

# MICE Sector Pushes Forward

Faced with growing competition and fears of diminishing demand, operators in China's MICE industry have found strategies to overcome these challenges and stay profitable.

By Mark Andrews

**T**wo years ago, the MICE industry in China appeared to be in disarray. President Xi Jinping's anti-corruption drive and the campaign against government luxury spending left most officials scared to be seen anywhere near a five-star hotel. Coupled with large numbers of new hotels opening their doors, the MICE industry seemed to be in a state of oversupply and plummeting demand.

Fast-forwarding to today, it seems that the industry has adapted and is once again thriving. The widely predicted cutthroat price competition between chains does not appear to have happened. "Companies who choose to have events in five-star hotels have a corresponding budget, otherwise they would choose an exhibition hall. And the five-star hotels know this," says Jennifer Fan, assistant general manager of RodVision International Co, which designs stands and branding for exhibitors. "Hence, getting a discount from a five-star hotel can be difficult."

Hotels have managed to avoid price-cutting by differentiating their services and offering themed packages, while attracting new customers. This, along with new emerging destinations for MICE, has helped grow the industry. China's continual investment in infrastructure has aided in opening



Danny Toh, director of sales and marketing at Shangri-La Hotel, Nanjing

up both new cities to the industry and also in giving new opportunities to existing venues.

Figures from STR Global show that in 2014 growth in room numbers for China (up until November) was 5 per cent compared to demand growth of 7.1 per cent. In the luxury sector the difference was even more pronounced, with demand growing by 12.3 per cent whereas supply only grew by 3 per

cent. On a less positive note, of 14 larger cities surveyed, only Shanghai, Zhengzhou and Tianjin managed increases in average daily rates.

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Sophie Wang, director of sales and marketing at The Westin Bund Center, Shanghai

▶▶ government or related associations. We can see that many events were cancelled and changed places from five-star hotels because government officers are sensitive or forbidden to participate," says Chris Dexter, vice

president of operations, Wyndham Grand Plaza Royale Hotels & Resorts. "Facing this situation, we've been further developing our corporate individual business both with global accounts and local accounts to secure increased revenues."

Sanya also saw a considerable drop in government trade. Coupled with more five-star hotels coming into the market, this could have proved disastrous. However, hotels were able to attract more private sector companies to go to Sanya for their vendor or dealer meetings, internal staff meetings, and so forth. "While it's been more competitive, hotel revenues have generally increased over the past year. In recent years, there has been no overcapacity issue," says Joyce Yang, director of events at Kempinski Hotel Haitang Bay Sanya.

For newer hotels, the cut in government spending has not been such a factor. Hotels like the Shangri-la Nanjing, which first opened in November 2014, have been able to factor the changes into their marketing from the start, and have a targeted alternative customers.

It is also not correct to say there is no government spending in the sector. Such

spending does take place for meetings targeting overseas investors or international political events. Still, many of such events may now be arranged at government-owned hotels.

"For international companies, the market has been warming up since the last quarter of 2013," says Sophie Wang, director of sales and marketing at The Westin Bund Center, Shanghai.

In the case of Hangzhou, the city's tourism committee has played an active role in spreading awareness of the city and attracting international events. Dexter points out that besides the obvious attractions, Hangzhou hosts Alibaba, Netease, the International Animation Festival, Westlake Expo, Westlake Marathon and Xixi Wetland. This has all helped Hangzhou attract the likes of Mary Kay, IBM, Bank of Paris global meeting, PATA and many other big incentive groups in the past few years.

Nonetheless, attracting international players can also be problematic. Last year saw a drop in the number of inbound visitors to China, and that figure is not expected to improve for the next three years. A survey by the Chinese Academy of Social Sci-



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ences (CASS) revealed a worsening image of China overseas, which is affecting the travel industry.

## Emerging destinations

The rapid expansion of high-speed railways over the last few years has reduced the journey times between cities and led to the development of new MICE destinations. Just as Hangzhou is eager to get a piece of Shanghai's business, Nanjing is gearing itself up to be a competitor to Hangzhou and Suzhou.

"Previously MICE has not been a key focus for this city. The main reason is that the hotels that have opened in recent years do not have the facilities," says Danny Toh, director of sales and marketing at Shangri-La Hotel, Nanjing. "So when we opened this hotel, we decided to have the biggest ballroom space in the whole of Nanjing," he adds, referring to the hotel's 2,100 sq m room.

Nanjing has benefited from the infrastructure improvements implemented for last year's Youth Olympics, which provided the city with five subway lines and a fleet of modern taxis. Hangzhou, on the other hand, has currently only two subway lines and some of the worst traffic problems in China. Nanjing, like Hangzhou, has a long his-

<< Last  
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tory, but less people have visited the city, and MICE operators are using that as a draw for incentive groups. "Nanjing has a lot of history, which opens up an opportunity for us," says Toh.

It is a similar situation in Qufu, Shandong Province, where the Shangri-La is the only five-star location in the whole city. Situated on the main high-speed line between Beijing and Shanghai, it can be reached in two hours from the capital and three hours from Shang-

hai. With this ease of access, it is being marketed on its heritage as Confucius' hometown. "We have hosted Incentive Groups from Taiwan and Guangdong regions -- they are coming from the fields of insurance and cosmetic sales," says Serena Zhang, communications manager at the Shangri-La Hotel Qufu. She adds that her city is competing with Jinan and Qingdao, also within the same province.

## Shanghai's leading position

While larger, more developed second tier cities like Hangzhou and Nanjing may try to steal events away from Shanghai, the next twelve months will see important developments to help cement Shanghai's position as a leading MICE venue.

First, there is the new National Exhibition and Convention Center in Hongqiao -- the largest exhibition complex in the world, including 400,000 sq m of indoor exhibition space. This has meant that events such as the Shanghai Auto Show have moved from the Shanghai New International Expo Center in Pudong to the new location. "It's good news for the hotels in Puxi. We've already started to see the impact," says Wang. "With the move of the Auto Show and Medical Fair in >>>

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▶▶ April and May, more and more companies are moving their events from Pudong to Puxi.”

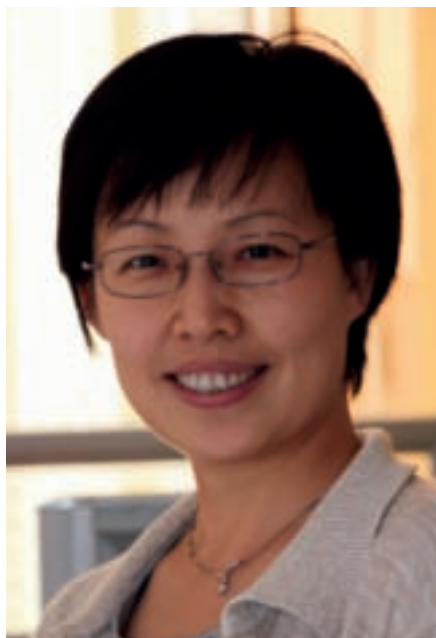
The second event involves a mouse: Mickey is coming to town, or at least should be before spring 2016. Shanghai Disneyland was originally scheduled to open sometime towards the end of the year, but this now seems delayed due to construction and concerns about crowd safety after the New Year's Eve stampede on the Bund. “Currently, Shanghai is not an ideal incentive location, as it is not a very attractive tourist destination compared to Beijing and Xi'an,” says Wang. The opening of Disneyland will most likely change that position in the domestic market.

### The “themes” tactic

A number of hotels are now creating themes to try to differentiate themselves from the competition. The Shangri-La in Qufu has created both business and study packages around Confucius. Key elements are a lecture given by a professor from the Confucius Research Institute and a guided tour of the UNESCO World Heritage Three Kongs: Confucius Temple, Confucius Mansion and The Cemetery of Confucius.

“The MICE market has seen growth at a steady pace, and the demand for the Study Tour package has become stronger due to the promotion of Chinese culture and Confucianism recently,” says Zhang, who goes on to say that they sold five such packages last year.

In Shanghai, the Westin Bund Center takes a similar approach with trying to differentiate itself. Since early 2014, they have been offering themes for the gala dinners. Usually there is little to differentiate one hotel's offering from another,



Serena Zhang, communications manager at the Shangri-La Hotel Qufu

and there has been a growing trend to use outside venues. The Westin offers the themes of “Oscar Night”, “Old Shanghai” and “A Taste of China”. For “Old Shanghai” the staff dress up as waiters from the Shanghai of the 1930s and serve snack-type food such as xiaolongbao (soup dumplings). “If the dinner is a very important part of the MICE package, it will help our hotel stand out among other hotels,” says Wang.

### The road ahead

With ever-increasing numbers of hotels and floor space to fill, venues need to keep finding

ways to avoid a damaging price war. “The MICE industry will have sustainable growth as long as events are organised with new discovering and travel experiences. As hotels, we need to create value-added products to meet the demanding market, in order to survive in the competition,” says Zhang.

For the Wyndham Grand Plaza Royale Hangzhou, that means continual investment in facilities and equipment along with regular research into the needs of different industries. This allows them to offer tailor-made packages. The Westin in Shanghai has done this by offering add-on services. Their Meeting Planner Kits provide stationery and an iPad, plus relevant mobile phone numbers. With the Meeting Butler Service, the dedicated butler contacts the client three days before the event and is on-call to tackle emergencies. “All meeting planners know there are so many details and last-minute things that happen, which can impact on the event no matter how good the preparation is,” says Wang.

For some locations, viability depends on the infrastructure catching up. In Sanya, the biggest bottleneck is flight capacity. This influences the ability of hotels to attract international MICE events due to the lack of flight routes. Yang believes that the capacity of the airport needs to be increased to match the expanding MICE volume. The Haitang Bay area in Sanya has also suffered due to the highway to downtown, which is only open in one direction.

In the case of Hangzhou, the second line of the subway (Line 4) opened at the Chinese New Year 2014, and use of mobile phone taxi calling apps has made getting a taxi much easier for Chinese MICE attendees.

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