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White Paper:

Looking past the recession:

Exhibition strategies for the interim

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Synopsis: *Exhibitions are down, but far from out. Real time findings from the current recession indicate cause for optimism, including sustained audience quality levels. Also, even though exhibitor budgets are down and will likely trail the recovery, the perceived value of exhibitions as a marketing tool not only remains intact but is enhanced in terms of its role within the vogue of "experiential marketing." While discernment of the depth, duration, and breadth of this recession is still difficult, metrics that track the health of the industry and the economy show hints of a turnaround that may begin late this year. In the meantime there are strategic moves the industry can employ, particularly in terms of its key constituencies, as it rides out the storm so it may exploit the coming recovery period from a position of strength.*

Just how bad is it?

The numbers so far indicate that this recession is not yet a cause for panic, but certainly it is a cause for concern as to its potential breadth and depth, especially as specific sectors such as automotive, financial and construction deal with profound economic reversals in 2008 that are ongoing and will take time to resolve.

The recessionary effects on our own industry, which landed in the second half of 2008, are currently projected to carry through all of 2009 (these declines, remember, are measured against record industry levels set in 2007).

In 2008 the exhibition industry overall declined 3.1 percent, led by declines of 6.0 and 5.7 percent overall from Q3 to Q4 (CEIR Index). Following are some specific numbers that comprise the Index and also some 2009 forecasts from Trade Show Executive):

Key indicators (CEIR Index)		
	2008 vs. 2007	
Attendance	- 4.0 %	
Number of Exhibitors	- 2.6 %	
Net Sq. Ft. Space Sold	- 2.0 %	
Revenues	- 3.5 %	
	Q3 '08	Q4 '08
Attendance	- 2.4 %	- 9.7 %
Number of Exhibitors	- 4.9 %	- 4.5 %
Net Sq. Ft. Space Sold	- 5.3 %	- 2.9 %

Forecast for 2009 (Trade Show Executive)	Q1 '09	2009
Attendance	-18.0 %	-12.5 %
Number of exhibitors	- 9.5 %	- 8.6 %
Net Sq. Ft. Space Sold	-13.2 %	-12.1 %

Happily, these Q1 projections proved to be not quite as bad as feared. Data from Q1 2009 was just recently reported by *Tradeshow Week* (TSW) as follows: Attendance was down only 8.7 from the prior year quarter, and net square footage was down 8.1 percent. The decline in number of exhibitors was in line with TSE's forecast, at 10.1 percent. The CEIR Index for Q1 2009 differed from TSW's data particularly for attendance (down only 1.5%) but directionally the CEIR numbers were comparable across all three indices. Right now, our industry is essentially where it was just a few years ago.

As is typical for recessions, attendance is hit hardest and as expected industry-wide there are meaningful reductions in attendance volume that will likely continue.

More important, however, Exhibit Surveys' audience quality benchmarks in the recession year of 2008 generally remained at high 2006-2007 levels and the perceived value to attendees of exhibitions actually increased to an all time high of 70 percent in the recession year of 2008.

Audience Quality:	2006	2007	2008
Buying Plans	52 %	55 %	51 %
Net Buying Influence	83 %	82 %	81 %
Final Say	38 %	39 %	38 %

Attendee value from attending:	2006	2007	2008
Extremely/Very Valuable	63 %	67 %	70 %

Q1 2009 surveys indicate that these audience quality metrics are remaining strong.

This data suggests that while budgetary pressures within organizations will naturally reduce travel (and also defer buying plans) the reductions so far would appear to affect mostly lower tier attendees. Key people in the purchasing and specifying process who truly value and utilize trade shows are still being sent to them, a finding that as 2009 opened, bode well for the industry.

For individual exhibitors, our benchmarks indicate that buying plans were down slightly (again, probably deferred) for their types of products among their visitors (43% in 2008 vs. 50% in 2007), but there were still selling opportunities and the environment was conducive for interfacing with customers and prospects as evidenced by improved value perceptions and comparable traffic density.

On the exhibitor side, declines were less severe in 2008 but become increasingly significant when looking at 2009 projections. Exhibit programs for Q3 and Q4 2008 were in place when the economy turned, but it looks like some vengeance was taken when 2009 exhibit budgeting was written. In 2009, projected exhibitor percentage declines are closing in to roughly parallel attendee levels of decline, a concerning anomaly that bears watching.

The effect of recessions on specific industry sectors can mean everything to organizers and show owners, and it is critical going forward for organizers to keep a closer pulse on their sectors and continuously monitor vulnerabilities, issues and trends to proactively maintain their events' values and relevancies.

If we look at what economists say about industry sectors either under duress or presently well-performing, the results will be quite different than if we monitor actual trade show sector performance, which of course will trail real-time actual industry performance. Thus there is little point to make about specific sectors except to research them carefully from the economists' standpoint to get the best read for the future.

There are also sectors and sub-sectors that likely stand to benefit in the near term from the billions of dollars earmarked in various Federal stimulus packages. These include education, healthcare, energy, construction, technology and infrastructure markets. Whether these earmarked dollars will reflect increased marketing activity in general, or exhibitions in particular, remains to be seen but the infusion of stimulus dollars will certainly be in play for these sectors.

When will it get better? Watch the GDP.

No one can give even educated guesses here, but the consensus is that national recovery will not begin much before 2010 and the recovery will likely be slow. The Federal Government is now managing the nation's largest troubled banks and will no doubt do all it can to restore business credit lines, but results so far are disappointingly slow. We have yet to see how toxic assets in commercial paper and credit cards will further impact our banking industry.

CEIR says that Professional Services, Consumer Goods and Building and Construction are actually the key sectors that drive our overall industry, and these are the ones to watch. However, at the macro level, it's probably best to watch the national GDP. CEIR historical data shows that as national GDP improves the exhibitions industry will improve and will regain its vitality, albeit with at least a six-month lag.

Where is the GDP headed? The U.S. DOC reports that GDP decreased by an annual rate of 6.3 percent in Q4 2008 and 6.1 percent in Q1 2009, so the rate of decrease has plateaued for the moment; encouragingly however, typical forecasts are expecting recovery of the GDP into a low but positive growth rate, beginning in 2010. When we will get back to healthy GDP growth rates of past years is more debatable. It is likely to take several years considering the depth of this recession and the causes that still need to be remedied. We should prepare for a slow but steady recovery from the time GDP bottoms out.

Recovery might also come earlier, even this year. Notably, the National Association for Business Economics, a panel of 47 leading economists, has forecast GDP to recover to grow 1.6 percent in the second half of the year following a modest second quarter decline. In a May 29 press release, this panel further said it expects the recession to end in the second half of 2009 and the economy to begin to rebound. This is good cause for optimism for us to see recovery begin in exhibitions in the next twelve to eighteen months.

Exhibitions still preferred marketing tool, but budgets still vulnerable

The simple, but enigmatic and puzzling, fact is that as marketers significantly trim their exhibit budgets, they still love exhibitions. We have yet to find ways to enhance the priority of exhibit budgeting within the marcom spending lineup.

According to a Marketing Profs / Forrester study of CMOs fielded as 2008 opened, exhibitions and events remained at the top of marcom spending, accounting for 20 percent. The study also reports that seventy-two percent of CMO-level business decision makers used exhibitions and 27 percent had planned to increase their exhibition and event spending in 2008.

Nonetheless, marcom budgets are first on the block when recessions hit, and typically advertising and exhibitions are first on their respective block within those budgets. As a result, exhibition budgets for 2009 are down by 17 percent according to Trade Show Exhibitors Association. And an equal 17 percent of exhibitors have reported they will participate in fewer shows in 2009. Budgets for private events, by the way, are down 30 percent.

The longer-term outlook is still quite optimistic, however. The general trend over the past few years is for marketers to allocate dollars away from advertising and mass marketing, and place them toward customer-facing and lead generation endeavors, and we expect this trend to hold firm when the recovery begins.

Exhibitions have kept in step by correspondingly evolving into more of an experiential-based marketing format, where personal exchange and prospect involvement methods have become diversified and skillfully refined.

A joint study by Exhibit Surveys and Gallup & Robinson, which we reported on last year at ECEF, documents and validates the fact that this kind of experiential face-to-face exhibit engagement drives Purchase Intent, which in turn positively correlates to actual post-show purchases.

Marketers are often well aware of these things. There is every reason, then, to believe that exhibitions will rebound with a rebounding national economy and the restoration of marcom budgets.

In the meantime, as we adjust to the present realities and await recovery, we can also put this time to good use to lay the groundwork for a better future, as we fine tune our methodologies and consolidate and preserve our present positional strengths. The value of face-to-face does not have to be sold as much as it needs to be delivered.

The following excerpt from *EventView 2009* offers data that profiles the positive perceptions by CMO-level decision makers as they relate to event marketing.

CMO-Level Survey Respondents Favor Event Marketing

Source: *EventView 2009*

- *11% of the overall corporate budget is dedicated to marketing with 26% of the average marketing budget spent on event marketing*
- *Event marketing (36%) and Web marketing (34%) are the first marketing channels to benefit from an increase in the overall marketing budget; however, events (68%) and print advertising (55%) are the channels first affected by a decrease in the marketing budget*
- *62% choose event marketing as the discipline that best accelerates and deepens relationships followed by public relations at 16%*
- *31% of respondents choose event marketing as the marketing discipline that provides the greatest ROI followed by Web marketing at 20%*

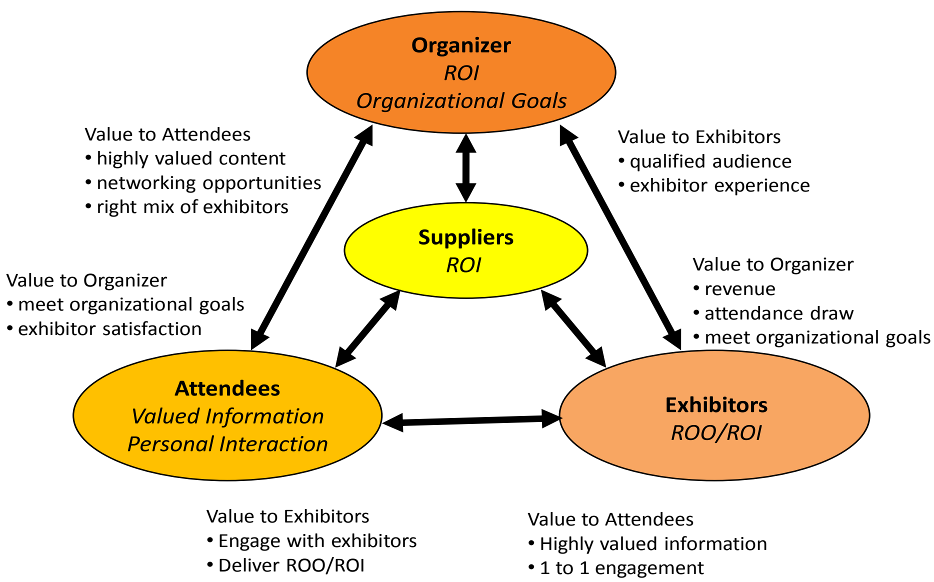
EventView 2009 goes on to articulate many facets of optimism for the future viability of exhibitions. It points out that while the economy is the primary top-of-mind-concern of CMOs (23 percent); “reaching new customers” (12 percent) and “keeping loyal, profitable customers” (10 percent) were next in top-of-mind answers. These two categories match the economic concern number, telling us that in the minds of CMOs customer acquisition and retention remain on their front line, and events marketing will remain one of their primary means to do so.

Preparing for the recovery: Strategies for the interim

The contemporary view is to look at the components of a show (i.e., organizers, exhibitors, attendees and suppliers) as functioning together as an ecosystem. The mutual relationships in any ecosystem are also, by definition, *symbiotic*; that is, each component must support the means to maintain the life of the others – to insure the well being of each other's viability in a state of balanced harmony. Healthy and growing events drive high value to all constituents. The following graphic illustrates the symbiotic structure of exhibitions and the value each is expected to deliver to the other constituents.

Trade Show Ecosystem

Health Dependent Upon Delivering Value to all Constituents



[1]

Let's look first at the Exhibitor Component: *The Invisible Exhibitor*, a 2008 white paper put out by MAYA Design and Expo Group, reports on potential shortfalls in this ecosystem as they relate to the exhibitor component, beginning with show organizers who pay attention largely to quantitative factors (e.g., delivering a qualified audience) and are less aware of qualitative problems with the exhibitor experience. For example:

> *They are forced to play by many different sets of seemingly arbitrary and constantly changing rules, plus foot the bill for errors and inefficiencies caused by other people.*
>
> *Shows that do not provide a superior experience in the human dimension might become increasingly at risk as other venues make it easier for exhibitors to reach their target audience*

Knowing what to look for and pay attention to regarding the exhibitor experience, and knowing how to address breakpoints in that experience, can have an effect on the long-term viability of a show.

Although a bit pessimistic in tone, these findings, written before the current recession, can nonetheless serve as a starting point for an improved exhibitor-relations strategy in today's environment. It would seem timely that the starting point for an interim strategy should be to consolidate and reinforce relationships between organizers and their exhibitor base.

Truly make your exhibitors your business partners

Organizers often think of exhibitors as customers and offer habitual, but shopworn tools to support "customer satisfaction," but these times may require more innovative approaches to bonding with this constituency. At a recent IAEE panel of senior executives of organizers in Northern California, possible tactical approaches were discussed in the context of the present challenges, changes and opportunities in order to better create and promote a *business-partnering approach* with exhibitors. Some of these tactics include:

- Acknowledge the recession and focus on how your event can help them through it; be a helpful partner in their own planning process for your show
- Set realistic expectations for exhibitors in advance of the event in terms of attendance
- Consider reducing or offering special deals on registration fees, especially for conference registration, to encourage attendance during recessionary times
- Offer *interim* discounts or financial incentives to major exhibitors and sponsors
- Spend more on attendee marketing this year and on reviewing tactics
- Enhance the quality of education content to attract and retain attendees and compete better with other information sources in meeting attendees' information and learning needs
- Get "into the game" regarding use of social media and virtual events; since virtual events produced by competitors can negatively impact attendance or exhibit space sales in the short term because of the economy, consider using elements of virtual events relating to your shows that will benefit exhibitors

- Assist exhibitors in measuring or substantiating their return on investment from your event, in order to preempt possible attrition and thus boost retention. (The EventView 2009 study found that companies that measure event performance are 41% more likely to expect increases in their budget than those who do not.)

- There has been a concerted effort by most event organizers to “go green” with their events. Determine what are you able to do within the constraints of the economy and how you can help your exhibitors comply with the current pressure to “go green”

Many of these tactics to help exhibitors can be debated and are not without risk or cost. But the common denominator here is the need for personal communication beyond traditional emails and other impersonal customer-service approaches that exhibitors have come to know.

It is now more important than ever that person-to-person exchange regarding these or other business-partnering conversations be conducted. The need is most pressing, and the opportunity is also the greatest, to conduct them when business is bad and you are in the foxhole together.

As buyers stretch out their buying cycles and capital expenditures are deferred, exhibitor ROI from any given event may lag correspondingly. Organizers can remind exhibitors that they and their customers need more than ever to be face-to-face in these circumstances so they can plan future business activity in clarity and coherence.

At the same time exhibitors can remind their CMOs of the danger of any breach in the flow of their fundamental branding and messaging objectives to their trade show audiences, where brand-relational dynamics happen to be the strongest.

Also, speak the language of your exhibitors’ CMOs. Customer acquisition and retention are their top of mind concerns, next to the economy. The research referred to earlier that Exhibit Surveys conducted with Gallup & Robinson documents that exhibitions attract a good mix of both customers and potential new customers, and exhibits significantly impact the Purchase Intent and post-event purchases of both.

All this calls for a strategy of expanded communication beyond, or through, the exhibit manager to his or her CMO. Organizers need, then, to create means to arm their clients with materials and data targeted to the CMO level to justify continued budgetary support.

Truly provide value to attendees

To put it simply, attendees come for two basic reasons: first is to obtain highly valued information whether it be from education, exhibitors and/or networking with peers and second is the ability to engage face-to-face with speakers, peers and exhibitors to interactively and dynamically exchange and obtain information. Again, the organizer is pressed to provide irreplaceable value on both of these fronts.

The quality, uniqueness and relevancy of content provided to attendees are critical during a recession. It is an important differentiator as attendees have fewer events they can attend. Content is also the primary justification for some to attend.

Long term, highly valued content will become an even more critical asset of exhibitions as they compete with other information sources. This means that much of the content will need to be unique ("first to market" or at least very current), more in-depth than can be obtained from other sources, of high integrity from reliable sources and, of course, of high relevance for the intended audience.   This will be necessary to compete with lower cost competitive information sources.

This will require considerably more investment for some exhibitions, but the investment can be leveraged through post-event sale or distribution of the content via white papers, virtual events, etc., plus the added value of extending the life of the show and its brand throughout the year.

It is important to reiterate that content is not only formal education, but also includes intellectual content that comes from the exhibit floor and formal and informal networking among peers. Off-floor, formal education is easy to "package" in terms of communicating the relevance and value of tracks or sessions applicable to specific audience segments; the same must be done for the show floor itself (e.g., types of exhibitors relevant to each segment).
The emerging trend that has the most potential to change the relationship between organizers and attendees is for attendees to have more input into the shape of an event and for the organizer to be ready to respond and change the event almost instantaneously.

Organizers need to be providing social networking tools for attendees and they need to be monitoring the conversations generated by these tools so they can quickly adapt to their customers' needs. For example, conference attendees can comment on the content of sessions in the morning using Twitter and the organizer can respond to this information by adjusting the content to address their concerns in the afternoon sessions.

Organizers need to start thinking of their events as not being episodic – happening once a year – but persistent. With social networking tools an ongoing conversation can occur between attendees and the organizer and among attendees themselves so that the event doesn't end on the day the show floor closes but continues throughout the year.

The value of attending exhibitions according to our research increased significantly in 2008. This may simply be that attendees in a recession year are more likely to have a specific agenda or purpose for attending and thus derive a more useful return. But anecdotal evidence also suggests that attendees are finding more value because the overall experience of attending is more conducive to the type of in-depth, face-to-face interaction they want for obtaining the information they are seeking.

This raises the bigger question as we look ahead to economic recovery of just how important large numbers of attendees are to the success of an exhibition. Undoubtedly, the less experienced exhibitors will still judge their success to a large extent on the density of attendees on the show floor, plus booth traffic and leads, so it is a numbers game for them.

But isn't it time to start promoting and positioning our exhibitions to attendees and exhibitors as very targeted and highly qualified opportunities for the exchange of relevant information (education or sales related)? The high value an exhibition can deliver to both attendees and exhibitors is well documented and is not refutable. So why don't we focus on the value-intensive nature of exhibitions and not the gross numbers of attendees? This question is a larger topic and a longer discussion than can be addressed in this paper, but nonetheless an issue worth exploring as we position our industry for the coming recovery.

On the attendee side, ongoing communication remains important. Obtaining feedback on attendee perceptions and detailed input as to their needs and expectations allows for ongoing value optimization regarding your show's content.

Outbound communication to attendees may also need to expand during recessionary times, to deliver value-based messaging based on new and explicit benefits to them, plus assistance programs designed to facilitate preshow planning and ease of "show consumption." Any possible pricing incentives should be in place and, of course, emphasized.

Driving value to attendees is all about providing specific and timely content relevant to their needs in an environment that is conducive to and facilitates effective personal interaction. In good or bad economic times this is the basic principle that needs to be adhered to in developing all attendance strategy and tactics.

Summary

The exhibitions industry is still, and will remain, the first method of choice in today's preferred marketing practices of brand engagement and highly personalized, experiential, exchange between seller and buyer. In the meantime, however, there is ample opportunity to find ways to frame our product into that experiential mode and to assess and plan our future in more innovative ways.

This downturn is actually a bright opportunity, a time for reformation to make the required effort so organizers can enter the recovery at full speed and primed for the race. In the meantime, the thrust of an interim strategy for exhibition organizers is threefold: *relationships, value, and communication.*

Relational dynamics cover many participatory elements, including the organizer, the exhibitors, attendees, and suppliers. Beyond that, there are the subliminal, yet vibrant, relational bonds based on buyers' affiliations with brands, products and services, based on trust and intimacy, that catalyze purchase behavior at exhibitions. Marketers for the most part know this and respect it.

Value perceptions need to have their basis in reality, and that reality must continue to improve. While we are primarily mandated – as a matter of course – to increase value to all concerned; we are secondarily mandated to measure and discover where key value gaps exist and refine our product correspondingly.

At the same time, *enhanced means of communication* – to the exhibitor base, their CMOs, and to the attendee base – is the third imperative. Nothing can happen as a result of all our efforts at self-improvement without clear realization on the part of our constituencies that our product and our industry continue to warrant their investment.