Policy Directions

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Convention Wisdom Revisited

Boston Convention Center Projections

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The National Convention Market

The *Final Report of the Study Commission on the Boston Convention and Exhibition Center,* released in March 1997, assured convention center supporters, "In nearly all categories of meeting activities, positive growth has occurred in the North American meetings market since the early 1970s."[1] Using data from the Center for Exhibition Industry Research and the *Tradeshow Week DataBook*, Boston's consultants reported that "overall growth is expected to be strong."[2] The Center had projected the total number of conventions and tradeshows nationwide would reach 4,781 by 2000, with 140 million attendees and some 550 million net square feet of exhibit space used. It was this optimistic and expansive view of the national convention market that sustained the commitment by Boston and the Commonwealth to the construction of the Boston Convention and Exhibition Center. Data available for 2000 and 2001 provide a basis for revisiting these industry growth projections.[3]

Professor Sanders has written three Pioneer *White Papers* on the Boston Convention Center, which are downloadable from **www.pioneerinstitute.org/research/whitepapers.**

The total number of conventions and tradeshows booked for 2001 is 4,333. This most recent count of events is effectively unchanged from 1994 (4,316) and 1995 (4,315), and slightly lower than the figure of 4,400 reported for 1996. Current figures are well below projected totals and indeed provide a measure of the competitive situation Boston's tradeshow industry faces in 2001.

The *Final Report* also noted that "attendance has been the most volatile element of the meetings industry over the past three years."[4] That volatility has continued. Reported attendance for 2000 came to 126 million, well short of the 140 million projected by the Center for Exhibition Industry Research. Estimated attendance for 2001 is only 74.6 million.

Nor have the optimistic assumptions of strong growth in exhibit space used been borne out, as reported space usage for 2001 is 495 million square feet.

Growth Trends

A general assessment of meetings industry growth can be made from annual figures published in the *Tradeshow Week Data Book,* which covers events down to

[1] City of Boston and Commonwealth of Massachusetts, *Final Report of the Study Commission on the Boston Convention and Exhibition Center,* March 1997, Technical Appendices, Meetings Industry Overview, p. 1.

[2] Ibid., p. 11.

[3] Data for 2000 and 2001 are taken from *Tradeshow Week Data Book*.

[4] *Final Report,* Technical Appendices, Meetings Industry Overview, p. 9.

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5,000 square feet in size and provides estimated figures for attendance and space use. The total volume of tradeshows and conventions has remained remarkably stable since 1994, albeit with a brief upward spike in 1999 and 2000. Exhibit space usage was relatively stable during the mid-1990s, moved sharply upward in 1999 and 2000, and declined sharply in 2001. Finally, attendance hovered in the range of 105 to 110 million from 1995 through 2000 and has plummeted to 75 million for 2001.

The *Final Report*, relying on data from the biennial *Meetings Market Report* of *Meetings & Conventions* magazine, which includes even very small events, concluded, "The recent rebound of the meetings and conventions market has been attributed, in part, to a 19 percent increase in corporate profits. Since 1991, conventions have experienced the most dramatic growth, with a 16 percent increase in the number of events, a 24 percent increase in attendance, and a 41 percent increase in direct spending."[5] Those 1993 figures translated into a total of some 11,800 events and 10.7 million in attendance. [6]

Data show tradeshow industry performance as effectively flat over the last decade.... This is in striking contrast to the steady industry growth described by Boston's consultants and contained in feasibility studies completed for dozens of other cities.

Describing event and attendance figures from 1991 to 1993 as a "rebound" provides a limited and biased account of industry trends. The 1993 figures for events and attendance were actually down from 1983, 1985, 1987, and 1989. The most recent biennial data from the *Meetings Market Report* show meeting and convention attendance for 1999 was 12.3 million, clearly higher than in 1993 yet less than attendance in 1985, 1989, and 1995.

Spending also grew from 1991 to 1993 ($15.5 million), but the $16.3 billion in convention expenditures for 1999 is actually *less* than for 1995 ($16.8 billion) and 1997 ($16.7 billion). And where the *Meetings Market Report* counted 11,800 conventions for 1993, the total for 1999 was only 11,600—less than the figures for 1985, 1987, and 1989.

The *Meetings Market Report* data show tradeshow industry performance as effectively flat over the last decade, following a recovery from the recession of the early 1990s. This is in striking contrast to the steady industry growth described by Boston's consultants and contained in feasibility studies completed for dozens of other cities. A recent analysis of the national market by PriceWaterhouse Coopers for Cleveland argues that "with growth in the U.S. economy continuing to exhibit positive growth, the trade show industry and demand for exhibit space is expected to continue to grow." [7]

Growth in the national convention and tradeshow market is a crucial element in the argument for the new Boston Convention and Exhibition Center, and central to estimates of the center's likely performance, market penetration, and economic impact. First, growth in the overall count of convention and tradeshow events is critical to creating new potential demand for Boston. The reality of the tradeshow marketplace is that most events are tied to specific cities, by custom or regional demand. Some 80 percent of events in the annual *Tradeshow Week Data Book* do not rotate from city to city. In order for Boston to gain events, it must either attract a steady supply of new events or lure existing events from other cities.

[5] Ibid.

[6] The Meetings Market data are based on a biennial survey of corporate and association meeting planners.

[7] PriceWaterhouse Coopers, Cleveland Convention Center and Headquarter Hotel Analysis, p. 54.

In this increasingly competitive market, some cities have succeeded in gaining events and market share, while others have fallen behind. The pattern of locational choice can be examined through the *Tradeshow Week Data Book* and the *Tradeshow Week 200*. The *200* reviews the actual performance of the 200 largest (in terms of exhibit space) events in the United States.

The* Final Report *forecast growth in the supply of convention exhibit space around the country at a 12 percent increase over five years.… As of August 2000, convention center exhibit space was expected to grow by some 16.4 million square feet by 2005, a 25 percent increase in the supply of center exhibit space—a figure that dwarfs recent demand growth.

In 1989, Chicago was the leading locale for the 200 major events, with 29 events. By 1999, it had fallen to second place with 23. The leading city is now Las Vegas, with 34 events. Orlando is another resort destination that has invested hundreds of millions in expanding its convention center space. In 1989, Orlando was not among the top ten locales for *200* events. But by the latest count in 1999, Orlando had captured 18 major shows and was tied for third place. In contrast, Atlanta remained stable, and New York City's count dropped from 28 in 1989 to just 16 in 1999. As the marketplace is increasingly choosing these new destinations, officials have also sought to attract and serve convention goers. Chicago's McCormick Place with 2.2 million square feet of exhibit space is still the nation's largest center, but Las Vegas is expanding its center to 1.9 million square feet with another 1 million in the private Sands/Venetian Convention Center. And in Orlando, the Orange County Convention Center is adding a million square feet, which will bring it to 2.1 million by 2003. The largely fixed pool of conventions and tradeshows is thus already being rearranged by the competition from Sunbelt destinations with an abundance of inexpensive hotel rooms.

The *Final Report* assured Boston officials, "Trade shows will continue to grow in size and number, even during recessionary periods."[8] The report notes the success of San Francisco's 442,000-square-foot Moscone Center in gaining a market share greater than Boston's, concluding, "With larger facilities, Boston could expect its market share to grow to between 6 and 7 percent, similar to San Francisco's market share."[9]

Moscone has long been one of the most successful centers in the country, with occupancy rates above 80 percent over the last five years. In 1996-97, Moscone Center's convention and tradeshow attendance totaled 705,358. The following year attendance came to 729,000, and rose again to 790,000 in 1998-99. Yet Moscone's most recent annual report provides a total convention and tradeshow attendance figure of just 573,400.[10]

Exhibit Space: Supply

Building large convention centers are major undertakings, often delayed by fiscal issues, legal questions, or political wrangling. Making accurate predictions as to whether and when space will be added has proven difficult. The consultants' analysis in the *Final Report* forecast growth in the supply of convention exhibit space around the country at a 12 percent increase over five years. The total exhibition space was 63.2 million square feet in 1996. The most recent figure, for 2000, is 65.5 million—an actual increase of about 3.6 percent since 1996. According to the latest *Major Exhibit Hall Directory,* as of August 2000, convention center exhibit space was expected to grow by some 16.4 million square feet by 2005, a 25 percent increase in the supply of center exhibit space—a figure that dwarfs recent demand growth.

[8] *Final Report,* p. 3.

[9] Ibid.

[10] Moscone Center Annual Reports, 1998/99 and 1999/2000.

Exhibit Space: Demand

The *Final Report* cast Boston's competitive position as directly dependent on industry growth. It portrayed the convention market as expanding, in terms of exhibit space used, at a rate of 4 percent a year. Projecting out to 2010, the *Final Report* argued that a potential universe of 600 shows will be available to Boston, with some 420 of those shows having grown to a point where they could be housed *only* in the new Boston Convention and Exhibition Center and not in the Hynes. How does the 4 percent annual growth assumption hold up in terms of historical performance? Is it a reasonable assumption about the kinds of shows Boston can ultimately serve?

The most detailed data on the nation's major conventions and tradeshows come from the annual *Tradeshow Week 200*, with its listing of actual meeting performance. Yet the *200* includes only the largest, and thus most successful, events each year. Shows that grow at a slower rate "drop out" of the compilation. It thus has an inherent upward bias, reflecting the performance of large, growing events rather than the entire population.

Examining the performance of the *200* over the last decade shows total exhibit space used grew from about 49 million square feet to almost 68 million—up 39 percent, and in line with the 4 percent annual growth figure cited by the *Final Report*. Yet that growth was far from uniform even among these successful events. The 10 largest shows—none of which could fit in the new Boston center—grew by more than 55 percent. The largest show grew by some 73 percent. Clearly, the big shows have been getting bigger, drawing in more exhibitors and boosting their space. But the smallest show in the *200* grew by only 31 percent over the decade.

The difference in growth rates between the largest events and those that might be attracted to Boston suggests that the new convention center will be competing for a far smaller population of events than the consultants assumed.

This difference in growth rates between the largest and much smaller events indicates a convention and tradeshow market that is diverging, with successful major shows pulling away from the pack and pulling up average growth rate numbers. The more typical of even these major shows have grown at a much slower rate, one that translates into annual compounded growth of less than 3 percent. The difference in growth rates between the largest events and those that might be attracted to Boston suggests that the new convention center will be competing for a far smaller population of events than the consultants assumed.

Attendance

Just as problematic are the figures on attendance growth. For the *200* events, total attendance grew by just 17 percent over 10 years. That historical performance suggests that even if Boston can lure major new events, they may not grow in attendance over the years. Yet the *Final Report* predicted that average attendance per event at the new center will grow from 7,968 in 2003 to 8,400 in 2012.

The picture is little different when we shift focus from the major events to the larger population of conventions and tradeshows presented in the annual *Data Book*. Over the period from 1991 to 2001, the average event grew in exhibit space used by 34 percent, a figure no doubt affected by the atypical growth of the largest shows. Attendance for the average event actually declined by a little more than 5 percent.

Read Professor Sanders' *Boston Herald* op-ed "Convention Center projections don't add up" available online at **www.pioneerinstitute.org/research/opeds/CCaddup.cfm**.

Figure 1. U.S. Tradeshow Market

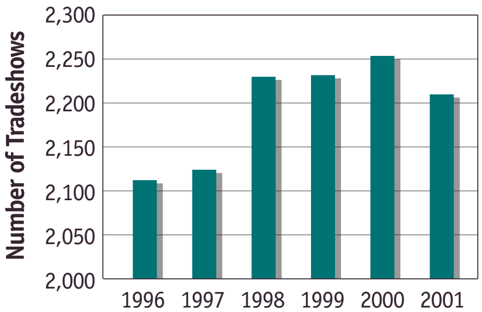


Figure 2. Average U.S. Tradeshow Attendance

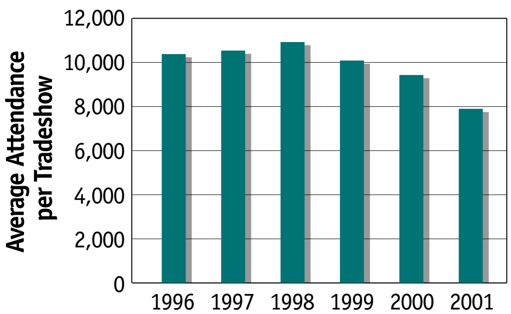


Figure 3. Space Usage in U.S. Tradeshows

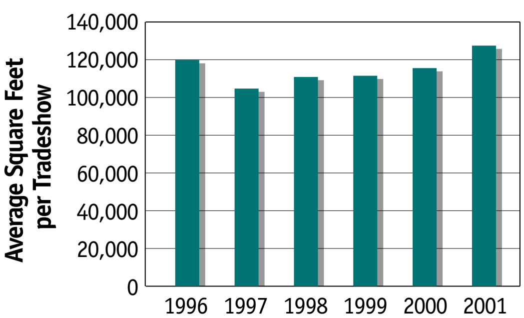
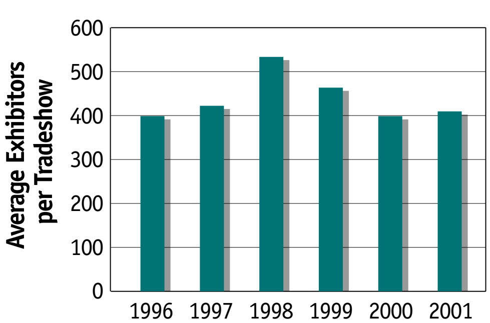


Figure 4. Average Number of U.S. Tradeshow Exhibitors



Source: *Tradeshow Week Data Book*

The *Data Book* includes information on public shows and mixed public/trade events, as well as pure tradeshows and conventions. For Boston and competitor cities, the tradeshow category, with events like the American Hospital Association annual convention or the Kitchen/Bath Industry Show, is the most relevant and lucrative. These events typically rotate from city to city, and their attendees are more likely to come from some distance and stay in hotels. Mixed events or purely public shows, like the regional home show, flower show, or the MacWorld computer show, draw primarily local attendees and are not the central focus of the new Boston center and should be excluded in a realistic assessment of industry growth.

The growth patterns for pure conventions and tradeshows over the last few years reinforce the sense that earlier forecasts are unreasonable and unreliable. From 1995 to 2001, the number of pure trade events (figure 1) grew from 2,112 to 2,210—a gain of 4.6 percent. But from 1998 to 2001, there was actually a decline in the total event count. Space use, the crucial item in justifying a big exhibition facility, increased on average by just 7 percent from 1996 to 2001. And average tradeshow attendance (figure 2), measured at 10,385 in 1996, dropped to just under 7,900 for 2001—a decline of more than 24 percent overall, with decreasing attendance each year since 1998.

Finally, focusing on just tradeshows, rather than consumer or mixed events, over the years since 1996, average show space (figure 3) grew by just 7 percent over five years, while average event attendance (figure 4) *declined* by 24 percent.

For Boston, the performance of the convention and tradeshow industry over the last five and ten years means that 4 percent compounded annual growth is unlikely. A more realistic figure would be 3 percent or less. With the potential of an economic downturn over a 10-year span, space growth on the order of 2 to 2.5 percent appears more plausible.

If the growth in event size promised by the *Final Report* does not occur, the pool of events large enough to require the new Boston Convention and Exhibition Center will be far smaller than the 420 estimated in the *Final Report*. The new center will have to compete *directly against the Hynes Center* for medium-sized events, negating the main justification for building it, that it would serve major new tradeshows that the Hynes cannot accommodate.

Boston as a Competitive Location

Boston's attractions and advantages as a visitor destination are numerous and obvious, and local boosters are fully justified in describing its uniqueness and appeal. Yet history, character,

Figure 5. Boston vs. Top 10 Cities for Tradeshows (by 1996 rank)

City	1996	1997	1998	1999	2000	2001
Atlanta	141	151	130	146	92	88
Chicago	140	156	156	160	124	131
Orlando	128	122	99	119	110	111
Toronto	128	138	151	118	95	132
New York	124	130	128	124	107	120
Dallas	113	99	122	102	81	101
Las Vegas	109	121	121	129	127	159
Washington	89	77			54	
San Francisco	83	91	91	74	80	66
New Orleans	79		75	80	80	86
Boston	**71**	**75**	**77**	**71**	**64**	**63**

Source: *Tradeshow Week Data Book*

culture, and accessibility do not translate directly into convention success. Five years ago, the *Tradeshow Week Data Book* counted 71 events in Boston. For 2001 the count stands at 63 events (figure 5). As Boston's market share has declined, the performance of some other cities has improved. Las Vegas had 109 events in 1996. This year it has 159, placing it first. New Orleans had 79 five years ago and 86 this year. A larger center may well help Boston attract events away from other places. But it will have to compete against cities like Las Vegas, Orlando, Atlanta, and New Orleans, which have massively expanded their own centers and proven that they can lure business away from other cities.

Boston may have a tough competitive situation in its own backyard. In late 1997, Coopers & Lybrand completed a feasibility study for an expanded convention center in Washington, DC.[11] The Coopers analysts surveyed meeting planners about which destinations had the greatest potential to draw attendees, assuming an equivalent convention facility. The surveyed meeting planners ranked Orlando first with a score of 3.8, followed by New Orleans (3.7), Chicago (3.1), and Atlanta (2.9). Washington came in fifth at 2.6, with Boston and Philadelphia tied at 2.3, and New York last at 2.0. With Washington building a new center with 700,000 square feet of exhibit space, and expansions underway in Orlando and Atlanta and contemplated in Chicago and Philadelphia, Boston will face a market awash in new space and new centers, in precisely those cities that meeting planners rank above Boston.

A Convention Future for Boston

The *Final Report* projected that as the potential pool of events to be served exclusively by the new center grows to 420 by 2010, the number for which the Hynes and the BCEC compete will decline, based on an assumption of consistent annual growth in space used. The reality is a national convention market with no growth in events and slow growth in space used. Using a realistic growth figure would decrease the pool of events using more than 200,000 square feet by one-third to one-half. And with far fewer events that do not overlap in size with those potentially served by the Hynes, the actual capture of events by the Boston Convention and Exhibition Center will be far lower than forecast four years ago *even assuming the center can expand Boston's total market share*.

The *Final Report* estimated that the center would attract 38 events in 2003, rising to 64 in 2012. A 1997 analysis published by Pioneer estimated an annual count of between 40 and 50 events. Although estimating the performance of the national convention and tradeshow business out another decade is fraught with uncertainty, the performance of the market over a decade marked by substantial economic growth and expansion is telling. It now appears that an event count on the order of 32 to 35 is more likely.

[11] Coopers & Lybrand, Analysis for the Proposed Washington Convention Center, December 1997, p. 39.

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The consultants' 1997 estimates of average event attendance of 8,000 persons or more reflected both beliefs about Boston's attractiveness for larger events and an assumption of growing attendance. Both of those are now open to question. Given the fact that even the new center will be unable to house the most successful, rapidly growing handful of major meetings, average convention attendance will probably be closer to 6,000.

With fewer events of somewhat smaller size, Boston's new center would house about 210,000 to 225,000 annual attendees—a figure that may increase somewhat over the years. That is a far cry from the 470,000 predicted for 2007 or the 538,000 estimated for 2012. The economic impact of those attendees would also be less than projected by the *Final Report*.

The consultants' estimates of hotel room use and spending by new convention attendees lured to Boston worked out to an average of 1.5 nights per attendee. That number is clearly lower than the average stays of three to four nights often used by center feasibility studies. Yet there is substantial empirical evidence that even a 1.5 night average stay is overstated.

The most recent figures from San Francisco's Moscone Center indicate that the average stay of its attendees was one night in both 1999 and 2000. In Washington, DC, the ratio of hotel room nights to attendance worked out to 0.9 to 1 over the period from 1991 through 1996. And for Chicago's McCormick Place, the actual hotel night ratio came to 0.63 in 1999 and 0.71 in 2000.

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The ultimate economic impact of a new convention center is a function of its capacity to draw people who stay and spend on hotels, restaurants, transportation, and shopping. The ability of a new Boston convention center to attract meetings and attendees who stay overnight will be shaped by its attractiveness as a destination and its mix of conventions and tradeshows. But given its relatively high hotel room rates and the fact that meeting planners ranked the city on a par with Philadelphia and below Washington, DC, and Chicago, Boston will probably find that convention and tradeshow attendees drive, take a train, or fly in for a day or two at best. Attendees from the metropolitan area, state, or region who "day trip" will be spending only on a meal or two and parking. With a plausible ratio of room nights to attendance of 0.8 to 0.9, the new center will produce only a relatively modest boost in the city and metropolitan area's hotel business and the area's overall economic activity.

Heywood T. Sanders is professor and director of public administration at the University of Texas at San Antonio. He has written extensively on convention centers and is the author of three Pioneer *White Papers*, "If We Build It, Will They Come? And Other Questions About the Proposed Boston Convention Center," "Challenging Convention(al) Wisdom: Hard Facts About the Proposed Boston Convention Center," and "Flawed Forecasts: A Critical Look at Convention Center Feasibility Studies."