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ECONOMIC IMPACT OF THE MEETINGS INDUSTRY ON A NATION'S DEVELOPMENT AND THE EXAMPLE OF SERBIA*

Ekonomski doprinos kongresnog turizma razvoju zemlje i primer Srbije

Abstract

The meetings industry creates significant effect on destination development, on a national, regional and local level. The meetings industry market generates a strong direct, indirect and induced effect, and only the five strongest economies in Europe, generate alone over $140 billion. However, it is necessary to understand that the measuring meetings industry impact is very complicated due to market specifics, and therefore limits are clearly defined. Research has shown that in 2017 the global international association meetings market has generated impact of $12 billion, while this market only in Serbia generated over $26 million. The meetings industry is an important product for Serbia and it is realistic to expect further improvements of destination performances of this sector, since the achieved multiplicative effects will fast-forward the development of Serbia.

Keywords: *meetings industry, congress tourism, economic impact, MICE.*

Sažetak

Kongresni turizam kreira značajne ekonomske efekte razvoja destinacije, kako na nacionalnom, tako i na regionalnom i lokalnom nivou. Tržište kongresnog turizma generiše snažne direktne, indirektne i indukovane efekte, a samo 5 najjačih ekonomija u Evropi, kroz kongresni turizam generiše vrednost od preko 140 milijardi dolara. Ipak, neophodno je imati u vidu da je praćenje uticaja kongresnog turizma komplikovano usled specifičnosti tržišta i limiti su jasno naznačeni. Istraživanje je pokazalo da je globalno tržište međunarodnih kongresa asocijacije u 2017. godini generisalo vrednost od preko 12 milijardi dolara, dok je ovo tržište u Srbiji generisalo preko 26 miliona dolara. Kongresni turizam predstavlja bitan proizvod Srbije i realno je očekivati dalje unapređenje performansi ovog sektora, jer ostvareni multipliaktivni efekti doprinose bržem razvoju Srbije.

Ključne reči: *kongresna industrija, kongresni turizam, ekonomski uticaj, MICE događaji.*

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Understanding the meetings industry economic impact framework

Congress tourism needs to be differentiated from leisure travel due to differences among basic motives of travel [7, p. 14]. The congress participant is staying at a destination motivated by reasons such as participation in education, trainings, sales and networking. "Congress tourism" is broadly accepted in Serbia, but on the international market the term "meeting industry" [28, p. 2] is accepted as an umbrella term to cover all complex aspects of this form of travelling.

Although a significant number of research papers are dealing with the estimation of the market size and impact of the meetings industry, inconsistency of definitions and approaches makes results unreliable and incomparable [6, p. 50]. Published data are often based on the integral view over the meetings industry, without making a difference among its product segments – congresses, meetings, exhibitions or incentive travels [8, p. 184], [6, p. 49]. At the same time, it is noted that shown data and results are most often macro data that explain national level, while at the same time micro impacts are forgotten (regional and local level). The impact of the meetings industry on the economy is a research subject of a large number of authors, since fiscal effects are more tangible and easier to monitor in comparison with the impact of destination attractivity and regional development [20, p. 46].

To understand the cash flow and economic impact of the organization of an international event, it is necessary to observe focal expenditure points of events. The expenditure model in the meetings industry is composed of [22, p. 3]: event planning and production costs, delegates' expenditure on off-event aspects and expenditure of their accompanying persons, costs of local service providers, organization of exhibitions during the event, financial support from destination management organizations and government entities, and cost of external service providers.

The meetings industry creates significant direct and indirect economic impacts on the local economy [1, p. 14], but induced effects as well. However, we must not forget that besides economic impacts and effects, organization of international events in a country is a great opportunity to promote the country internationally and to endorse business exchange [17, p. 75], to "export" local knowledge and expertise and to endorse local market creativity. Researches show that 70% of congress participants (congress travellers), in addition to dominant business reasons, are motivated to travel by classic leisure motives [17, p. 73], and that the meetings industry development creates return positive impact on tourism in general through the number of repeat business (conversion from business to a leisure guest), as well as increase of "mouth to mouth" marketing [23, p. 50]. Since almost 70% of congress travellers combines business and leisure motives, impact can be bigger and more important [3, p. 33], [13, p. 20].

Significant financial income for a destination coming from the meetings industry is a result of the fact that the meetings industry is considered as a high-quality product which measures big costs and big incomes and, having that in mind, is sold to clients that are ready to pay high price for that product. Positive economic impact is also the result of the fact that it is the year-round product (attractive during entire year) [4, p. 20].

Any income that is generated through organization of meetings and conferences further initiates a set of economic relations and transactions that are, again, further creating additional transactions in the national economy [3, p. 34]. Delegates (business travellers) spend more than average leisure tourists [27, p. 130]. In case a destination (or country as a macro destination) is looking at reaching the same level of economic effects and activities from the leisure travel, then for every congress delegate it needs to attract at least two leisure guests [8, p. 185]. Researches show that every dollar generated through a congress (a business event) creates a set of economic interactions that stimulate additional circulations and iterations in other sectors [3, p. 35], and can double or triple the effects [18, p. 410].

Market impact in developed economies

Analyses of individual countries show that the meetings industry generates much more direct and indirect impacts than showed in the above model that is focused on international association market. In 2012 in the USA,

U.S.-based companies alone spent $225 billion on business trips and events, which has additionally generated 3.7 million working places, as well as $35 billion in taxes, and it is estimated that every $1 invested in business trips created $9.5 ROI [31, p. 4]. In the same year, the number of directly employed in the field of the meetings industry was 1.1 million employees, while about 0.7 million were indirectly employed, and it is predicted that by 2022 the number of the meetings industry employees will rise up by 33% [30]. In 2015, the meetings industry in USA generated directly $280 billion, and if indirect and induced effects are incorporated, then the figure goes up to $393 billion [22].

In 2012, Germany has generated total income from both domestic and international delegates of €57.2 billion, while meetings have generated 2.9 million working places (direct and indirect), and €15.7 billion has been spent on business trips and events outside Germany [12, p. 7].

In 2011, the total impact of the UK meetings industry on GDP was £58.7 billion, total direct income of the meetings and events was £20.3 billion, the number of directly employed people in the meetings industry was 423.455, and they have earned a total of £8.3 billion gross [21, p. 340]. In 2013, France has generated $35.7 billion from the meetings industry [24]. It is estimated that the five biggest meetings destinations in Europe (Germany, UK, France, Italy and Spain) have generated over €140 billion from the meetings industry, with Germany and UK having leading positions [25, p. 16]. The biggest growth of economic impact of the meetings industry has been registered in the region of Asia and Middle East. In 2000, China recorded income of $32 billion, while by 2012 it grew to $196 billion, and by 2017 the amount should have doubled to $375 billion [25, p. 15].

Estimated economic impact of the international association events global market

In this paper, authors accepted the definition of "international event" given by the ICCA (*International Congress and Convention Association*). According to ICCA, for an event to be categorized as "international", the following 3 conditions need to be fulfilled [32]: it gathers over 50 participants, it is organized on a regular level and it is rotating among at least 3 countries. On the other side, according to UNWTO (World Tourism Organization), "international meeting" is any meeting that lasts for at least four hours and gathers ten or more participants [28, p. 2]. It is possible to conclude that UNWTO sets relatively relaxed criteria. Regardless of that, this approach can provide more accurate financial value and income from the meetings industry. Finally, according to the research, it is estimated that the registration expenditure per delegate represents 22% of total delegate expenditure per event [15].

Having in mind available data and using the last mentioned principle, Table 1 shows estimation of the total international association meetings market value and its economic impact on global economy – more than $12.5 billion.

Over $12.5 billion is direct economic contribution of the association market to economic development. To have more accurate results, it is necessary to involve impacts of corporate events, exhibitions and incentives.

Table 1: Estimation of economic impact of the international meetings market (2017)

1. Average number of delegates on an eventa	415 delegates
2. Average registration fee per delegate per eventa	$484
3. Average expenditure per delegate per event*	$2.200
4. Average daily registration fee per delegate**	$134
5. Average total daily delegates expenditure*	$670
6. Total income from registration fees per event***	$200.860
7. Total destination income per event*	$1.004.300
8. Total registration income for all international events in 2017****	$2.459.114.928
9. Estimated total economic impact of international meetings market in 2017 (total global delegate expenditure) in 2017*	$12.611.999.400

a: source of data is ICCA Statistics Report: The International Meetings Market 2017; * registration fee is 22% of total delegate expenditure per event in a destination; ** average duration of event in 2017 is 3.67 days; *** multiplying average registration fee and average number of delegates; **** multiplying total registration fee per event and number of events in 2017, which was 12.558.

Estimated economic impact of international association events for Serbia

The meetings industry in Serbia has measured strong growth in the last 11 years. On one side, the number of international clients, both association and corporate market is rising, and at the same time strong growth in infrastructure is evident. Market restructuring in a form of opening brand new or renovated 4* and 5* hotel properties with significant congress facilities made a large number of destinations attractive for meetings and events. Focusing on new tourism products – the meetings industry (congress tourism) gave Serbian destinations a clear way to establishing a year-round product and experience, moving away from highly seasoned tourism products (for example: winter and ski destination). Therefore, it is interesting to observe economic impact of the meetings industry on the Serbian economy.

Limitations of measuring economic impacts of the meetings industry

The often used model for measuring economic impact of the meetings industry on the national economy is the input-output model [5], [2], which estimates expenditure of delegates through direct transactions analyses of level of sales, local citizens salaries, taxes and similar [10, p. 325]. Challenges put in front of this research are based on determination of total direct and indirect impact of the meetings industry on each industry separately, to define the most appropriate level of economic multiplicator. The model is about inter-sectorial dependance, and it shows the level of one sector output that is used and another sector input of the same economy [19]. This method is being used in researches of larger number of authors, but in countries and economies where there is an updated economic monitoring system and input-output tables creation system [3, p. 38], [16, p. 535], [14, p. 159].

Certain authors [6, p. 50], [23, p. 50] stress that congresses and events create important impact on regional and local economies, but the research of financial impact of the meetings industry on a nation's development, or for a destination, is not yet entirely developed. There are limits to monitoring and measuring the economic impact of the meetings industry for several reasons:

- In most number of cases, data that are being analyzed are macro data (covering national level), and the questions of adoptability for regional level [29, p. 69] or single destination level can be raised
- Research and monitoring of expenditure that is generated by direct market stakeholders (delegates, exhibitors, sponsors) is very complicated and needs significant resources [16, p. 534], as well as the combination of several research methods
- The unavailability of information about market segments, especially for corporate meetings, is evident and therefore most of the figures are estimations
- Non-existing data and insufficient statistics makes it impossible to use input-output model in certain countries
- Complex classification of economic impacts per one of four major product segments (MICE – meetings, incentives, congresses and events), as well as understanding of "international" [32] category of events.

Table 2: Estimation of economic impact of international meetings market in Serbia (2017)

1. Average number of delegates on an event[a]	225 delegates
2. Average registration fee per delegate per event[a]	$373
3. Average expenditure per delegate per event*	$1.695
4. Average daily registration fee per delegate**	$113
5. Average total daily delegates expenditure*	$513
6. Total income from registration fees per event***	$83.925
7. Total destination income per event*	$381.477
8. Total registration income for all international events in 2017****	$5.958.675
9. Estimated total economic impact of international meetings market in 2017 (total global delegate expenditure) in 2017*	$27.084.886

a: source of data is ICCA Statistics Report: The International Meetings Market 2017; * registration fee is 22% of total delegate expenditure per event in a destination; ** average duration of event in 2017 is 3.3 days; *** multiplying average registration fee and average number of delegates; **** multiplying total registration fee per event and number of events in 2017, which was 71;

Source: ICCA Statistics Report: The International Meetings Market 2017.

Economic impacts of the meetings industry are often not seen or are hard to follow since they are hidden, being a complex structure of industry that is composed of destination management and marketing organizations, service providers, intermediaries, and different other SME companies on one side [11, p. 158], and of expenditure created by organizers, delegates, exhibitors and sponsors on the other side [16, p. 535].

In estimating the economic impact of international association events for Serbia, the authors were fully aware of limitations. First, used data are focused only on international association markets, since data for corporate events and incentives are not official and cannot be found in reliable form. The domestic market is not taken into consideration. Second, used data are focused only on international events (fulfilling ICCA criteria), since it is understood that those generate "invisible export", international receipts and creation of added value. Third, ICCA methodology has been used (in a way that was earlier explained), since Serbia does not have official data that can be used for input-output model.

Conclusion

This research paper shows that full economic impact of the meetings industry on the national economy is hard to measure due to complexity of the industry, but also due to lack of data and common methodology. Data challenge is hard to overcome due to specificity of the market segments, and therefore most of all results will need to have estimation elements. On the other side, if only association meetings are considered, it is evident that Serbia has generated over $27 million just in hosting 71 international association events. Market development in a form of rising congress infrastructure quality and quantity clearly shows that meetings and events represent strong development foundation for meetings industry stakeholders, and that a large number of destinations are expecting to have more congress delegates, since the multiplicative effects will be 3-4 times bigger than with leisure travellers. Further research needs to go in the direction of researching domestic association market, and that will close at least one big market segment. Regarding the corporate meetings and incentives research, due to complete non-transparency it is not expected to proceed with this research.

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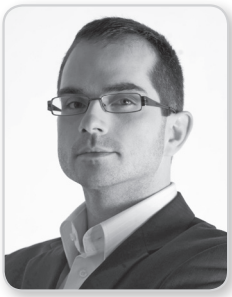

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