

# THE CONVENTION TRADE: A COMPETITIVE ECONOMIC PRIZE

*The convention business is a big industry getting much bigger as more and more communities build facilities to house the burgeoning market.*

by David Listokin

In recent years many communities have attempted to attract their increased share of the burgeoning convention industry. To this end, they have constructed convention halls, established promotional bureaus, advertised in different mediums, etc. What is the scale of the convention industry in the United States? What is the profile of the conventioneer? What does convention activity mean for the local economy? This article addresses these issues.

## United States Meetings Industry: Trends

Over the past few years, the meetings industry in the United States has been booming. According to the International Association of Convention and Visitor Bureaus (IACVB), in 1980 roughly 41 million delegates attended about 87,000 conventions.<sup>1</sup> By the end of 1984, the IACVB estimates 53 million delegates will have attended over 100,000 meetings<sup>2</sup> (see Exhibit 1).

The meetings industry is an especially important economic pump primer in certain gateway and resort cities. New York is illustrative. This community has historically been the world's number one visitor destination. In 1981, for instance, it was sought by 17 million visitors who spent \$2.1 billion.<sup>3</sup> In turn, a goodly share of New York's visitor market consists of convention delegates. In 1981, it attracted 4.2 million such individuals who in turn were responsible for an estimated \$795 million in outlays.<sup>4</sup> In short, a quarter of New York City's visitor trade is made up of conventioners who account for one-third of all visitor spending.

Many communities wish to reap the financial bonanza of the conventioneer. To this end they have encouraged, and in some cases financed, the construction of first-class hotel rooms and large arenas—two essential convention trade components. The spurt of activity in this

*David Listokin, Ph.D., is a full professor at the Rutgers University Center for Urban Policy Research. He has authored over 20 books on a wide range of topics including land use, housing, historic preservation, public finance and impact analysis.*



area has been startling. Massive amounts of new hotel space became available e.g., in the early 1980s, 3,000 new rooms in Boston and 6,500 in Dallas.<sup>5</sup> Convention

## EXHIBIT 1

United States Convention Activity,  
1980-1984

Year	Number of Meetings (in thousands)	Number of Delegates (in millions)
1980	87.1	40.9
1981	NA	43.3
1982	87.7	47.3
1983	94.2	48.0
1984*	100.1	52.7

\*Estimated

Source: International Association of Convention and Visitor Bureaus, Research Department, Delegate Meeting Survey.

hall construction also has accelerated. Since 1970, over 100 convention centers have been built in the United States. As of 1980, 30 million square feet of new construction space was added; in 1985 another 7 million will be accessible.<sup>6</sup> The combination of added hotel and exhibition resources has considerably enlarged the number of communities able to host large conventions. In 1970, only 15 cities in the United States could accommodate a trade show with 20,000 participants. Today, about 150 have this capability—a tenfold increase.<sup>7</sup> A selected sampling of cities building new convention centers and expanding existing facilities is shown in Exhibit 2.

### EXHIBIT 2

#### Growth In Exhibition Space, 1982-1988

City	Date Opened	Space Added (Gross Sq. Ft.)	Existing Space (Gross Sq. Ft.)
Anaheim <sup>1</sup>	1982	100,000	250,000
Atlanta <sup>1</sup>	1984	300,000	350,000
Chicago <sup>1</sup>	1988	400,000	720,000
Dallas <sup>1</sup>	1984	100,000	420,000
Houston <sup>2</sup>	1987	600,000	—
Indianapolis <sup>1</sup>	1984	80,000	140,000
Las Vegas <sup>1</sup>	1983	120,000	620,000
Los Angeles <sup>1</sup>	1988	200,000	240,000
Miami <sup>1</sup>	1987	300,000	280,000
New Orleans <sup>2</sup>	1985	350,000	—
New York <sup>2</sup>	1986	680,000	—
Philadelphia <sup>2</sup>	1988	300,000	—
San Diego <sup>2</sup>	1988	250,000	—
Seattle <sup>2</sup>	1987	140,000	—
Washington, D.C. <sup>2</sup>	1982	320,000	—

1. Expansion

2. New Facility

Source: Dan Graveline "Convention Centers" *Urban Land*, (July 1984), p. 4.

Cities have expanded their convention capacity to attract increasing numbers of conventioners. What is the profile of this group? What do they spend locally?

### The Conventioneer: A Distinct Upscale Market

Compared to the average U.S. traveler and especially the vacationer, the conventioneer displays a *distinct, upscale* socioeconomic profile and attendant travel and support expenditures. Relative to the vacation traveler, the convention-goer is 50 percent more likely to have graduated college, twice more likely to be employed in a professional/managerial position and earns \$25,000 or more (1977 dollars) one-third more often.<sup>8</sup> Moreover, conventioneers are of considerable importance to the local hospitality, entertainment, transportation and other industries.

The best and most current data on the impact of conventioneer spending is provided by the U.S. Travel Data Center and International Association of Convention and Visitor Bureaus (IACVB).<sup>9</sup> In 1978-79, the U.S. Travel Data Center commissioned the IACVB to conduct a "Convention Income Survey" as follows:<sup>10</sup>

Fifty-five U.S. cities participated. Each city was instructed to select 1,400 delegates attending and 300 companies exhibiting at 30 conventions. A questionnaire was given asking about the number of persons in the travel party, mode of transportation, number of nights spent and the actual amounts spent in 14 individual expenditure categories. A total of 30,851 delegates and 4,924 exhibitors participated.

The 1978-79 survey findings have been adjusted yearly for inflation. Corrected expenditure figures for 1982 are shown in Exhibit 3. The cost category and distribution terminology first must be defined. Outlays are given for two *convention types*: *general*—those without exhibitors, and *trade shows*, those with exhibitors. In turn, these convention types entail certain common and certain separate expenditure categories. General convention spending encompasses outlays by delegates for lodging, restaurants, entertainment, etc., in the aggregate referred to as *delegate expenditures*. In addition, general meetings entail outlays by the host association for exhibit hall, equipment rentals, food and beverage functions, etc. In total these are termed *association expenditures*. Trade show outlays include both delegate and association spending. Their exposition nature, however, requires further outlays for *exhibition expenditures* and *exposition service contractor expenditures*. The ex-

### EXHIBIT 3

#### Average Spending Generated Per 1,000 Conventioneers By Convention Type And Expenditure Category (1982)

Convention Type	Expenditure Category	Expenditure Amount	
		\$ Per Day	\$ Per Trip
<i>General</i>			
	Delegate Expenditures:	\$ 80,870	\$307,290
	Association Expenditures:	8,180	31,080
	TOTAL:	\$ 89,050	\$338,370
<i>Trade Show</i>			
	Delegate Expenditures:	\$ 80,870	\$307,290
	Association Expenditures:	8,180	31,080
	Exhibition Expenditures:	25,570	97,170
	Exposition Service Contractor Expenditures:	2,330	8,880
	TOTAL:	\$116,950	\$444,420

Source: U.S. Travel Data Center, *1978-79 IACVB Convention Income Survey Analytical Report* (Washington, D.C.: U.S. Travel Data Center, 1981); International Association of Convention and Visitor Bureaus, "IACVB Survey Reveals Value of Convention Business" (Release, mimeo, no date).

*hibition expenditures* include exhibitor spending for food and beverages, hospitality suites, local advertising etc.; expenditures encompass exposition service contractors, the labor and drayage of contractors hired to set up and dismantle exhibits and provide other services during the trade show.

The 1982 figures for these different cost components are shown in Exhibit 2. Outlays are given for modules of

## EXHIBIT 4

### Breakdown of Spending (Approximate) By Expenditure Category Per 1,000 Conventioneers

Expenditure Elements	Expenditure Category											
	Delegate Expenditure			Association Expenditure			Exhibition Expenditure			Exposition Service Contractor Expenditure		
	%	\$ Per Day	\$ Per Trip	%	\$ Per Day	\$ Per Trip	%	\$ Per Day	\$ Per Trip	%	\$ Per Day	\$ Per Trip
Lodging/Hospitality/Exhibition	43.0%	\$34,774	\$132,135	17.3%	\$1,415	\$ 5,377	14.9%	\$ 3,810	\$14,478	0	0	0
Food	26.5	21,430	81,432	36.4	2,978	11,313	44.1	11,276	42,852	0	0	0
Other local purchases/services	30.5	24,666	93,723	46.3	3,787	14,390	41.0	10,484	39,840	100.0%	\$2,330	\$8,880
<b>TOTAL</b>	<b>100.0%</b>	<b>\$80,870</b>	<b>\$307,290</b>	<b>100.0%</b>	<b>\$8,180</b>	<b>\$31,080</b>	<b>100.0%</b>	<b>\$25,570</b>	<b>\$97,170</b>	<b>100.0%</b>	<b>\$2,330</b>	<b>\$8,880</b>

Notes: <sup>a</sup>Includes hotel rooms and incidentals, hospitality suites, exhibit halls/meeting rooms and, in the case of associations, staff members' living expenses.

<sup>b</sup>Includes hotel and other restaurants and food/beverage purchases.

<sup>c</sup>Includes such items as retail purchases, entertainment/culture, local transportation, gas/auto service, admission fees, local advertising, equipment rentals, services hired, etc.

<sup>d</sup>Includes compensation paid to labor and drayage.

Source: Percentages derived from U.S. Travel Data Center, *1978-1979 IACVB Convention Income Survey Analytical Report* (Washington, D.C.: U.S. Travel Data Center, 1981).

1,000 conventioneers. General conventions of 1,000 attendees generate local delegate expenditures of roughly \$81,000 daily. Since the average such meeting is approximately 3.8 days, total delegate outlays are about \$307,000. In addition, the general convention includes association expenditures of \$8,200 daily or \$31,000 for the full meeting. The general convention with a 1,000 member delegate draw results in an \$89,000 daily tab and a \$338,000 total bill (see Exhibit 3).

Trade shows are more expensive to produce. In addition to the delegate and association costs enumerated above, they require exhibition expenditures and exposition service outlays. These increase the trade meeting spending per 1,000-member module to \$117,000 daily and \$444,000 for the full 3.8 day convention (see Exhibit 3).

### Expenditure Categories

What is bought for these amounts? The answer is provided in Exhibit 3 which breaks down the dollar spending of the four expenditure categories (delegate, association, exhibition and service contractor) into three broad elements—*lodging, food, and other local purchases/services*. The latter is a potpourri group encompassing retail purchases, entertainment and culture expenses, local transportation costs, gas/auto service, etc. The four expenditure categories differ in their spending emphasis. For instance, 43 percent of delegate outlays go for lodging, 27 percent for food and the remainder for other items and services. In contrast, associations and exhibition and service contractors, primarily involved in such tasks as assembling/dismantling booths, photocopying

## EXHIBIT 5

### Breakdown of Spending (Approximate) By Convention Type Per 1,000 Conventioneers (1982)

Expenditure Elements	Convention Type					
	General			Trade Show		
	%	\$ Per Day	\$ Per Trip	%	\$ Per Day	\$ Per Trip
Lodging/Hospitality/Exhibition	40.6%	\$36,189	\$137,512	34.1%	\$ 39,999	\$151,990
Food	27.4	24,408	92,745	30.6	35,684	135,597
Other local purchases/services	32.0	28,452	108,113	35.3	41,266	156,833
<b>TOTAL</b>	<b>100.0%</b>	<b>\$89,049</b>	<b>\$338,370</b>	<b>100.0%</b>	<b>\$116,949</b>	<b>\$444,420</b>

Notes: <sup>a</sup>Includes delegate and association expenditures shown in Exhibit 4.

<sup>b</sup>Includes delegate, association, exhibitor and exposition service contractor expenditures shown in Exhibit 4.

Source: Derived from U.S. Travel Data Center, *1978-1979 IACVB Convention Income Survey Analytical Report* (Washington, D.C.: U.S. Travel Data Center, 1981).

flyers, transporting equipment, individuals, etc., spend far higher shares (46–100 percent) for local purchases as opposed to food and hotels (see Exhibit 5).

### Convention Types

With this breakdown, we can calculate not only the amount but the distribution of expenditures by convention type (see Exhibit 5). General conventions entail delegate and association outlays. Tallying the appropriate spending elements from Exhibit 4 reveals the following. Of the \$89,000 daily expenditure for the 1,000 conventioneer module, \$36,000 goes for lodging, \$24,000 for food, and \$28,000 for other local purchases and services. A similar proportional distribution is found for the \$338,000 total 3.8-day convention outlay: \$138,000 for lodging, \$93,000 for food, and \$108,000 for other items. Trade shows generate higher sums especially in the other local purchases/service element. The reason for this emphasis is that trade meetings include exhibitor and contractor expenditures which in turn consist mainly of local goods and labor. Thus, of the daily \$117,000 trade show cost per 1,000 conventionees, \$40,000 is consumed by lodging, \$36,000 by food, and the largest amount, \$41,000, for the other local category. An analogous breakdown is found for the full trade show cost of \$444,000: \$152,000 for hotels, \$136,000 for restaurants, and \$157,000 for local goods and services (see Exhibit 5).

These basic data building blocks permit calculation of the dollar significance for the convention industry. In 1982 there were approximately 47,300,000 conventionees. Given a trip expenditure of \$338,400 per 1,000 conventionees, the 47,300,000 total convention

pool spent approximately \$16 billion. (This does not take into account the higher outlays for trade shows.) If we conservatively assume that convention trip expenditures have increased by 15 percent from 1982 to 1984 (for hotels, restaurants, etc.) to say, \$390,000 per 1,000 conventionees, then the estimated 52,700,000 conventionees in 1984 spent over \$20 billion.

The lure of such significant outlays has prompted many cities to bolster their convention-garnering abilities. Many have built convention centers, encouraged first-class hotel construction, expanded convention bureaus, etc. The economic prize is great, but so is the competition.

### NOTES

1. International Association of Convention and Visitor Bureaus, Research Department, Delegate Meeting Survey.
2. *Ibid.*
3. New York Convention and Visitors Bureau, "New York City Visitor Statistics—1981." See also "Mammoth Convention Center an Asset to NYC's Saleability." *Successful Meetings*, May 1982, p. 69.
4. *Ibid.*
5. Richard Simon and Marcia Krieger. "Lodging Industry Overview," *Investment Research*—Goldman Sachs, January 17, 1983.
6. Nancy Ethiel, "Convention Centers: The Issue of the 80s," *Auditorium News*, Vol. 20, No. 12, December 1982.
7. Reported by Data Resources, Inc. Cited in Las Vegas Convention and Visitor's Authority, *Marketing Bulletin—1981 Summary*, p. 5.
8. U.S. Travel Data Center, *1977 National Travel Expenditure Survey—Summary Report* Washington, D.C.: U.S. Travel Data Center, 1981).
9. U.S. Travel Data Center, *1978-79 IACVB Convention Income Survey—Analytical Report* Washington, D.C.: U.S. Travel Data Center, 1981).
10. *Ibid.*, pp. 3-4.