourism market.

At the same time the customer and consumer can often be one and the same person or body. For example, the scientific committee of an international association conference will be both customer and consumer. They decide on the conference venue, pay to attend the event, and then attend and consume a range of travel and tourism services in so doing.

Motivators

The motivators for business travel will be different for the customers and consumers and perhaps in relation to different types of business travel. Let us look at some hypothetical examples to illustrate this point.

The managing director of a UK-based food company books a stand for the company at a trade fair in France. He wants to raise the profile of the company and increase sales in France, as cheaply as possible. He selects Mr 'A' to represent the company at this event because he speaks good French. Mr 'A' also has a taste for French food and wine and sees this as an ideal opportunity to indulge in both at the company's expense! He also sees it as an ideal opportunity to make contact with French companies to help him get a job in France. He spends lots of money but devotes little time to selling his own company's products.

Playtime Inc., a young computer games company decides to take staff on an incentive travel trip to help with team-building and to encourage staff to work harder in the future. The company does not explain this to the staff, who therefore think the trip is a reward for past efforts which, to be honest, have not been that great. The staff see this trip as a 'freebie', a perk, some fun at the company's expense. Not surprisingly, the trip is not a great success.

The head of the Philosophy School at Newton University gives permission for Dr Socrates to attend the International Symposium on German philosophers and their work, in Acapulco. This conference is part of Dr Socrates' staff development and is designed to help her keep up to date with developments in her field. It is also intended to give her an opportunity to network and raise the profile of the university's new MA in the Philosophical Aspects of Mobile Phone Use. Dr

Socrates has other ideas, however, and prefers to spend most of the conference discussing the philosophy of coastal tourism, on the beach, with an attractive male philosopher from the University of Nether Hampton!

All three scenarios illustrate the potential for a gap in the motivators of customers and consumers in the different areas of business travel and tourism.

The structure of demand

Business travel and tourism demand has a number of dimensions. Clearly, in its simplest sense it is the number of people travelling for business purposes in a particular region, country or worldwide.

However, this total demand can be subdivided in a number of ways, as can be seen from Figure 3.1.

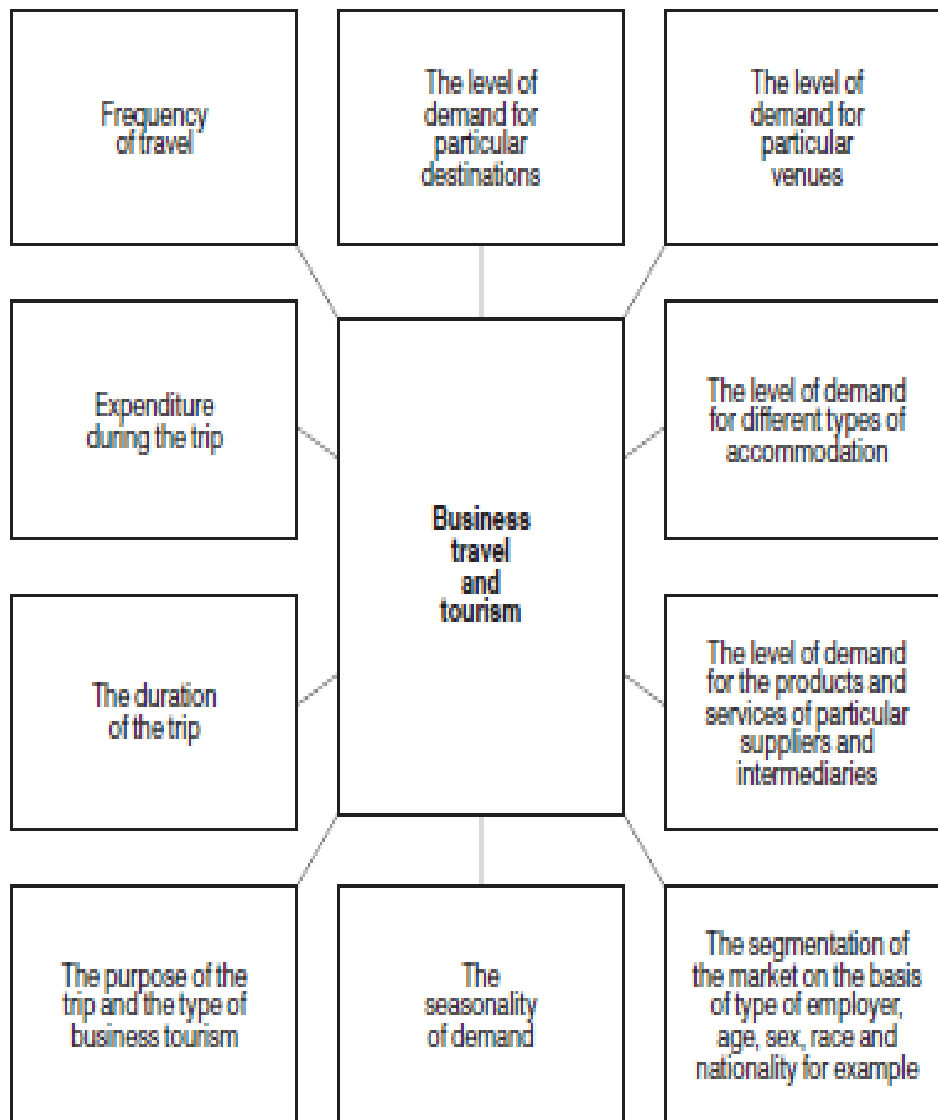


Figure 3.1 Dimensions of demand in business travel and tourism

The factors which influence business travel and tourism demand

Business travel and tourism demand is influenced by a broad range of factors found in both the generating region and the destination. These are summarized in Figure 3.2. The factors outlined in Figure 3.2 tend to focus on the forces that will influence demand between a specific generating region and a particular destination. It also gives an indication of the factors that will influence demand overall in any particular generating region.

However, this is a highly generalized picture and specific factors will influence the demand for particular forms of business tourism such as incentive travel and training courses. Let us now look at how the market can be subdivided and segmented.

Segmentation

It is possible to segment the business travel market in many ways, as can be seen from Figure 3.3.

The growing segments in the market appear to be:

- _ business travellers from newly industrialized countries such as South Korea or Taiwan
- _ business travellers from Eastern Europe where political change has led to growth of business tourism
- _ female business travellers
- _ people taking incentive travel packages
- _ frequent travellers
- _ long-haul business travellers.

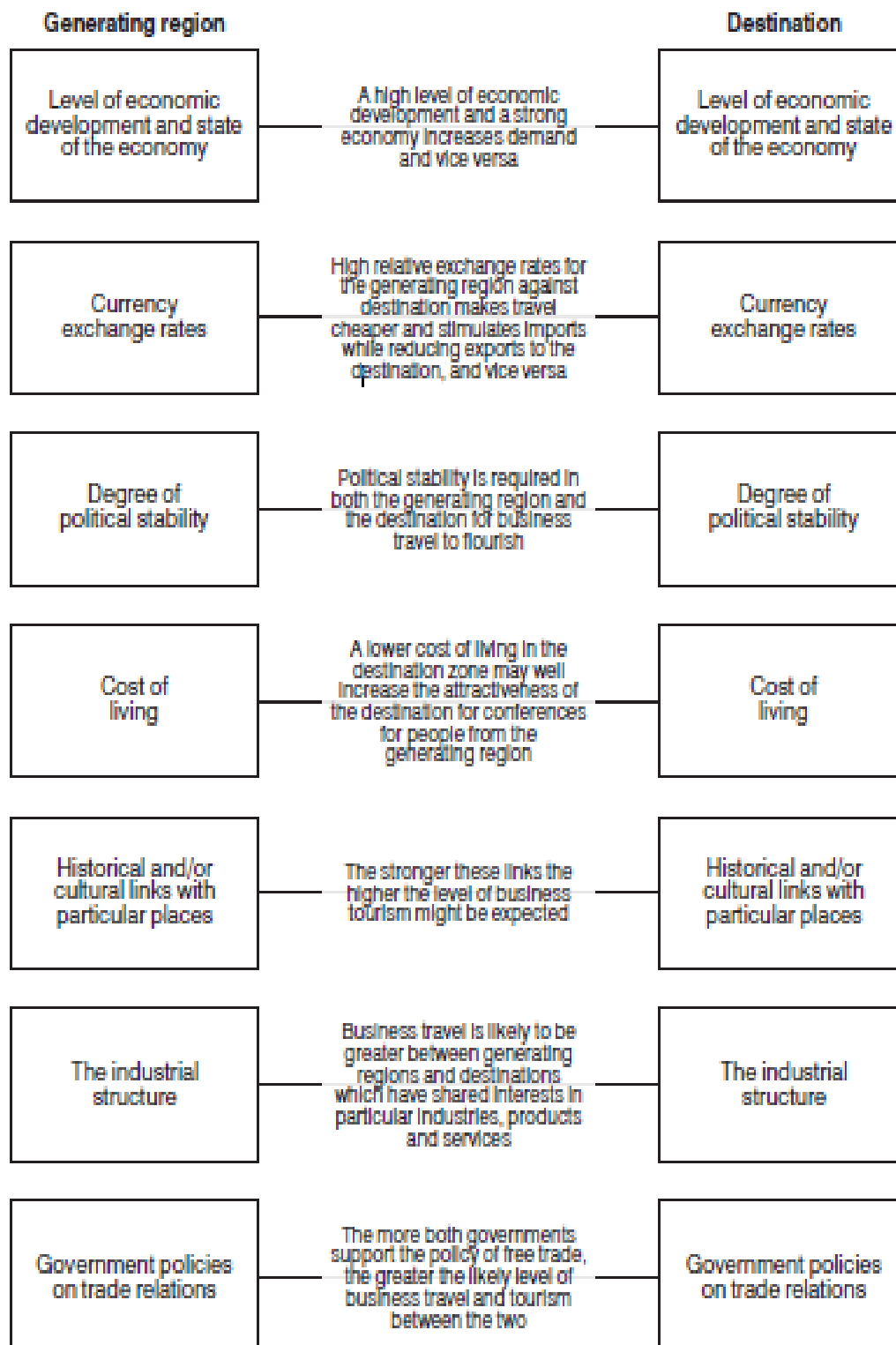


Figure 3.2 Factors influencing demand in the generating region and the destination

The geography of demand

By definition, business travel and tourism involves the movement of people so its pattern of demand will clearly have a strong geographical dimension. This is manifested in two ways:

- 1 A distinction, as with leisure travel, between domestic, inbound and outbound travel. The balance of these three types of demand will vary significantly between destinations.
- 2 Geographical differences, in terms of countries or regions of the world, from which a destination attracts the majority of its business travellers.

The global picture

It has been estimated that the value of the global business travel market in 1995 was approximately US\$398 billion of which 47 per cent came from Europe and 30 per cent from the USA (WEFA/WITC, 1998).

The International Convention and Congress Association estimated that, in 1999, 56 percent of international meetings took place in Europe, 15 per cent in Asia, 11 percent in North America, 10 per cent in Australasia/Pacific, 6 per cent in Central/South America and 2 per cent in Africa (Spiller and Ladkin, 2000).

Within the world, there are, however, great variations in levels of demand for business travel and tourism. We will now look at these at three different levels:

- _ regions of the world, focusing on Europe and Asia
- _ different countries of the world
- _ different cities of the world.

Regions of the world

Here we will concentrate on the issue of demand in what are probably the two leading business tourism areas of the world, namely, Europe and Asia.

The European business travel market

O'Brien, in 1998, published an interesting paper on the situation in the European business travel market in 1997 and 1998, using a variety of sources. The main conclusions of his work were as follows:

The demand side of business travel and tourism

1 Europe, in 1998 accounted for an estimated 47 per cent of all business trips (international and domestic) throughout the world.

2 The split of revenues from business travel in Europe in 1998 were estimated to be: Western Europe \$180.2 billion; Eastern Europe \$5.8 billion.

3 The top four business travel markets in Europe in terms of expenditure in 1998 were, in descending order of importance: France; Italy; Germany and the UK. France had a 17 per cent share of all European expenditure on business travel in 1998.

4 Business travel expenditure as a percentage of all travel expenditure varied from 13 percent in Germany to 37 per cent in Turkey.

5 The highest proportion of outbound business travel in 1998 came from the UK market.

6 The market share in national outbound markets of the five leading agencies in business travel in European countries ranged from 15 per cent in Italy to 80 percent in Norway.

7 European business travellers accounted for approximately 17 per cent of international business trips but contributed more than 80 per cent of the total revenues for major European airlines.

8 European business travellers accounted for 43 per cent of the bed nights in hotels worldwide.

9 Fewer than 15 per cent of European business travellers were under 35 years of age.

10 Less than 15 per cent of European business travellers worked for organizations with more than 550 employees.

11 Approximately 62 per cent of European business travellers made their reservations via a travel agent.

12 Only 24 per cent of those questioned had ever accessed the Internet for travel information.

13 Twenty per cent of UK companies were unable to estimate how much they spent on travel.

14 There was a growing interest amongst European business travellers in new forms of longer-stay accommodation such as serviced apartments.

15 It was generally agreed that business travel costs have risen significantly in recent years, particularly in terms of business class air fares. These figures show that Europe is a major force in global business travel demand and that there are significant differences between the business travel market in different European countries.

The conference, meetings and incentives market in Asia

Until the late 1990s the booming 'tiger economies' of Asia were recording impressive increases in business travel – inbound, outbound and domestic – year on year. Research reported in 1997 by Muqbil estimated that 10 000–20 000 meetings, incentive events, conferences and exhibitions (MICE) were taking place in Asia each year, involving as many as 14 million participants. Of these people it was thought around 80 per cent were attending exhibitions and trade shows. This flourishing MICE market was being fuelled by annual economic growth rates of up to 8 per cent per annum on average.

The leading destinations in the mid-1990s for hosting MICE events were, in order of importance:

- 1 Singapore.
- 2 Japan.
- 3 Thailand.
- 4 Hong Kong.
- 5 China.

The region was particularly successful at attracting both international events and incentive travel events. Because of this growth, investment in new facilities and infrastructure took place all over the region. For example, in the late 1990s Hong Kong opened its new airport and unveiled its new conference and exhibition centre which offers over 25 000 square metres of exhibition space. Confidence was high in the mid-1990s. The number of exhibitions held in Bangkok was expected to rise by 17 per cent between 1996 and 1999, for instance, and the Putra World Trade Centre in Malaysia targeted a 30 per cent increase in business between 1996 and 1997.

Then everything changed and the picture became more negative between 1997 and 1999, due to several factors, including:

- _ a severe economic crisis in most of the countries of South East Asia
- _ a serious reduction in the value of the currencies of many Asian countries such as Thailand and Malaysia
- _ political instability in Indonesia
- _ the 'smog' which affected large areas of the region in 1998
- _ the uncertainty surrounding the implications of the return of Hong Kong to China in 1997.

While one or two countries such as Singapore weathered the storm quite well, the economic crisis dealt a serious blow to most countries in the region. We can illustrate this point by looking at Indonesia. Demand for travel relating to business between the countries in the region, as well as with the rest of the world, fell. Airlines and hotels reduced their prices as the problems mounted. However, paradoxically, the weak currencies made Asia an attractive destination for incentive travel groups from other regions of the world. Now that the economies of

Asia are recovering we may well see them re-establish their strong position in the global business travel market.

Buyers

There are three types of buyer, namely corporate, association and public sector.

The *corporate buyer* is someone employed by a private sector enterprise. Buying business travel services can be the main or total role for an employee, or it may be an occasional task within a much broader job description.

The main industries which organize business tourism events include energy, medical, computing, engineering and financial services for example.

Research has shown that people involved in purchasing in the corporate sector can have a wide variety of different job titles and may have received little or no formal training in business travel and tourism.

It is clear that personal assistants and secretaries play a major role in buying business travel services in the corporate sector. Sales and marketing staff are also heavily involved in this activity. In 1998 Rogers published the results of research carried out as part of the UK Conference Market Survey which throws further light on the corporate buyer in the UK.

Rogers noted that corporate buyers were particularly involved in organizing board meetings, annual general meetings, corporate hospitality, exhibitions, incentive travel, product launches, sales conferences, team-building activities and training courses. This research covered organizations ranging from enterprises with less than ten staff to those with over 5000. Clearly, the way business travel is bought is likely to vary between small and large organizations.

The research quoted by Rogers also highlighted several other characteristics of corporate buyers:

- 1 The lead-in, or planning, time for many corporate events is measured in days and weeks rather than months or years.
- 2 Seventy-one per cent of corporate buyers would return to a venue if they were happy with it.
- 3 Fifty-five per cent of buyers said they would like to see a classification or grading system for venues.
- 4 More than 80 per cent of buyers were satisfied with the venue they had used most recently.
- 5 Corporate buyers made relatively little use of trade fairs and publications to obtain information.

Association buyers is a term that covers a multitude of different types of association. Rogers (1998) identifies six types:

- _ professional and trade associations whose members join because of their employment
- _ voluntary associations and societies whose members join to further an interest, belief, or hobby
- _ charities
- _ religious organizations
- _ political parties
- _ trade unions.

Most of these organizations are non-profit making but they normally have to cover their costs. They usually, therefore, have very clear budgets for business tourism events which they must not exceed.

Association buyers organize some of the largest conferences and these may have over 10 000 delegates attending, in the case of international annual conventions. Associations often employ someone specifically to organize events but they may also utilize volunteers. Decisions are often made by a committee. When setting up conventions, associations have to take into account the needs of all their members.

Many will endeavour to move their annual convention to different destinations each year to appeal to members who live in different areas.

Table 4.1 Characteristics of corporate and association buyers

<i>Corporate buyers</i>	<i>Association buyers</i>
Work for 'for profit' organizations	Usually employed by 'not for profit' organizations
Event decision-making process is often straightforward and rapid	Event decision-making process is complex and prolonged
Events have a relatively short lead-in time	Events often have a relatively long lead-in time
Buyers may organize a wide variety of events	Buyers often organize a limited number of events
Events often have fewer than a hundred delegates	Events often have hundreds, if not thousands, of delegates
Per head costs are usually relatively high as the company is paying	Per head costs are usually relatively low as delegates are often paying themselves
Events are organized year round	Most events take place in spring and autumn
Most events last two days or less	Major events last three or four days
Delegates' partners rarely attend	Delegates' partners frequently attend

Rogers distinguished between corporate and association buyers.

Public sector buyers – central and local government, and statutory agencies – are often operating on very tight budgets. The health and education sectors are two important public sector activities which are heavily involved in organizing business tourism events.

In general, public sector buyers are employees for whom buying business tourism

services are only a minor part of their job. Most events are organized by buyers but, increasingly, private companies, associations and public sector bodies, are using specialist intermediaries to plan and manage their event.

Intermediaries and specialist agencies

There are a number of types of specialist intermediary performing different roles in different sectors of business travel and tourism. These are listed in the below table.

Types of intermediaries in business travel and tourism

<i>Type of agency</i>	<i>Role</i>	<i>Types of business tourism</i>
Professional conference organizer	Organizing a whole meeting/ conference or aspects of it such as venue funding, financial arrangements or social programme organization	Conferences and meetings training courses
Venue-finding service	Finding rooms for conferences and meetings	Conferences, meetings, training courses, product launches
Conference production service	Specialize in actual staging of the event including lighting, special effects, sound systems	Conferences, meetings, training courses, exhibitions, product launches
Incentive travel agency	Organizing incentive travel packages for clients	Incentive travel
Destination management company	Specialist ground handlers who handle practical arrangements in destinations	Conferences, meetings, incentive travel, exhibitions, product launches
Corporate hospitality company	Focus on organizing corporate hospitality and entertainment events either as stand-alone events or as part of other events	Conferences, meetings, exhibitions, product launches, incentive travel
Business travel agency	Providing travel agency services for business travellers including transport bookings and accommodation services	Individual business trips
Exhibition organizer	Organizing exhibitions/ reservations	Exhibitions

Source: adapted from Rogers (1998).

A few further words will help clarify some issues relating to the content of Table. Most intermediaries receive a commission from the client on whose behalf they are operating. Otherwise, they receive a fixed fee. Some business travel agencies are located within large organizations, working exclusively for them. These are described as ‘implants’.

Let us now look at two of these intermediaries in more detail – professional conference organizers and incentive travel and event management agencies.

The professional conference or congress organizer

Many organizations are making increasing use of professional conference/congress organizers to manage their business tourism events.

The International Association of Professional Congress Organizers (IAPCO), in one of its brochures promoting the use of professional conference organizers (PCOs) outlines the reasons for using a PCO in the form of answers to hypothetical questions from potential clients.

Q What can a PCO do that my staff can't

A PCOs do not have supernatural powers but they do cast a kind of magic on a conference! They have human resources, technical resources and contacts built up over many years. They have the experience and skills to produce professional results even on a shoestring budget. Undertaking your project from scratch would demand a great deal of your staff's valuable time. A PCO will save them the headache.

Q What is the difference between a PCO and a travel agency, destination management company, tour company, convention bureau, hotel, caterer, public relations consultancy, production house, conference centre?

A Not such a silly question because you may find all those establishments offering some conference-management services. An independent PCO company has no other conflicting interests. It is the only one specializing in every aspect of conference organization and co-ordination, taking full responsibility for budget control and liaising whenever necessary with all other suppliers, including those listed above.

Q Would the PCO take over completely?

A Don't worry! You and your colleagues retain complete control of your conference, with none of the day-to-day logistical hassle. At the outset of a project, the PCO sits down with the client to discuss the aims and objectives. Many decisions need to be made and the PCO can help identify those critical for success and offer advice on how to achieve them. The client is still responsible for the content of the programme, but the PCO can give full administrative and technical support in managing it.

A PCO is a consultant, an administrator, a creator, an extension of your organization

Q What will it cost?

A There are various ways of charging for a PCO's services. It could be either as a percentage of the budget or on a fee basis. Such fees cover a PCO's staff and time costs. The actual costs of the conference, including expenses such as mailing, telephones etc. are usually charged separately. All costs, including fees, will be incorporated into the conference budget. Whatever the arrangements the client and PCO must agree what the fee covers so there are no surprises. A written contract between the two parties, client (principal) and PCO (agent), is essential. Most PCOs will also offer delegates an accommodation booking service, costs of which in some countries are covered by commissions from hotels.

At first sight employing the services of a PCO might look expensive but you have to count the many man-hours [sic] involved. In the long run the PCO's expertise means the client avoids wasting money – a bonus for low-budget conferences – and there is less chance the event will make a loss. Indeed, in many cases where events are intended to be money-making, profits are actually increased. The PCO can also suggest sources of finance or pre-finance and, given sufficient lead time, assist in identifying potential sponsors.

In the end what you are paying for is professionalism.

The final result will be a congress which meets international standards of event organization.

Source: IAPCO literature.

The services of a professional conference/congress organizer

- Assistance with conference bids.
- Help in defining objectives.
- Advice on congress taxation liabilities.
- Preliminary outline plan.
- Draft income and expenditure budget.
- Finance consultancy – pre-finance, sponsorship, exhibitions, loans, registration fees
- Book-keeping.
- Control of bank accounts, income and expenditure ledgers.
- Venue negotiation.
- Organizational structure.
- Meetings with organizing committees.
- Liaison with production companies.
- Secretariat and office facilities, including mailing address.
- Registration processing systems.
- Scientific or technical programme support.
- Exhibition and poster sessions.
- Speaker liaison.
- Marketing and public relations.
- Press office.
- Staffing on site.
- Social events.
- Liaison with airlines.
- Delegate transportation.
- Closure of conference accounts.
- Post-event evaluation.

The PCO will commission or bring in:

- Design and print (congress image).
- Gifts and conferences accessories.
- Insurance cover.
- Food and beverage.
- Decor and staging.
- On-site services – electronic message systems, signs, security.
- Audiovisual equipment.
- Simultaneous interpretation.
- Conference recording.
- Translation of conference documentation.
- Video-conferencing.

Additional services offered:

- Accommodation bookings.
- Tour programmes.

Source: IAPCO literature.

Incentive travel and event management agencies

These organizations specialize in organizing:

- _ incentive travel packages
- _ corporate hospitality and entertainment
- _ conferences and meetings, particularly those with a major partners and/or a social programme.

As these sectors of business tourism continue to grow such agencies are flourishing. This fact is clearly illustrated by the results of the 1999 Annual Conference and Incentive Travel Survey which was published in February 2000. This survey covers UK-based agencies only and shows a picture of growth and optimization.

The survey contained some clear useful information about the agencies in this field, some of which are highlighted below:

- 1 Around 30 per cent of agencies had a turnover in excess of £5 million per annum.
- 2 Nearly a quarter of all agencies made less than £100 000 profit.
- 3 Fifty per cent of agencies employed less than twenty staff.
- 4 Eighty per cent of all agencies believed the incentive travel market was in a healthy or very healthy state.

As we have seen in this section, intermediaries are playing an increasing role in the interface between buyers and suppliers. It is now time for us to turn our attention to the latter group.

Suppliers

As we saw earlier, suppliers can be divided into five types: destinations, venues, transport, accommodation and ancillary services.

Destinations are dealt with in detail in Chapter 5 so here we will simply make just a few comments on their role in the supply side of business tourism.

Rogers (1998) states:

Conference organisers attach greater importance to 'location' than to any other single criterion when selecting their sites. Location may be expressed in terms of

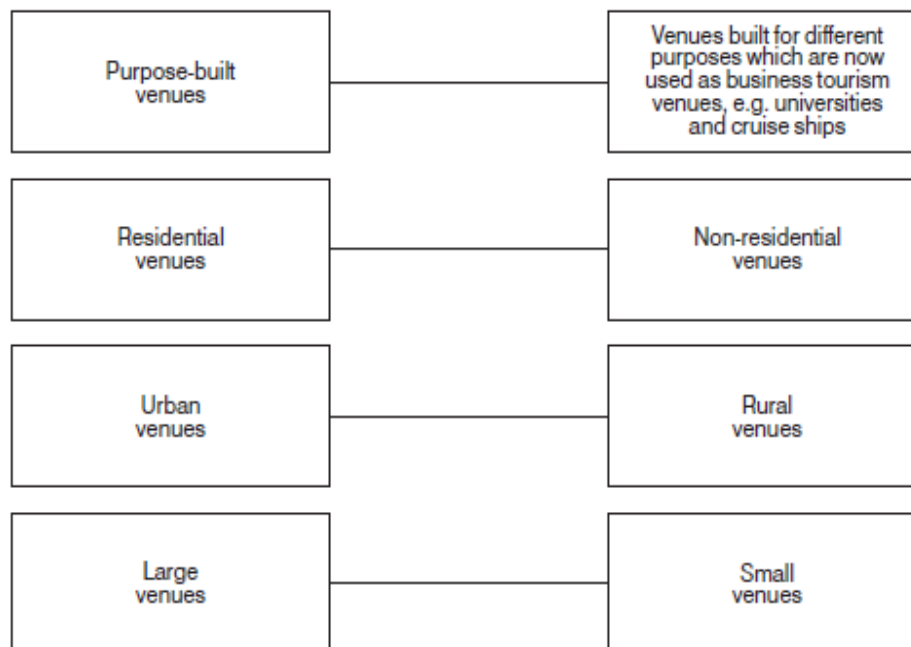
‘town’, ‘city’, ‘region’, or ‘country’. The widely accepted term to describe each of these is destination . . . A destination . . . is usually a discrete area with identifiable boundaries. Each . . . destination must contain a range of venues, facilities, attractions, supply services, and infrastructure.

Destinations are usually marketed by public sector bodies or joint public–private partnership agencies but most of the elements of the destination are in private ownership.

Venues are the places where business tourism events actually take place, whether they are conferences, meetings, exhibitions, training courses, incentive travel packages or product launch sites. Venues can be classified in a number of ways, as can be seen from Figure 4.6.

Hotels are perhaps the best known venues for meetings, and conferences in particular, but there are different types of hotel venue, including:

- _ city centre hotels
- _ ‘motels’ located on major roads
- _ coastal resort hotels
- _ ‘country house’ hotels in rural locations.



Organizers are increasingly looking for more unusual venues to make their events special.

These may include the following:

- _ sporting venues, e.g. golf courses, football grounds, and racecourses which offer high profile venues
- _ historic buildings, e.g. castles and stately homes
- _ theme parks
- _ transport venues, e.g. cruise ships, ferries and trains
- _ museums.

In 1999 Leask and Hood published a survey of such venues in the UK. They found that:

- 1 Unusual venue had only recently started to provide facilities for business tourism events, with 37 per cent of them only providing such facilities for less than five years.
- 2 Forty-three per cent of such venues entered the market because of demand, in other words, people wanting to use them, and approaching them.
- 3 Corporate clients were more important clients for the venues than association clients.

Leask and Hood (1999) identified the following strengths and weaknesses of these unusual venues. The main weaknesses in the provision of unusual venues were as follows:

- _ the size and range of facilities available
- _ the lack of accommodation on site
- _ limited technical and audiovisual equipment
- _ poor industry knowledge and trained staff
- _ accessibility and suitability of buildings
- _ offering a unique experience, once experienced not required again.

On a more positive note, the strengths identified were that unusual venues:

- _ offer a unique, memorable experience
- _ are competitively priced

- _ offer facilities particularly suitable for small meetings
- _ meet the needs of buyers demanding ‘something different’ in a venue
- _ provide a quality and friendly service.

The growth of business tourism has encouraged the public and private sectors to invest in new purpose-built exhibition and conference venues. The 1999–2000 ‘venue’ guide, for example, identified around 6000 venues, many of which were recently developed facilities.

The *Conference and Incentive Travel* preview of the International Confex 2000 exhibition gave details of the opening or refurbishment of more than fifty major purpose-built venues worldwide. These purpose-built venues are designed for both conferences and exhibitions with multipurpose spaces. The Lille Grand Palais, for instance, has an auditorium which seats 5000 together with 22 000 square metres of exhibition space.

Transport clearly is vital to business tourism in that it moves the business traveller to their desired destination, and then moves them around the destination.

All forms of transport are used in business tourism industry:

- _ air transport – scheduled and charter flights, private aircraft, air taxis, chartered helicopters
- _ rail transport – scheduled railways, steam railways
- _ road transport – private cars, scheduled buses, chartered coaches, car hire, taxis
- _ water transport – ferries, cruise ships.

We can see from this list that transport is not only a way of moving from A to B in business travel and tourism. It can also be:

- _ a venue, such as the trains with meeting rooms offered by SNCF, the state railway operator, in France
- _ a core element of social programmes as when delegates’ social programmes involve horse-drawn carriage ‘taxis’ in Central Park, New York and Killarney, Ireland.

Airlines have certainly realized the importance of business tourism to their operations and have invested heavily in facilities for business travellers including dedicated lounges and on-board computer access.

A recent survey conducted by *Conference and Incentive Travel* showed that airlines have tried to improve services, particularly for conference organizers. For example, 32 per cent of airlines allow name changes for group travel passengers within three days of travel, and some 60 per cent of airlines questioned now have a department dedicated to conference and incentive travel.

Accommodation is clearly required for all residential business tourism. Most of that used is commercial accommodation although some business travellers stay with friends and relatives.

There are several aspects of the link between accommodation and business tourism, including the following:

1 Accommodation establishments can be both venues and places to sleep and delegates can meet in one hotel but sleep in another.

2 Organizers can meet the needs of different delegates by offering different types of accommodation at varying price levels.

3 Some accommodation establishments can encourage people to attend conferences, because of their fame and high-quality reputation, if they are the conference venue.

4 Accommodation does not just mean hotels. It can also include:

(a) timeshare developments

(b) self-catering complexes

(c) university halls of residence

(d) youth hostels

(e) cruise ships

(f) novel forms of accommodation such as an ice-hotel in Sweden, 'Rorbus' in the Lofoten Islands, Norway, and horse-drawn carriages in Ireland.

5 On wilderness-based training courses or incentive travel packages, no formal accommodation may be provided as participants will be expected to 'survive'.

Alternatively, they may simply be accommodated in tents. Accommodation, together with travel, is usually the largest element in the budget for a conference delegate.

Accommodation providers, notably hotel chains, have provided an increasing variety of facilities to attract the business tourist from in-room computer access, to business centres, to a wide variety of meeting rooms. For many hotels, business tourism, of all types, is the source of the majority of their revenue.

Finally, business travel and tourism require a range of other *ancillary services* including:

- _ audio-visual equipment suppliers
- _ badge-makers
- _ caterers
- _ computer hire
- _ couriers
- _ designers
- _ direct marketing agencies
- _ entertainment
- _ exhibition constructors
- _ exhibition display-makers
- _ fireworks suppliers
- _ florists
- _ freight forwarders
- _ furniture hire
- _ gift and souvenir suppliers
- _ graphic artists
- _ insurance services
- _ Internet developers
- _ interpreters and translators
- _ lighting specialists
- _ marquee hire
- _ mobile toilets
- _ photographers
- _ public relations consultants
- _ recruitment agencies and event personnel providers

- _ research organizations
- _ security
- _ sign-makers
- _ speaker groups
- _ ticket agencies
- _ training specialists
- _ video-conferencing specialists

Sometimes the existence in a destination of particular ancillary services may influence an organizer's decision about destinations for business tourism events. For example, a company arranging a high-tech product launch may choose a destination which has expert information technology and audiovisual companies located there. While we have divided these suppliers into five categories, it is important to recognize that there is a great interdependence between all five elements. The business tourism product and experience utilizes all five of these and there is also interdependency between these suppliers, the intermediaries and the buyers.

It is now time for us to look at the final category, those who provide other services to the business tourism industry as a whole.

Miscellaneous services for the business travel and tourism industry

This category includes six types of organization or phenomena which provide diverse services to the business travel and tourism industry, those which were set out.

The business travel and tourism sector has its own *trade media* read by suppliers, buyers and intermediaries. Rogers (1998) identified twenty-four leading international conference industry trade journals. Of these, fifteen were based in the UK, four in the USA, two in Italy, one in France, one in Spain and one in Germany. This Anglocentric list probably excludes a number of non-UK journals. In 1999, the European Meetings Industry Liaison

Group (EMILG) produced a list of twenty-seven trade journals which included five from the UK, five from the USA, four from Spain, four from Germany and two

from Belgium. Both lists excluded titles known to the author, notably *Synedrio* from Greece. In spring 2000 it was announced that a new journal was to be launched for Asia. Finally, there are also specialist journals for the exhibition sector.

There are a number of industry *trade fairs* which serve the industry and provide an interface between producers, intermediaries and customers, including EIBTM and International Confex. A case study of these two events is to be found in Part Five of this book.

In recent years there has been a growth of *professional bodies* in this field. Rogers (1998) identified seven UK associations and seven leading international professional bodies.

These latter included:

- _ Association Internationale des Palais de Congr es (AIPC)
- _ European Federation of Conference Towns (EFCT)
- _ International Association of Convention and Visitor Bureaux (IACVB)
- _ International Association of Professional Congress Organizers (IAPCO)
- _ International Conference and Convention Association (ICCA)
- _ Meeting Professionals International (MPI)
- _ Society of Incentive Travel Executives (SITE).

Some of these organizations, such as SITE, relate to one sector only while others have a broader remit. At the same time, some focus on Europe while others are truly global. Meeting Professionals International was founded in 1972, has 18 000 members and is run from its headquarters in Dallas, USA, and its European bureau in Brussels, Belgium.

Its members are divided evenly between planners and suppliers. It has developed a highly recognized education programme for members including its Certificate in Meetings Management. It provides a resource database for members and produces a monthly journal. It seeks greater recognition of the meetings industry.

In 1999, MPI's European membership comprised:

- _ professional congress organizers, 28 per cent
- _ corporate buyers, 18 per cent

- _ hotels, 15 per cent
- _ congress centres, 9 per cent
- _ associations, 7 per cent
- _ destination management companies, 7 per cent
- _ convention and visitor bureaux, 6 per cent
- _ others, 10 per cent.

The International Association of Professional Congress Organizers was founded in 1968 to:

- _ gain further recognition of the professional congress organizer's role
- _ maintain a high professional standard
- _ carry out research on industry problems
- _ offer a forum for sharing experiences
- _ liaise with other, relevant bodies.

It organizes a major annual seminar and produces a range of publications.

The Society of Incentive Travel Executives, founded in 1973, has sought to raise the profile of incentive travel and increase standards of professionalism. It funds relevant research and provides teaching materials for tutors. It is clear from these three examples that one major aim of professional bodies in this field is to gain recognition for business tourism, or at least for their sector of it. However, the fragmentation of these bodies is, perhaps, an obstacle to the 'industry' gaining greater recognition from policy-makers in government.

Business travel and tourism makes use of a variety of *consultants* including:

- _ design consultants for new conference and exhibition facilities
- _ marketing advice for destinations and businesses
- _ carrying cost feasibility studies for new facilities
- _ human resource specialists advising on human resource management strategies and incentive travel packages
- _ training consultants to advise on training courses.

Most countries now have a *national tourism organization* (NTO), usually publicly funded, and many of these now have specialist business tourism departments. *Conference and Incentive Travel* reported in June 2000 that thirty-one out of fifty leading NTOs had a dedicated conference and incentive travel department. Their role is usually to attract new business tourism events to the country through the provision of advice, brochures, advertising, research and useful contacts.

Educational institutions are also playing an increasing role in business tourism, including:

- _ offering modules and courses in business tourism and conference or exhibition management
- _ undertaking research and consultancy for the industry
- _ providing students to work with industry organizations on placement.

However, there is still scope for greater co-operation between education and industry in the business travel and tourism field.

Key issues

There are two issues that need to be noted before we conclude this chapter:

1 *The geography of supply*. The supply side in business travel and tourism is not consistent around the world. In some countries it is highly developed reflecting a well-established domestic and/or inbound and/or outbound business tourism market. These countries include the USA, Canada, Australasia, Hong Kong, Singapore and many European countries. In other countries there may be pockets of well-developed supply in resorts where business tourism is well established but where levels of business tourism covered in the country are low. Supply also crosses national boundaries with intermediaries in country 'A' working with venues and accommodation operators in country 'B'. This is particularly evident between so-called developed and less developed countries.

2 *The link between business and leisure*. Business tourism, as we have seen, has its own distinct supply side. However, just as leisure and business overlap in terms of

how business tourists spend their time, there is also a link between them in terms of supply.

For example:

- (a) Visitor attractions aimed at leisure tourists also provide services, such as corporate hospitality, for business tourism events.
- (b) Hotels and airlines serving the needs of business and leisure travellers alongside each other.
- (c) The transport infrastructure used by leisure and business travellers is generally the same, such as airports and roads.
