White Paper:

Exhibitions must deliver (even more) value to exhibitors in the post recession world

Four questions show organizers need to ask themselves

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Introduction: *Last year we discussed interim strategies as we looked ahead to when the recession would bottom out and begin its ascent into recovery. That time is now here, as GDP and other economic activity has trended up in Q1 2010 and most projections point to modest, but sustained economic growth ahead.*

While this is encouraging news, the negative effects of the past recession also revealed industry vulnerabilities remaining to be addressed. Going forward, the new reality for our industry is that the post recession world of exhibitions will probably evolve to be quite a bit different in scale and scope from the business-as-usual world of the past, presenting us with new challenges to solve, as well as the need to prove, new and more relevant levels of value to our exhibiting constituency.

Not only that, but to some degree we must actually lead exhibitors into the process of understanding – and exploiting – the unique value components that exhibitions offer. Ultimately, we must learn the language, and relate to the mindsets, of our ultimate customers – the CMOs who allocate the budgets that represent our revenue streams. To that end, we propose four questions that organizers should be asking themselves in a recovering economy and the new challenges it brings.

Question one: How do you become a strategic partner with your key accounts at the marketing level and rise above your relationship being based on a transactional sale of space or services?

Strategic relationships have much more potential for being long term. Since we can't educate and sell CMOs on an ongoing basis from a distance, there is a need to begin to build the structure to do so. NAB, for example, just created a new position of VP of Strategic Accounts. This person's job is to work with key accounts that are strategic to the health and future growth of the show. This person has absolutely no sales responsibility. His job is to learn about the accounts' business priorities and initiatives for their markets, and then partner with them by sharing show data and information to help them leverage the show and keep it top-of-mind 365 days a year, seeking any means possible to align with their expected outcomes from their investment with NAB.

Not every organizer may be able to afford the creation of a new VP position, and in any event one would expect gaining access to CMOs to be difficult at best. Nonetheless, finding means to do so is becoming more imperative. Obviously, a deeper partnering with key exhibit managers is a logical place to start, establishing ongoing, personal communication opportunities that probe for agendas and curricular means to bring their CMOs on board in a knowledgeable way as to the specific value and importance of exhibitions in the marketing mix for these accounts. You and your exhibit manager, after all, share the same interests and have a common stake in the maintenance of marketing budget considerations and attendant exhibition allocations within the mix.

Not that those allocations are in decline, but they may be on the verge of softening.

Event budgets are now improving, but not at the same dynamic as overall marketing budgets. Thirty-nine percent of companies surveyed by *BtoB Magazine* reported increased marketing budgets; exhibit budgets, while showing a corresponding gain, also posted an alarming 27 percent who planned to *decrease* exhibit budgets in 2010. Even more indicative, at the same time *B2B* also reported a very strong increase in on-line marketing allocations, at 73 percent. While online expenditures are still at somewhat low levels (one of the benefits to on-line methodology is lower entry costs), they represent a greater threat to us as self-sustaining, low cost, passive sales mechanisms that compete for our dollars. They also represent the broader reality that we stand in greater risk today of losing ground in the competition for overall marketing budgets.

This trend toward a growing utilization of on-line methods is but one natural outcome of today's corporate drive for cost and time compression and attendant automation, ubiquitous to aspects of business, regrettably now including the sales process itself.

The serendipitous benefit to us is that on-line methodologies in actuality are self-limiting. They are confined to situations that are direct-transaction based, where there is little or no need for nuanced product selection and intangibles that require a deep drill into product awareness and benefits – the exact thing exhibitions can offer. Nonetheless, the ever-present pressure for increased corporate cost containment, including cost of sales, makes exhibitions a natural target, and our role unfortunately must still contain a defensive element: the ongoing need to justify exhibition participation and investment to the CMO.

That can't happen until the CMO sees us as growing into more of a collaborative, strategic role, *a role we have yet to create*, and a role where we, again, learn their language and thinking so we can nurture the positive perceptions they continue to harbor regarding the unique value set that exhibitions still bring to them.

Question two: What does this say about the type and quality of information we need to provide major exhibitors and CMOs who are getting metrics and analytics from their on-line marketing activities?

Our experience in working with event managers of major exhibitors is that they as well as their CMOs are increasingly becoming data driven in their decision-making regarding events. In addition to needing data to justify their investment in shows, they are looking for more detailed and better data about attendee needs, expectations, interests and demographic / psychographic profiles to plan their participation.

For online activities, web analytics are readily available to them at no or very little cost. They can measure reach, online visitor behavior, online visitor profile (where registration is required), and actual results if opportunities for transactions or other call to action responses are offered. Currently, most event organizers are providing little insight about their audience other than basic attendance figures and elementary demographics. And rarely is any data provided to exhibitors that substantiates results from participating beyond basic lead counts.

In the absence of good metrics and data from organizers, the risk is that marketers will make unilateral and arbitrary decisions regarding their show investment. Major exhibitors are being much more discriminating in their show selection decisions and it is our expectation that this trend will continue even as the economy improves. Decisions to exhibit and participate in a show will be much more strategically aligned to their business priorities and marketing focus. They will continue to exhibit in a show only as long as it aligns with their business priorities. And business priorities for major companies can change relatively quickly depending upon market and competitive factors. For their major industry shows it is less of a concern, but for vertical shows that align with their strategy one year but not the next, they are more likely to drop out when the show does not fit.

Even strong industry sectors are coming under this scrutiny. For example, the healthcare convention sector, once considered immune to the ups and downs of the economy and the largest single industry sector of shows is evidence of this change. In a recent survey of Healthcare Convention & Exhibitors Association (HCEA) members, the findings for 2010 showed that 40 percent of healthcare exhibitors plan to reduce the number of events they participate in by an average of 7.5 conventions. Not only that, but over the past two years they have reduced the average size of their exhibits by over seven percent. Yes, their budgets have been reduced substantially, but it is not anticipated that budgets or booth sizes will recover to prerecession levels as they become more selective in decisions about where they will exhibit and how much they will invest.

We have also seen this as a general pattern that exhibitors at large are currently downsizing rather than totally eliminating their presence at events important to them. This speaks well on our behalf as to the perceived value of participation over nonparticipation by marketers.

Even though organizers can show they continue to deliver a highly receptive buying audience, we all know there is much more data that goes into show selection. Interestingly, a few organizers have begun to actually measure ROI for their key accounts. ROI metrics as well as other performance-based analytical tools already exist and can be provided as long as both organizers and exhibitors are educated in the process, and exhibitors are motivated to participate and cooperate in the planning and execution of them.

If this is the case, organizers need to be prepared to provide much more data and more relevant data that will help key accounts in their decision-making. Assisting with ROI development is a preemptive move because as exhibitors become more selective in their show investment decisions, ROI benchmarks can become strong determinants.

A conceptual schematic of key *strategic* drivers of exhibit ROI and ROO (Return on Objectives) can be illustrated as follows:

Exhibit Marketing ROI/ROO Optimization

Key Strategic Drivers of Exhibit ROI/ROO

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Optimizing ROI/ROO is contingent upon careful planning and decision-making as it relates to these five aspects of participating in an event. With varying degrees of success, organizers often educate exhibitors about the importance and execution of the tactical drivers of ROI (e.g., promotion, demos, staff performance and training, etc.) and lead generation and follow-up practices. It's clear that organizers also have the potential to play a consultative role (at least with key accounts) in each of the other aspects of driving ROI.

Looking at the above schematic, *Show Strategy Alignment with Business Objectives* is certainly the place to start, as this groundwork is a prerequisite to all the others. Gaining this perspective, the organizer is in a position to share data and information to assist key accounts in various ways including, for example:

- defining the target audiences that align with their business priorities and objectives
- planning their strategy for the show based on the interests, needs and expectations of attendees
- setting realistic event objectives based on the potential of the show
- determining appropriate investment levels based on the size and value of their target audience
- planning the tactical elements of their exhibit and ancillary event activities based on interests, needs, expectations and profiles of attendees

Providing exhibit ROI results to key accounts involves comprehensive involvement and collaboration, and although it may be the quintessential service that organizers might provide to event managers and CMOs, it still may be premature for some organizers to undertake. Other information, however, is more readily available and transmittable; information that speaks the CMO language but is not yet widely deployed to them. This information bypasses the typical, familiar areas that resonate with exhibit and event managers such as leads, booth traffic, attendance and demographics, and moves upward to address the key marketing initiatives of concern to the CMO.

And what are those marketing initiatives? Number one by far among B2B companies according to *BtoB Magazine* is *customer acquisition* (61%), followed by *customer retention* (16%) and *brand enhancement* (15%). All of these are things that exhibitions uniquely are in a position to deliver on. While customer acquisition and retention are not what we typically quantify or speak about to our exhibit managers, their bosses would be quite interested. The same holds true for branding and brand equity, and tools (e.g., pre-post attendee research to measure “lift” in brand metrics) are readily available for organizers to quantify brand equity and memorability by attendees for key exhibitors that prioritize the branding initiative.

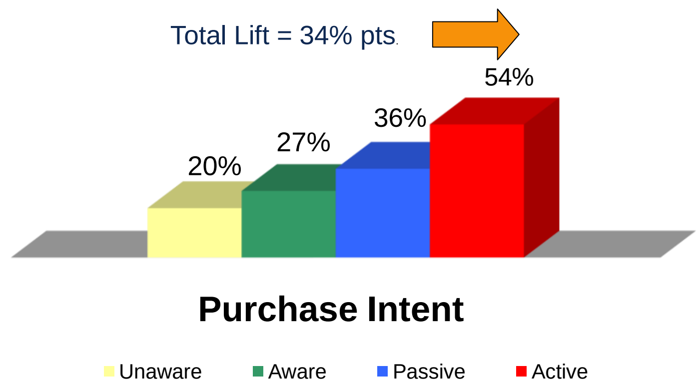
Shows have a very strong value proposition as it relates to *customer acquisition*, at least compared to other types of events. For major exhibitors at shows, our research shows that an average of 47 percent of their visitors are current customers but about as many (44 percent) are non-customers who have a known buying influence for their products.

On the other hand, their own private corporate events are very customer-centric with an average of 77 percent being their customers and the rest including very few prospects. This is useful ammunition for us to position the value of exhibitions to CMOs who have customer acquisition as their number one initiative for 2010.

Question three: What are you doing to substantiate that your show is helping to accelerate the sales process for your exhibitors and deliver ROI?

There is plenty of research and evidence to support that participating in exhibitions accelerates the sales process, and some of the more sophisticated exhibitors are doing this on their own. One such research project we have reported on in past white papers is the study titled *"Experiential Marketing: A Master of Engagement - Research on How Engaging Events Pay"*. This research conducted for the Advertising Research Foundation (ARF) by Exhibit Surveys and Gallup & Robinson proves that face to face engagement truly and effectively drives exhibitor results. It drives the brand metrics that in turn drive purchase intent, and purchase intent has proven in turn to be a good predictor of actual sales.

ARF Study: Active Attendee Engagement Drives Purchase Intent Lift



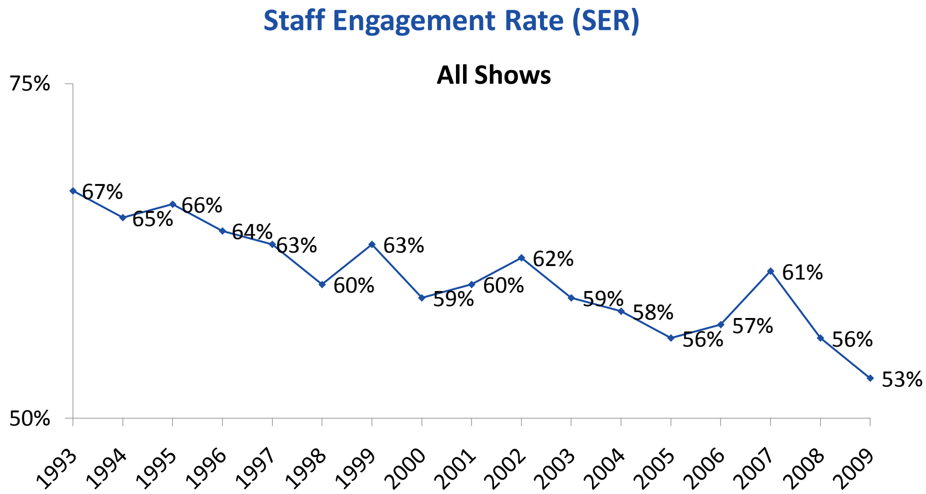
Unaware – unaware that they exhibited (control sample)
Aware – aware that they exhibited but did not visit
Passive – visited exhibit but did not engage
Active – actively engaged with exhibit and staff

“Active” engagement is defined as the meaningful face–to–face interaction that takes place in the exhibit. The higher the level of engagement, the better the results. This graph illustrates the impact of exhibit engagement on Purchase Intent, a key metric of success because of its high correlation with actual sales, but similar increases were evident for all key brand metrics tested (e.g., awareness, consideration, brand fit, etc.).

From a consultative standpoint, the most urgent issue, and one that is easily addressed with data, is to educate and then convince your key exhibitor clients in the simple necessity of adequate booth staffing. Staff resources are often as scarce as budget to invest in shows, but the lost opportunities of not staffing adequately and effectively are very significant in terms of the negative impact on ROI.

A disturbing trend we are seeing is that although exhibitors continue to do a good job of attracting their potential audience to the exhibit, the degree of face to face engagement is declining often because of fewer staff resources. In 2009, for every 100 qualified attendees (those in the target audience) who visited the average exhibit, only 53 were engaged face to face by someone in the exhibit. There has been a steady decline in this metric.

Personal Contact Achieved With Prospects Attracted



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Face-to-face engagement is but one of the factors relating to what we (and CMOs) describe as the *experiential marketing* value offered by exhibitions. As mentioned above, experiential marketing is a topic covered in our earlier white papers, but the point here is that it is a term that carries its own science and metrics and is highly relevant to many of the CMOs who sign the checks.

Generally speaking organizers have the responsibility of substantiating the *potential* for ROI, meaning quantifying and documenting the value and buying profile of the attendees. Is the next step for organizers to quantify how effective the show is in accelerating the sales process? Measuring ROI of key accounts accomplishes this for the major exhibitors, but not for the show as a whole; nonetheless, reporting on ROI can't help but bring new levels of credibility for our shows in the eyes of the CMO.

Question four: Major exhibitors are increasingly taking a more integrated and targeted approach to how they participate in exhibitions. It is no longer just about taking space on the show floor. What does this say about the current revenue model for most shows that is heavily built around exhibit space sales?

Figuratively speaking, we are seeing exhibitors place more value on the 100 high quality, intimate customer or prospect meetings they can set up at a show than they are interested in the 2000-plus people they will get through their exhibit.

As another example of booth space becoming ancillary rather than primary, some companies are increasingly looking to enhance their brand perception as a thought leader in the industry. They will downsize, using the booth presence as a platform to bring highly visible and respected company speakers to the show, or to host brand-affirming side activities.

These kinds of motivations for participating in a show really center on those strategies that have a higher perceived ROI to marketers, and will generally require tactics in addition to having an exhibit on the show floor, or in some cases a smaller or no presence on the exhibit floor than in the past. This, obviously will continue to impact show revenues, and put pressure on to escalate pricing structures, exacerbating everything. Healthcare convention organizers have increased space rates by over 19% over the last two year period according to HCEA data, presumably to offset lost revenues as a result of marketers decreasing the size of their exhibits, dropping the convention and/or fewer sponsors.

This is an area where perhaps there is a need to think about future innovation in pricing structures and models. Should you, for example, be basing revenue models on the value and quality of the audience rather than space alone? In essence, this is what hosted buyer events do. And then, how do you help exhibitors facilitate an integrated approach to participating in your event from a consultative perspective?

This thinking can be extended to exhibitors who now reduce or eliminate their presence on the show floor in favor of offsite meeting rooms or activities. First, they need to be reminded of the need for a balanced presence on and off the floor if they are to reach new prospects, again, touching on the top CMO priority of customer acquisition.

Second, Michael Corleone borrowed an applicable ancient Chinese proverb in *The Godfather II*: "Keep your friends close, but your enemies closer." Considering this bit of wisdom, why not strive to bring more of your key accounts' hosted and private events under your own event's pricing umbrella? This certainly presents a new revenue source that could be bundled and discounted with booth space and at the same time open the door for collaboration to find even other ways for your customers to obtain new value propositions from your event.

The overriding point here is that pricing must be ever more covenanted with value. Our sales messaging needs to express that cost / value relationship to the people who pay us in terms that will resonate with them and then, of course, deliver on it.

SUMMARY: These four questions raise challenges that cannot be ignored, but also raise opportunities to bring exceptional relevance to what we do. Our experience is that exhibitors and marketers still see value in shows. We just need to better demonstrate that value in terms and metrics relevant to them, help them realize their potential, and quite frankly become more sophisticated in understanding how shows fit into the overall marketing mix, and more specifically, into their mix.

In the process, we must learn to become much more consultative in our approach.

We can't work in the vacuum of just event marketing. The more sophisticated event directors of major companies are increasingly becoming more strategic in their thinking. We need to provide them with tools and data that will help them do their jobs better and demonstrate to their CMOs the strategic value of exhibitions to their overall marketing efforts.