Economic Impact of MICE in Thailand

Summary Presentation

Date: 22 Oct. 2015
What is MICE industry?

MICE stands for Meetings, Incentives, Conventions and Exhibitions

**MEETING**
A meeting of a number of people who work for a same company or group of companies. It is a general term indicating the coming together of a number of people in one place to confer or carry out a particular activity.

**INCENTIVE**
a modern management motivational tool to encourage or reward employees, workers, dealers, distributors, agents, sales representatives, etc.

**CONVENTION**
Meeting of a number of people who work for government or who are people in same or similar careers. It is a general term indicating the coming together of a number of people in one place to confer or carry out a particular activity.

**EXHIBITION**
Exhibition is taken as a mean to present products or services to the target audiences with the main objective of inducing sale and/or creating awareness.
How MICE Industry Players are related?

There are two types of industry players involved in the MICE industry: Event Organizers (EOs) and Vendors of EOs.

**EO**
- Incentive
- Meeting
- Convention
- Exhibition

**Vendors**
- Hotels
- Venues
- Booth Stand Contractor
- Logistics

**Professional Conference Organizer (PCO)**
- Strong Association with PCO and DMC
- Strong Association with PCO and PEO
- Strong Association with PEO and weak association with PCO
- Strong Association with PEO and weak association with PCO

**Professional Exhibition Organizers (PEO)**
- Strong Association

*PEOs also manage trade conferences during the trade shows*
Economic Impact Assessment in MICE Industry

Economic impacts are effects on the level of economic activity in a given area. In this study, the “effects” may be viewed in terms of:

<table>
<thead>
<tr>
<th>Measures of Economic Impact</th>
<th>Rational</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Expenditure / Spending</strong></td>
<td>It includes spending of event organizers, delegate spending, vendor spending, investment spending, and MICE employee spending</td>
</tr>
<tr>
<td></td>
<td>As many other countries are still using spending to capture the data for tourism &amp; MICE industry, the results can be used for comparisons with other countries.</td>
</tr>
<tr>
<td><strong>Value Added</strong></td>
<td>It includes the sum of wage income and corporate profit generated in the study area. For this study, it includes VA of EOs, VA of vendors, VA of delegates spending, VA of vendor spending, VA of MICE investment, and VA of employee spending.</td>
</tr>
<tr>
<td></td>
<td>The results can be used to compare with other industries in the economy in terms of contribution to GDP.</td>
</tr>
</tbody>
</table>

For the purpose of this study, the following definition of value added is considered:

Value Added (VA) = Operating Surplus / Loss* + Remuneration + Indirect Taxes & Fees

*Refers to operating receipts less operating expenditure plus depreciation of fixed assets
Calculation of Economic Impact By Expenditure: Definition

The economic impact of the MICE Industry is defined below

<table>
<thead>
<tr>
<th>Tier of influence</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Direct Impact</strong></td>
<td>- This is a calculation of the value measured in Thailand baht of expenditures by MICE segment industry visitors/delegates, exhibitors, and organizers.</td>
</tr>
<tr>
<td><strong>Indirect Impact</strong></td>
<td>- This is a measure of the amount that suppliers which support the Thailand MICE segment industry spend on goods and services from third parties.</td>
</tr>
<tr>
<td><strong>Induced Impact</strong></td>
<td>- This is a measure of impact of the spending by MICE segment - related employees in the local Thailand economy.</td>
</tr>
</tbody>
</table>
Economic Impact Assessment in MICE Industry

Economic impacts are effects on the level of economic activity in a given area. In this study, the “effects” may be viewed in terms of:

### Direct Impact
- Event Organizers
- Delegates

<table>
<thead>
<tr>
<th>Spending</th>
<th>Value Added</th>
</tr>
</thead>
<tbody>
<tr>
<td>EO Spending</td>
<td>VA of EO (PCO, PEO, DMC)</td>
</tr>
<tr>
<td>Delegate Spending</td>
<td>VA of EO spending</td>
</tr>
<tr>
<td></td>
<td>VA of delegate spending</td>
</tr>
</tbody>
</table>

### Indirect Impact
- Vendors
- Investments

<table>
<thead>
<tr>
<th>Spending</th>
<th>Value Added</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vendor Spending</td>
<td>VA of vendor spending</td>
</tr>
<tr>
<td>Investment Spending</td>
<td>VA of investment spending</td>
</tr>
</tbody>
</table>

### Induced Impact
- Employees of MICE industry

<table>
<thead>
<tr>
<th>Spending</th>
<th>Value Added</th>
</tr>
</thead>
<tbody>
<tr>
<td>MICE Employee Spending</td>
<td>VA of employee spending</td>
</tr>
</tbody>
</table>

**Total Expenditures**

**GDP Contribution**
Economic Impact Assessment in MICE Industry

The study used various data sources to capture the economic impact of the MICE activities in Thailand.

1. MICE industry players interview (Event Organizers and vendors)
2. Employee Survey
3. Past studies by Frost & Sullivan
4. Data sourced from DBD, Bureau of Trade and Economic Indices
5. Data sourced from TCEB
6. Other sources, including Annual Reports, Benchmarking, etc.
7. Other similar studies done by other markets
Summary

MICE industry in Thailand has contributed significantly to Thailand economy

<table>
<thead>
<tr>
<th>Economic Impact</th>
<th>Other Impacts of Thailand MICE</th>
</tr>
</thead>
<tbody>
<tr>
<td>MICE industry in Thailand contributes 0.77% of overall Thailand GDP</td>
<td>Besides the quantitative benefits, MICE have contributed to Thailand in terms of networking, branding of Thailand and cross-industry skill sharing</td>
</tr>
</tbody>
</table>

![Pie chart showing distribution of MICE expenditure: Exhibition, Meeting, Convention, Incentive]

- **MICE Expenditure:** ¥222.7 billion
- **MICE GDP Contribution:** ¥113.5 billion

- **Government Tax:** ¥10.4 billion
- **Job Creation:** 164,427 jobs
- **Networking Opportunities**
- **Branding of Thailand**
- **Industry Skill Sharing**

*Source: Frost & Sullivan analysis*
Summary

Below infographic shows major figures of Thailand MICE industry

**Traveller Spending per Day**
MICE travelers’ spending per day is 3.5 times more than leisure travelers’ spending per day

**Traveler Spending per Trip**
Despite the fact that leisure travelers are staying longer (9.85 days) than MICE travelers (5.28 days), MICE travelers are still spending more (THB 84,982.60) than leisure travelers (THB 45,472.43)

---

**Source:** Frost & Sullivan analysis
Summary

Below infographic shows major figures of Thailand MICE industry (Cont'd)

<table>
<thead>
<tr>
<th>Thailand MICE Figures</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Value Added per Worker</strong></td>
</tr>
<tr>
<td>2.1 times</td>
</tr>
<tr>
<td>more Value Added (GDP contribution) than average worker</td>
</tr>
</tbody>
</table>

- **MICE contributes more to GDP**
- **Comparing GDP contribution per worker, employees generated by MICE industry contribute 2.1 times more than average employees do in Thailand**
- **MICE industry is fast-growing industry**
- **CAGR (Compound Annual Growth Rate) of MICE industry is 1.6 times higher than Thailand GDP growth rate (2009-2013)**
- **MICE contributes more on tax**
- **Comparing GDP contribution of MICE and Tax contribution of MICE, MICE industry pays 2 times more tax than its GDP contribution**
- **As of 2013, per every 1 baht that TCEB spending, total 104.27 baht of GDP contribution was generated**

Source: Frost & Sullivan analysis
Summary

Below infographic shows major figures by M, I, C, and E segment

<table>
<thead>
<tr>
<th></th>
<th>Meeting</th>
<th>Incentive</th>
<th>Convention</th>
<th>Exhibition</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Expenditure (baht)</td>
<td>57.3 billion (2015, estimated)</td>
<td>45.9 billion (2015, estimated)</td>
<td>66.4 billion (2015, estimated)</td>
<td>53.1 billion (2015, estimated)</td>
<td>55.7 billion (2015, estimated)</td>
</tr>
<tr>
<td>Total Value Added (VA, baht)</td>
<td>31.5 billion (2015, estimated)</td>
<td>22.0 billion (2015, estimated)</td>
<td>35.6 billion (2015, estimated)</td>
<td>24.4 billion (2015, estimated)</td>
<td>28.4 billion (2015, estimated)</td>
</tr>
</tbody>
</table>

Source: Frost & Sullivan analysis
Overall Economic Impact

Comparison with Global Benchmarks

- **Exhibition**, 0.17%
- **Convention**, 0.24%
- **Incentive**, 0.15%
- **Meeting**, 0.21%

2014 Thailand MICE GDP contribution

Source: Thailand national 2014 GDP data is based on Bank of Thailand database – Thailand Macro Economic Indicators, Frost & Sullivan analysis

- **Hong Kong Exhibition Industry** – 2.0% of GDP
- **UK Exhibition Industry** – 0.4% of GDP

- **UK Meeting Industry** – 2.4% of GDP
- **US Meeting Industry** – 3.18% of GDP
- **Singapore Meeting Industry** – 0.59% of GDP

- **Singapore MICE Industry** – 1.06%
- **South Korea MICE Industry** – 0.8%

1) Singapore Tourism Board
2) KB Financial Group research report

- **Vienna Convention (Conference) Industry** – 1.14% of GDP

1) Sustainable Development report, UN

1) HKTCD report
2) Oxford Economics – Economic Impact of UK Exhibition Industry

1) Meeting Professionals International report
2) Singapore Tourism Board
Importance of MICE activities in Thailand

This slide shows the importance of MICE industry in Thailand economy. With the interviews with MICE industry participants, level of agreement on each factor was scored as below (scale from 0 to 5):

- MICE activities lead to knowledge creation and knowledge transfer: 4.4/5.0
- MICE activities increase sharing of cross-industry skills and ideas: 4.0/5.0
- MICE activities create international awareness of Thailand firms: 3.9/5.0
- MICE activities create networking opportunities and business connection for Thai people: 4.5/5.0
- MICE activities enhance branding of Thailand as the business hub: 4.1/5.0

Source: Frost & Sullivan analysis
Importance of MICE industry (Cont’d)

Importance of MICE activities in Thailand

This slide shows the importance of MICE industry in Thailand economy. With the interviews with MICE industry participants, level of agreement on each factor was scored as below (scale from 0 to 5)

- MICE activities strengthen Thailand as a regional hub  
  ![4.0/5.0](Level of Agreement)

- MICE activities lead to SME development in Thailand (through vendor programs)  
  ![4.1/5.0](Level of Agreement)

- MICE activities create training opportunities for Thai talent (*e.g.*, internships, on-the-job training)  
  ![4.1/5.0](Level of Agreement)

- MICE activities enhance Thailand’s position as the tourism hub  
  ![4.6/5.0](Level of Agreement)

Source: Frost & Sullivan analysis
Challenges and Opportunities of MICE industry in Thailand

Challenges

Despite the robust growth of MICE industry, it also faces some challenges that requires to be addressed

<table>
<thead>
<tr>
<th>Venue</th>
<th>Cooperation</th>
<th>Talent Crunch</th>
</tr>
</thead>
</table>
| ▪ Not enough venue  
 ▪ Venues need better transportation system (e.g. BTS link to BITEC) | ▪ Integration/cooperation between government sector and private sector | ▪ Language barriers  
 ▪ Required more skilled labors |

 Recommendation

| governmental investment or incentive policy for venue development is required  
 | Thailand should have one stop service to provide all support to all related activities  
 | TCEB should be more active to coordinate with all related parties.  
 | Manpower development plan for MICE industry (e.g. training, certificates)  
 | Language (English) education curriculum |

Source: Frost & Sullivan analysis
Challenges and Opportunities of MICE industry in Thailand

Opportunities

Thailand has abundant tourism resources, geographical location and low cost that help the growth of MICE industry

Geographical Location
- Centre of ASEAN
- One of the center of Asia’s transportation hub

Infrastructure
- Unique cultural heritage with good hospitality
- World-class MICE venues

Low cost
- Compared to competitor countries including Singapore or Malaysia, cost of traveling is low

Strategic Direction
- Continuous investment on infrastructure especially on transportation system for MICE delegates
- As China and other emerging countries including Vietnam and Myanmar is growing as a MICE destination, Thailand should start positioning itself as the creative or value added event destination
- Increase in manpower cost can slow down industry growth: Thailand requires to invest more on human resource development and start focusing on high value services (no price competition)

Source: Frost & Sullivan analysis
Historical change of Total Economic Impact

Total Economic Impact of MICE in Thailand (2009-2013)

Value Added of MICE Industry: 11.84% (CAGR*)

*Compound Annual Growth Rate
MICE GDP Contribution

MICE Contribution in Travel & Tourism Industry

Direct Impact

Travel & Tourism Industry: 8.6% contribution of overall Thailand GDP (2014)

MICE Industry: 6.13% contribution of Travel & Tourism Industry (2014)

Meeting (1.72%)

Incentive (1.16%)

Convention (1.90%)

Exhibition (1.35%)

Total Impact

Travel & Tourism Industry: 19.3% contribution of overall Thailand GDP (2014)

MICE Industry: 3.5% contribution of Travel & Tourism Industry (2014)

Meeting (0.98%)

Incentive (0.66%)

Convention (1.09%)

Exhibition (0.77%)

Source: World Travel & Tourism Council report, Frost & Sullivan analysis
# Conclusion

## Estimated direct, indirect, and induced impact of Thailand MICE industry in 2015

<table>
<thead>
<tr>
<th>Summary</th>
<th>Direct</th>
<th>Indirect</th>
<th>Induced</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Spending</strong></td>
<td>131,893,889,554</td>
<td>75,543,539,856</td>
<td>15,274,645,284</td>
<td>222,712,074,695</td>
</tr>
<tr>
<td>(baht)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>GDP</strong></td>
<td>82,531,200,659</td>
<td>26,452,567,387</td>
<td>4,538,774,962</td>
<td>113,522,543,008</td>
</tr>
<tr>
<td>(baht)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Tax</strong></td>
<td>7,234,706,073</td>
<td>2,727,166,697</td>
<td>405,783,669</td>
<td>10,367,656,440</td>
</tr>
<tr>
<td>(baht)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Employment</strong></td>
<td>112,064</td>
<td>43,127</td>
<td>9,236</td>
<td>164,427</td>
</tr>
<tr>
<td>(jobs)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Source:** Frost & Sullivan analysis
Karthik Rajan
Vice President,
Public Sector & Government Practice
M: +65 92276307
E: krajan@frost.com