

Convention Center Industry Outlook

How Today's Challenges Will Change Convention Centers

2009
**International Convention
Center Conference**

Toronto, Ontario Canada
October 8 - 10, 2009



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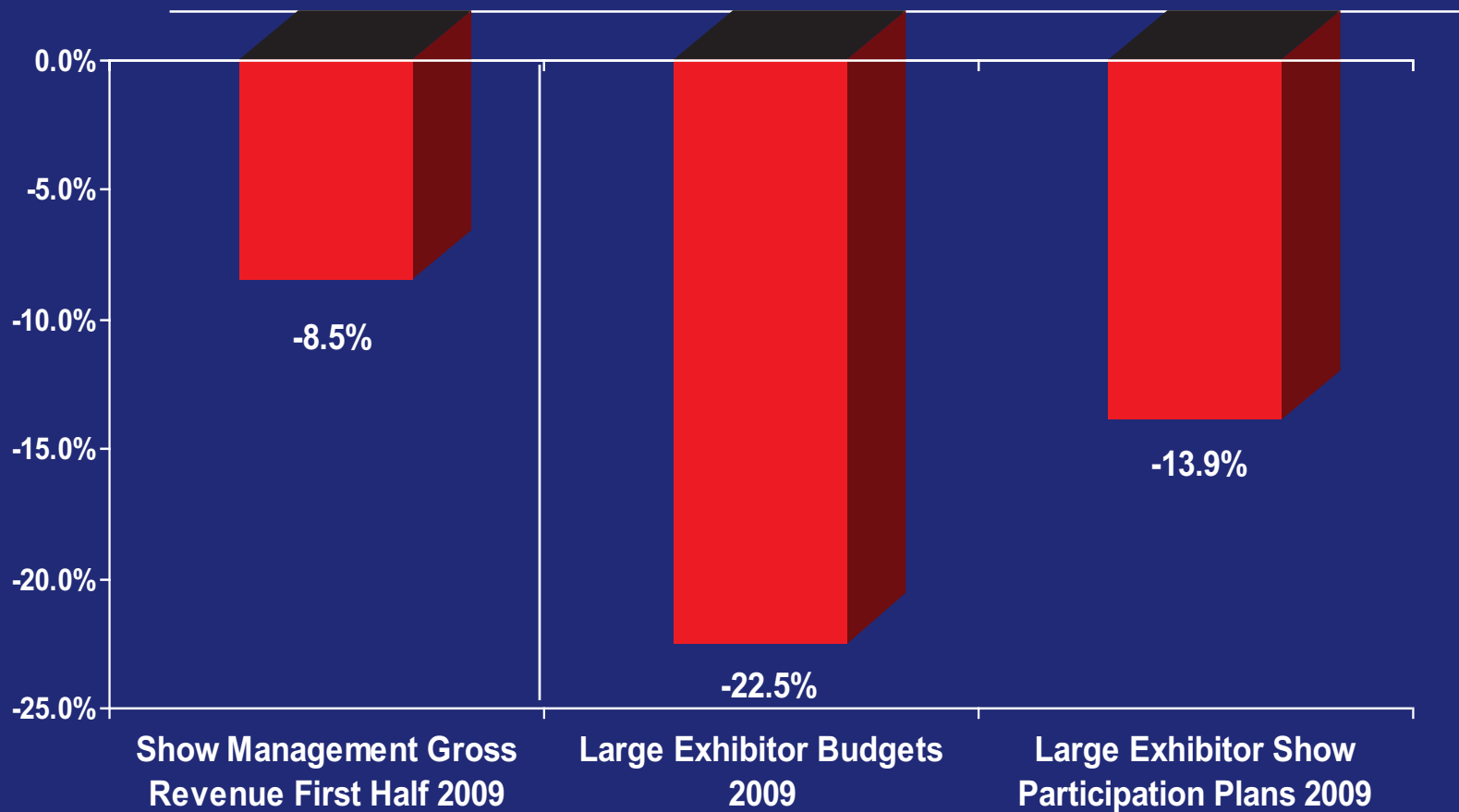
Objectives

- Today
- Venue Development
- What's Different?
- What's Still the Same?
- The Response
- The Rebound

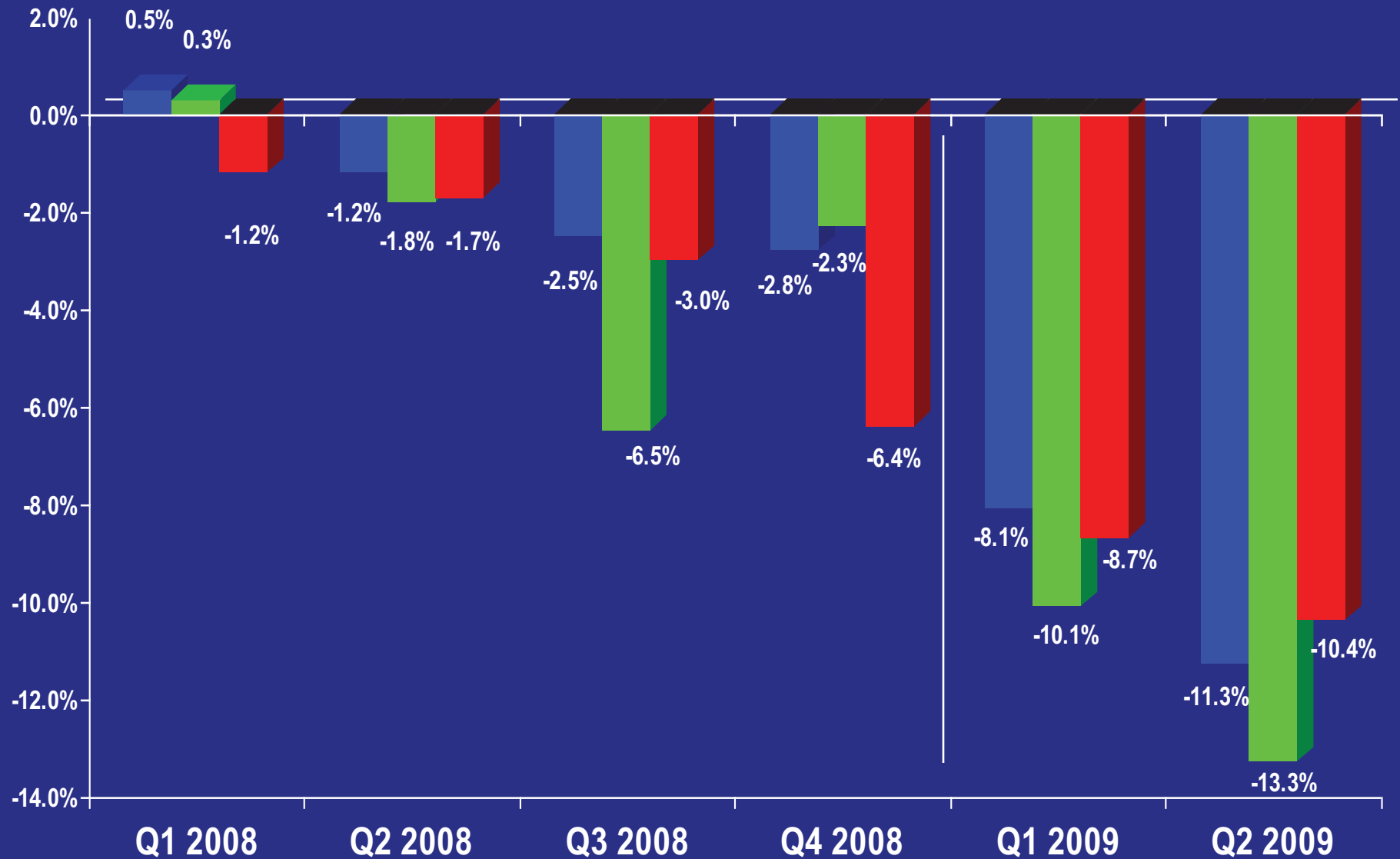
Q&A

Today

Average Large Show Management Revenue – and Average Large Exhibitor Budget Outlook



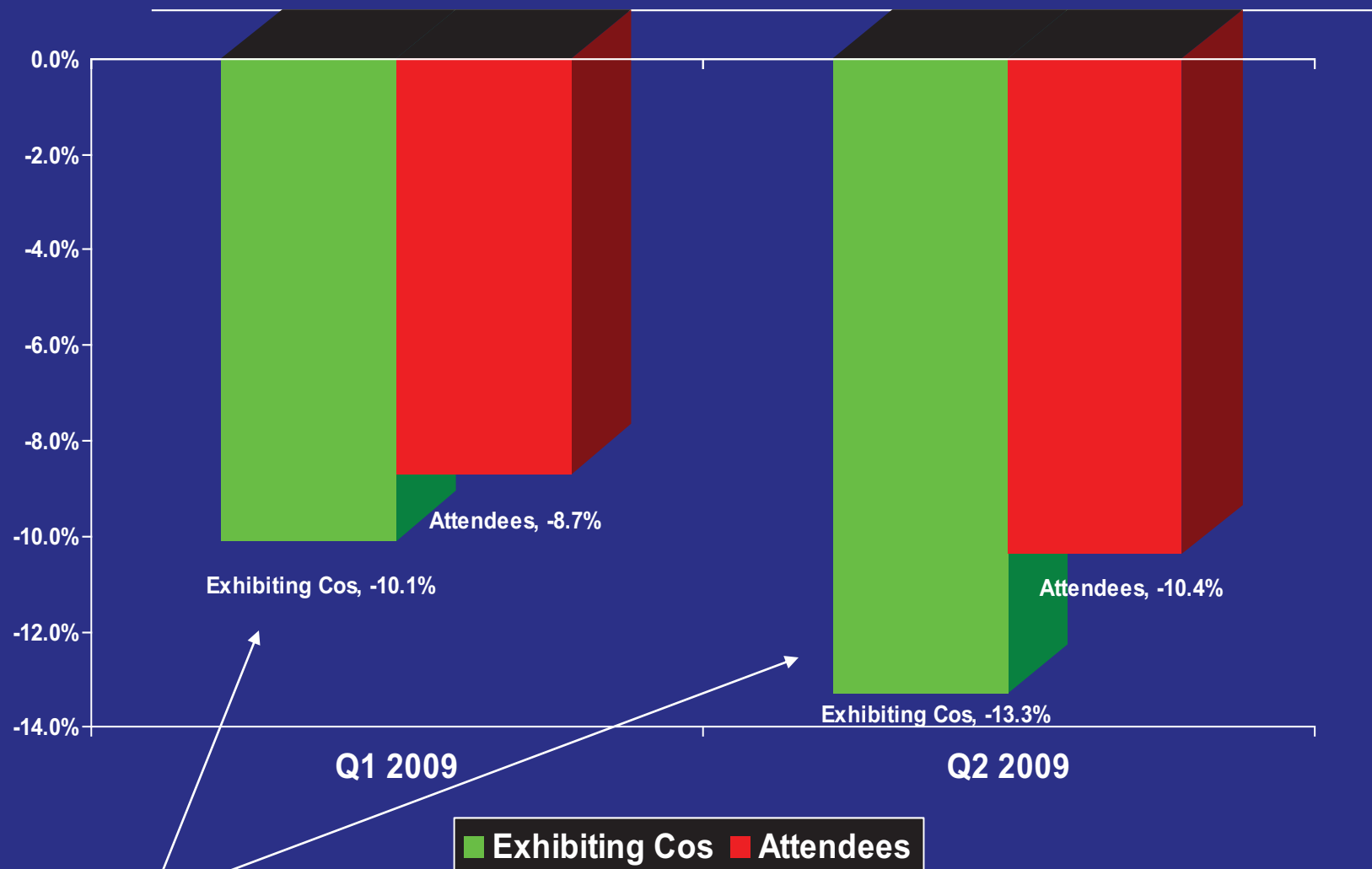
'08-'09 Quarterly Convention & Exhibition Growth



Source: *Tradeshaw Week*

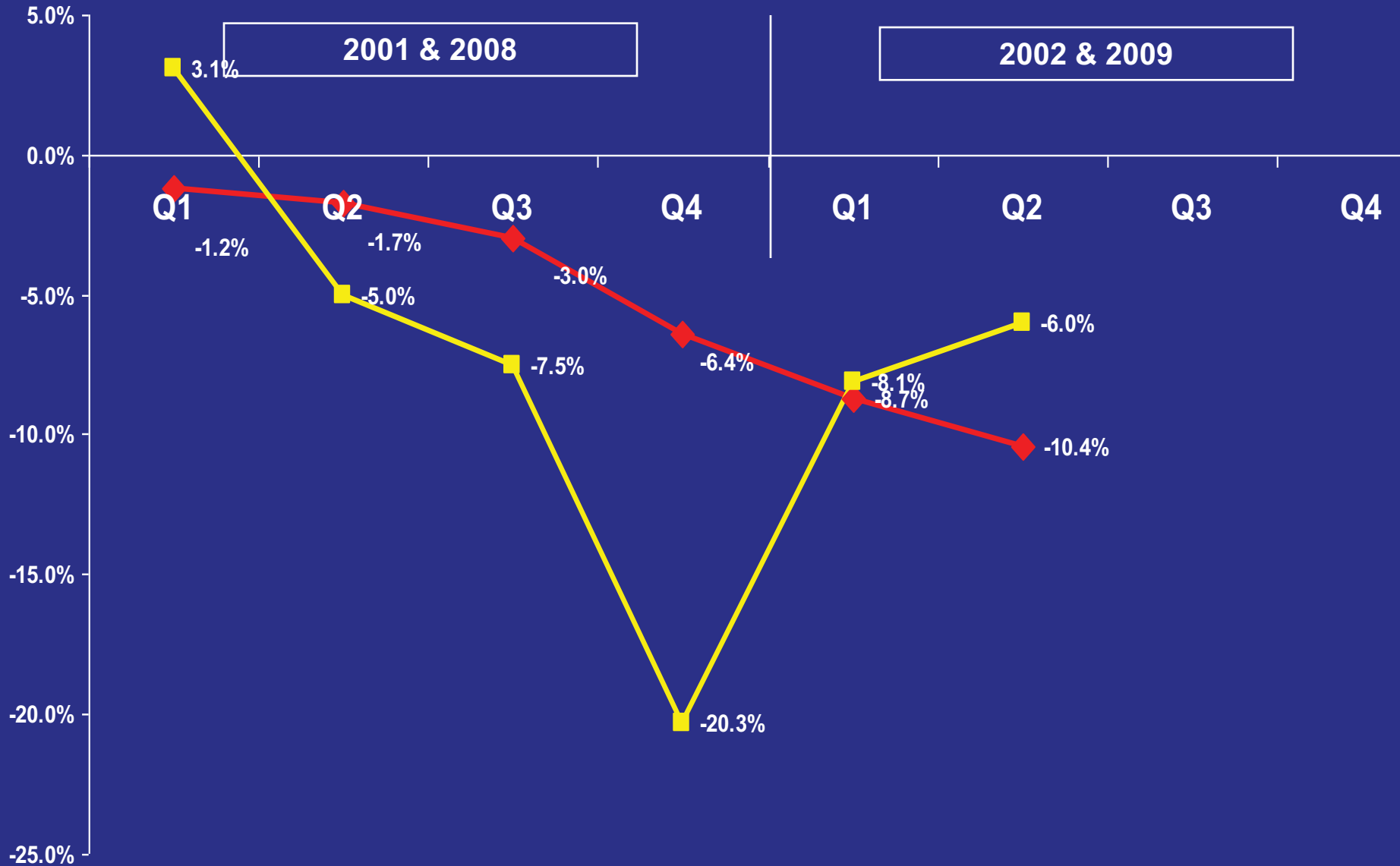
■ Net Square Feet ■ ExCos ■ Attendees

Exhibitor Participation vs. Attendees

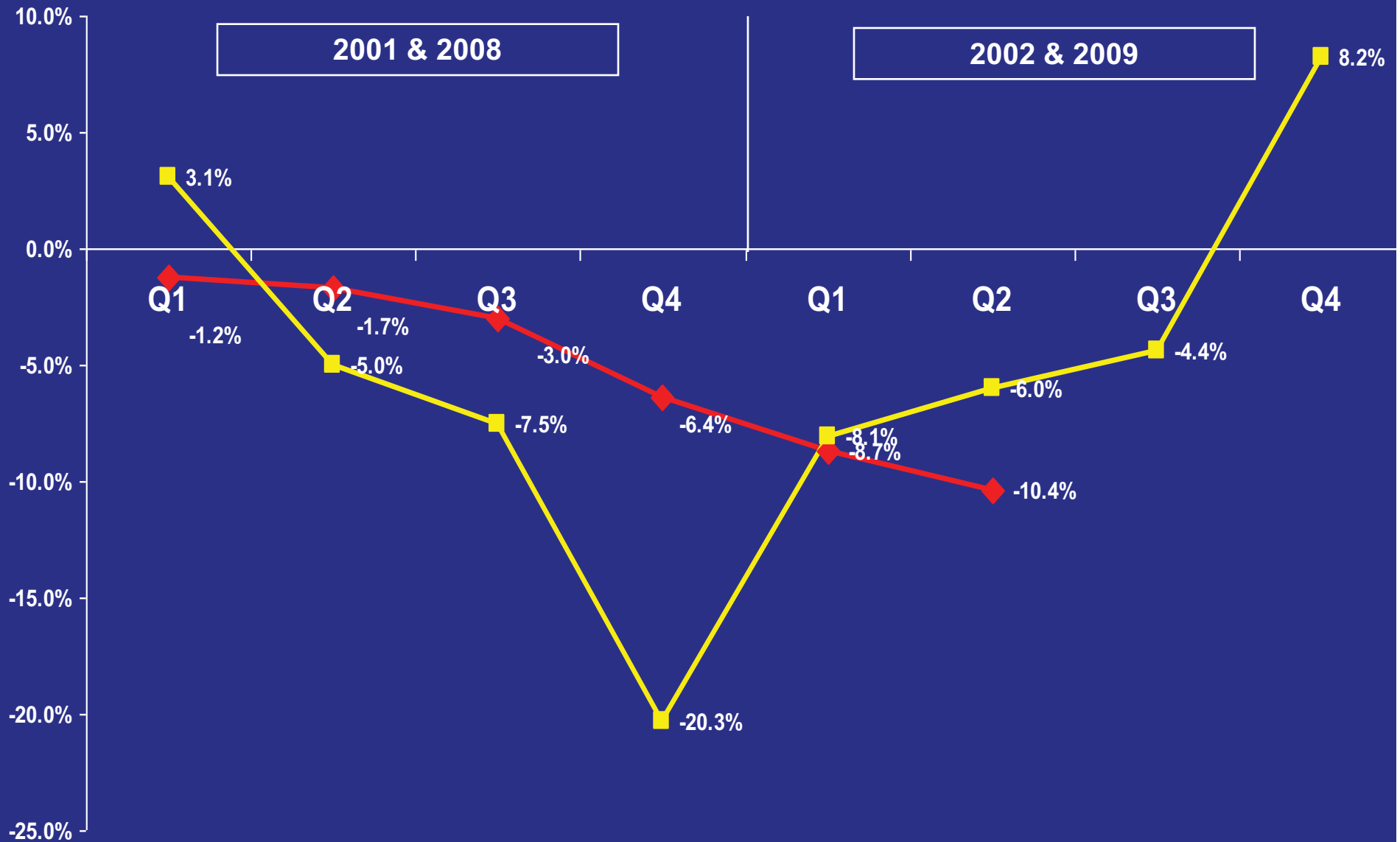


Exhibitors have cut-back more than attendees, a good sign for the rebound.

Attendance Growth 2008 to 2009 vs. 2001 to 2002

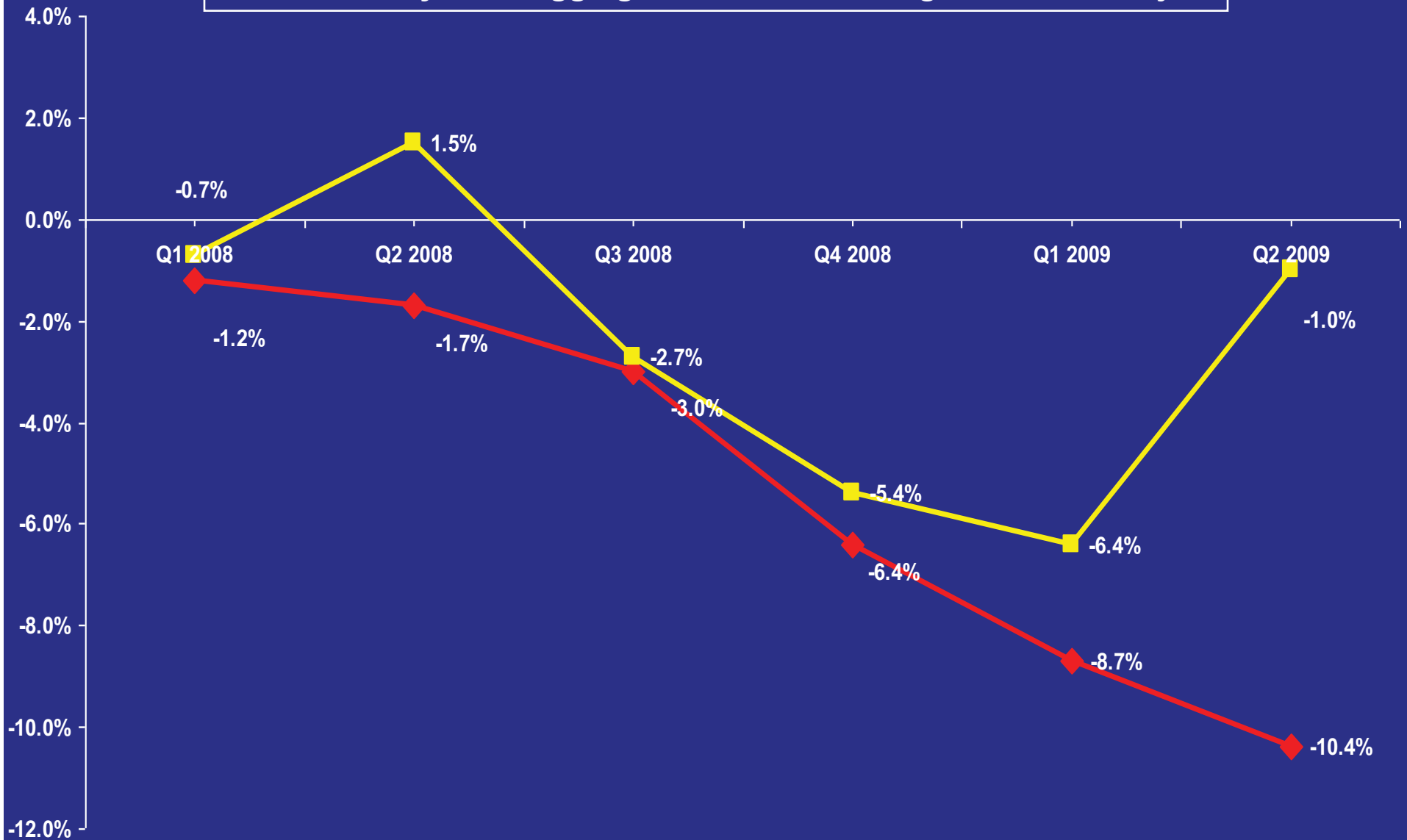


Attendance Growth 2008 to 2009 vs. 2001 to 2002



Attendance Growth 2008 to 2009 vs. U.S. GDP

The industry is a “lagging indicator” – *that’s good news today.*

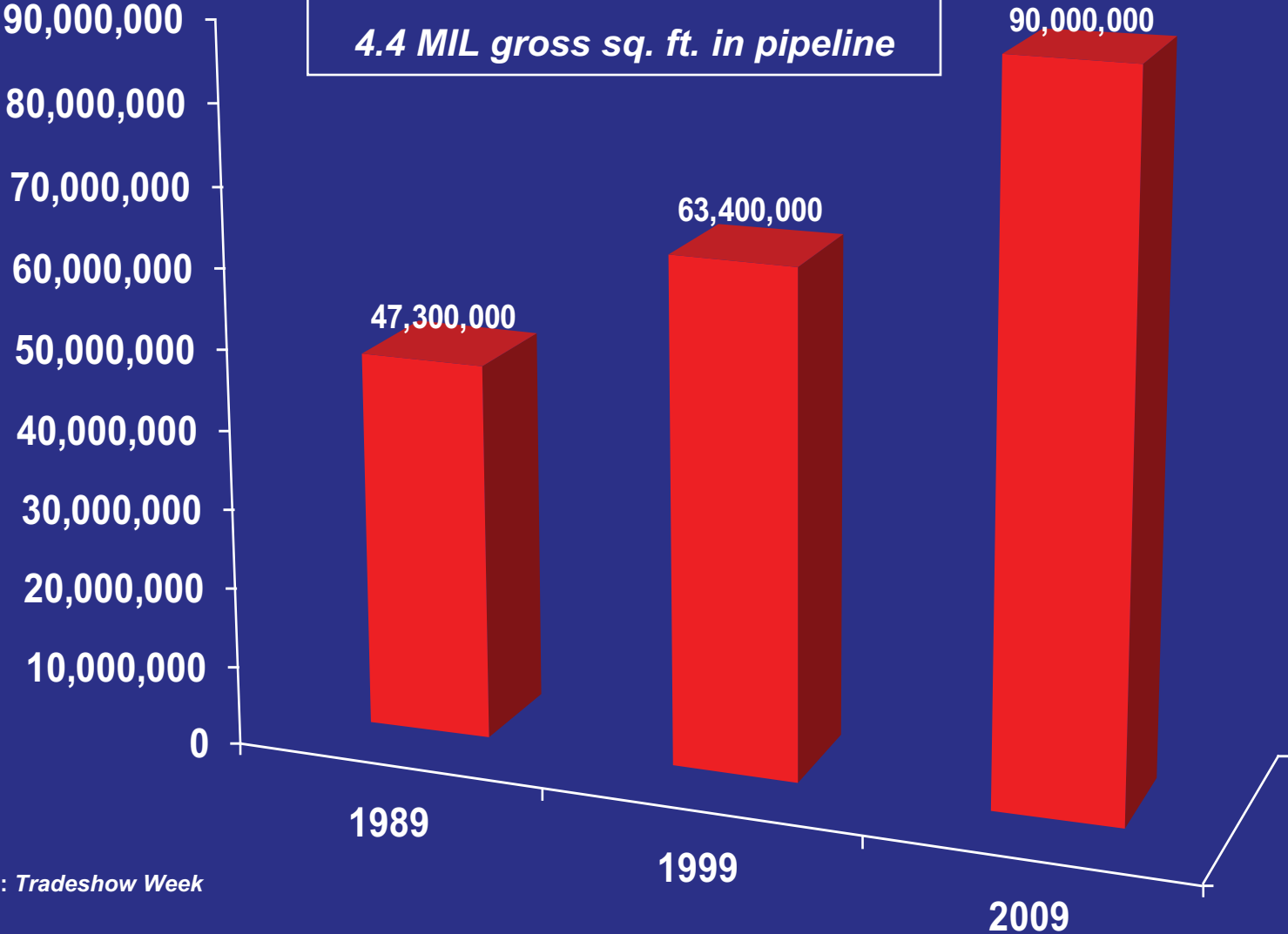


Source: Tradeshow Week & U.S. Commerce Department

Venue Development

Convention Center Space 1989 to 2009 SF

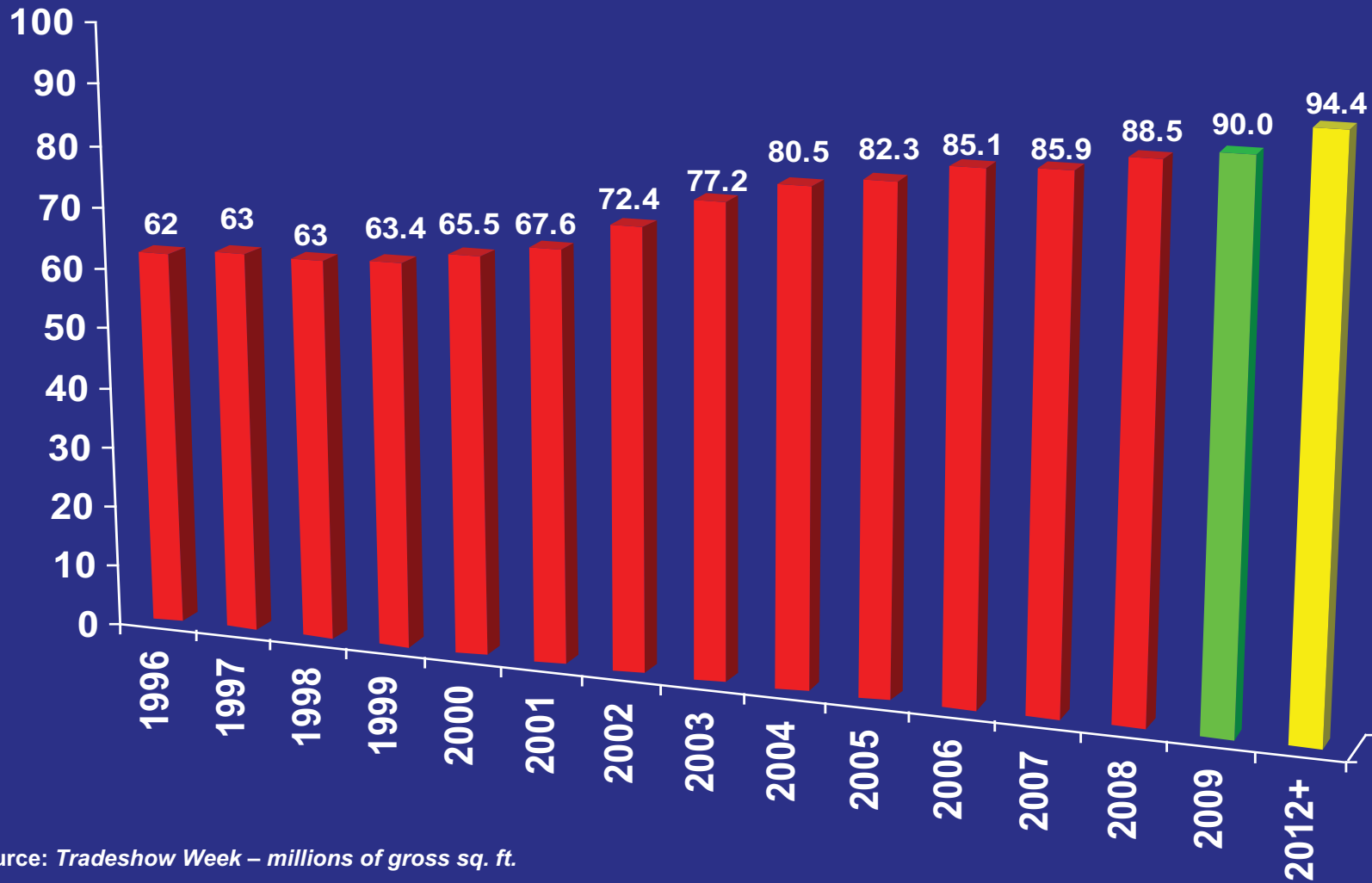
Twenty-Year Growth: 90%
Ten-Year Growth: 42%
4.4 MIL gross sq. ft. in pipeline



Source: *Tradeshows Week*

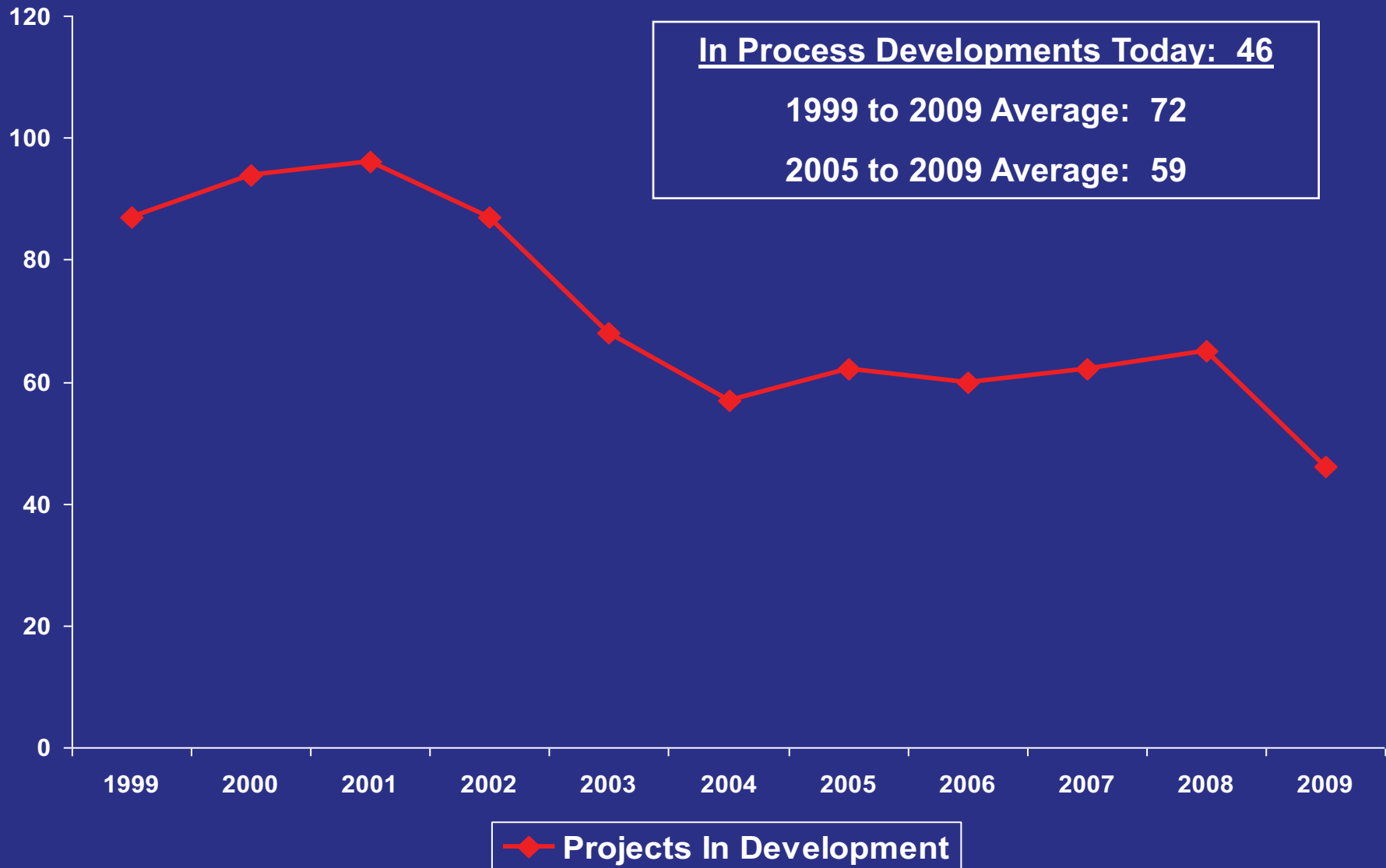
Total Convention Center Space Sq. Ft.

The building boom is slowing, but it continues with 4.4 million square feet in pipeline



Source: Tradeshow Week – millions of gross sq. ft.

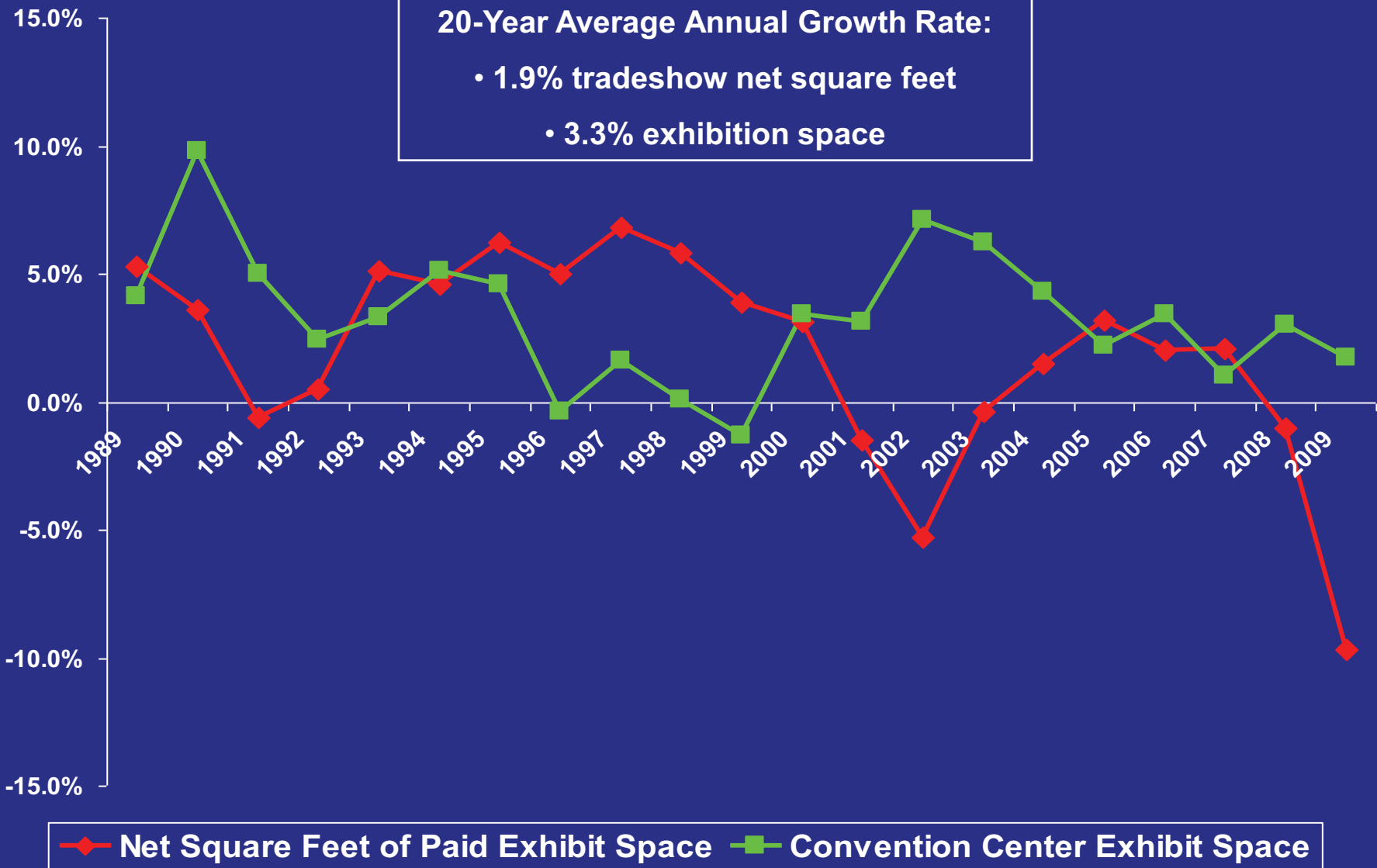
New Convention Centers & Expansion Projects in Various Development Stages 1999-2009 North America



Development Outlook

- There are more venue projects in planning stages than have been announced.
- Hotels have stopped most all development. Commercial real estate industry is in bad shape.
- Weak hotel room tax receipts.
- Still, a good plan can get public support; e.g., voters recently supported plans in Mesa, AZ and Dallas.

Convention Center Exhibition Space and Net Square Feet Demand Growth 1989-2009 U.S. & Canada



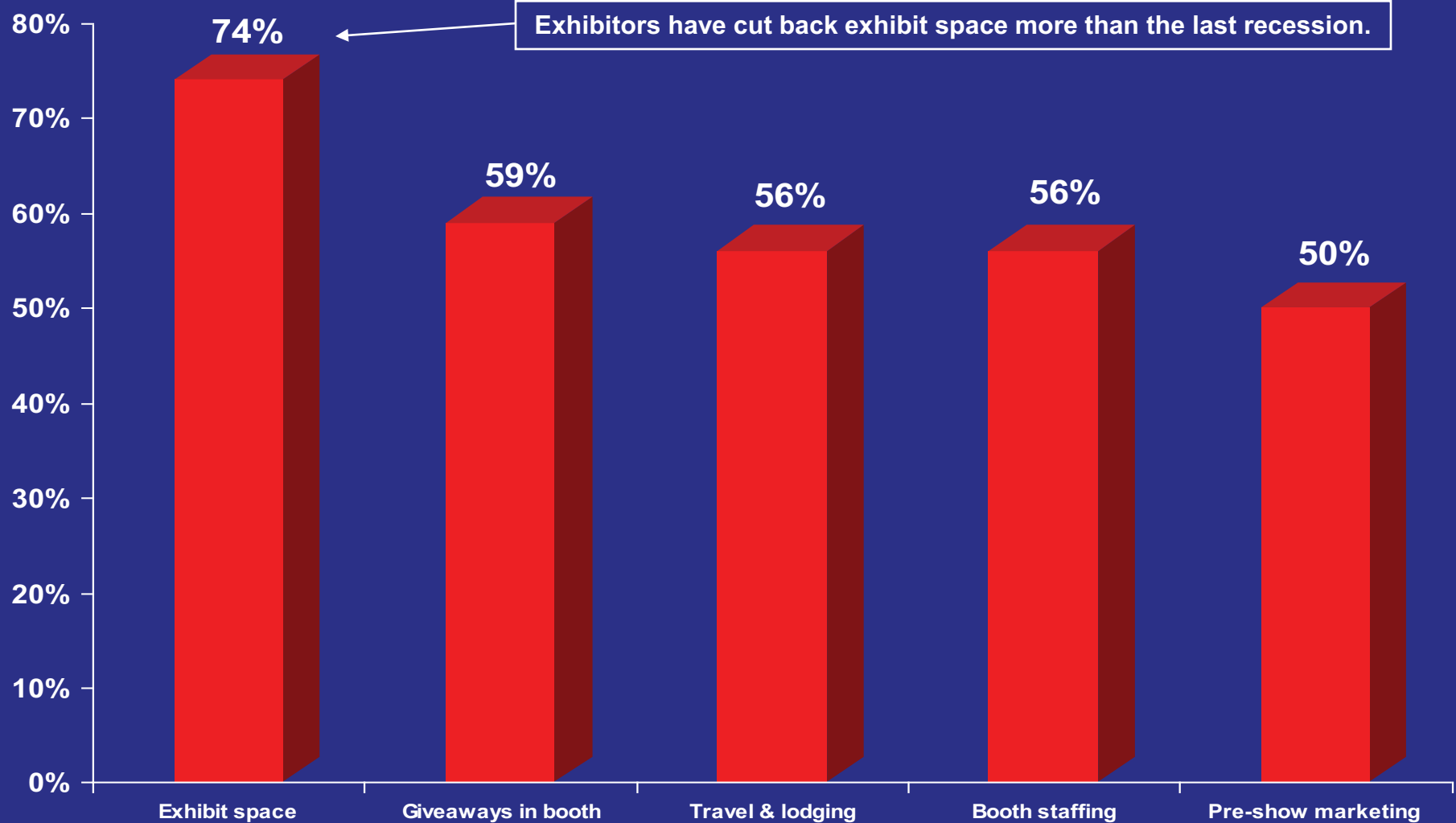
Source: Tradeshow Week Research – U.S. and Canada

What's Different?

What's Changed?

- **Hotels - More discounting; newer hotels or recently renovated having trouble paying debt**
- **Weak hotel tax revenue**
- **Sharp exhibitor cut backs**
- **Web, rapid change in other information and media sectors**
- **Event planners marketing “business value of attending” less than the destination**

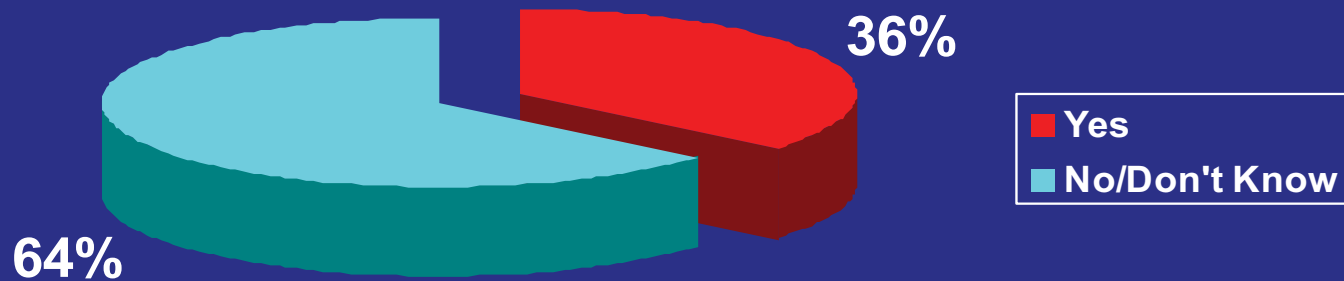
Large Exhibitor Survey Question: "If your budget is decreasing, which do you consider to be most at risk?"



Source: Tradeshow Week Research Large Exhibitor Survey June 2009 (40 responses)

The Web is the Primary Competitor to Events

Exhibitor Survey Question: Have any event marketing funds been shifted to other marketing mediums?



Which mediums received shifted event marketing funds?

- | | |
|--|------------|
| 1. Web Site and Email Marketing | 79% |
| 2. Direct Mail and Catalogs | 26% |
| 2. Trade Magazines | 26% |
| 4. Sales Force | 21% |
| 4. Telemarketing | 21% |

How Show Managers are Changing Their Attendee Marketing

Survey Question: “In light of the current economy, has your organization changed the way you present the value of your events to attendees?”

1. Enhanced the focus on educational opportunities of events: 72%
 2. Networking opportunities: 71%
 3. More focus on the business value of participating: 70%
 4. Promoted new products and/or technologies exhibited at show: 55%
 5. Career enhancement value: 38%
- Other Strategies – Support the industry by attending: 27%; **Promoted the host city and area amenities more: 26%**; Lowered cost of attending: 23%; Fun and entertainment value: 22%

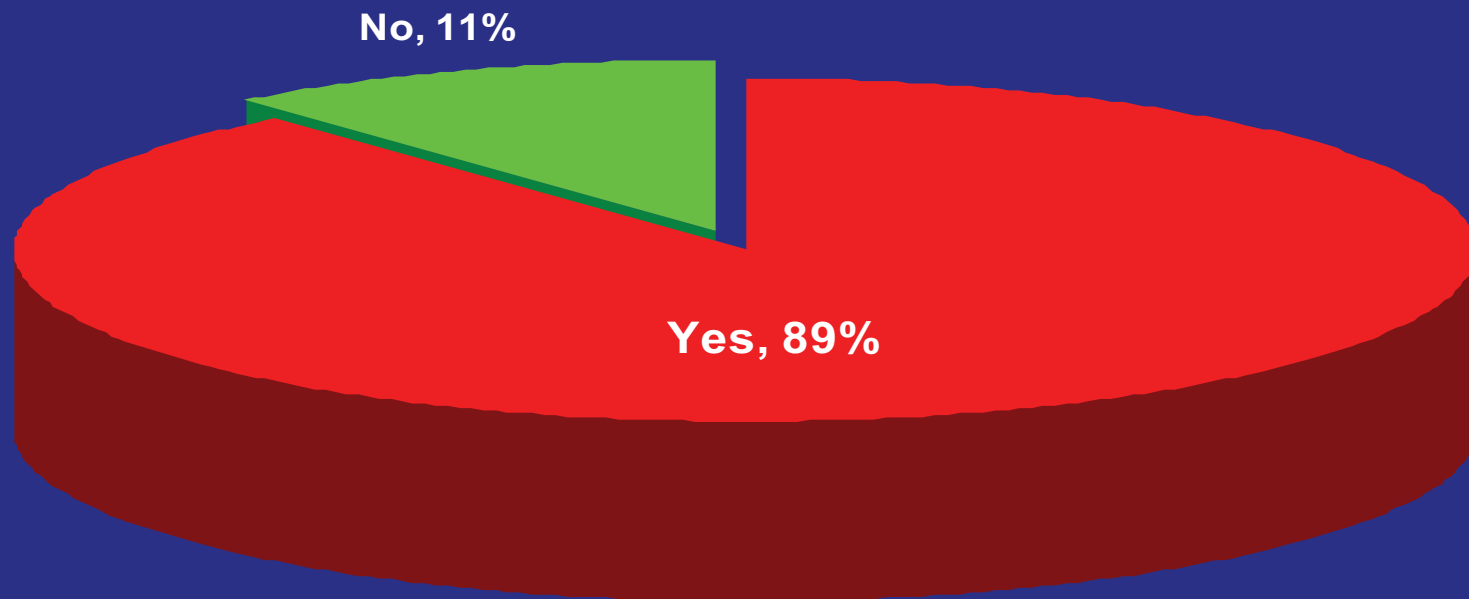
***What's Still the
Same?***

What's Not Changed?

- Overall industry structure
- Key attendees still participating
- Association conventions and leading tradeshow relatively healthy
- We've seen this before
- Rebound is expected

89% of Buyers are Attending Their Most Important Shows

Survey Question: "This year, during the economic downturn, are you going to the conventions, tradeshow and conferences your organization considers the most important in your industry or sector?"



The Response

Convention Center Management

Expect...

- **Weak corporate meetings outlook for at least a year**
- **More negotiating**
- **Soft exhibitor on-site service spending**
- **Attendees booking closer to event days**

Convention Center Management

Consider...

- Implications of a very slow recovery; and/or implications of more "volatility" and faster change.
- Pricing analysis – where to discount, where to raise rates?
- How you can help events drive attendance?
- New services, more customization; be more proactive with options and services – *event planners don't know everything they want or can have...*

Convention Center Management

Implement...

- **Premium in-person networking space and services.**
- **Premium exhibition and display space and services; areas and services to help promote new products and technologies exhibited at shows.**
- **Locations and services that allow for more self-service.**
- **Improved seating, F&B, etc.**
- **Adding education and training centers and services.**
- **Adding entertainment areas and stages; video and broadcast services and areas.**

Convention Center Management

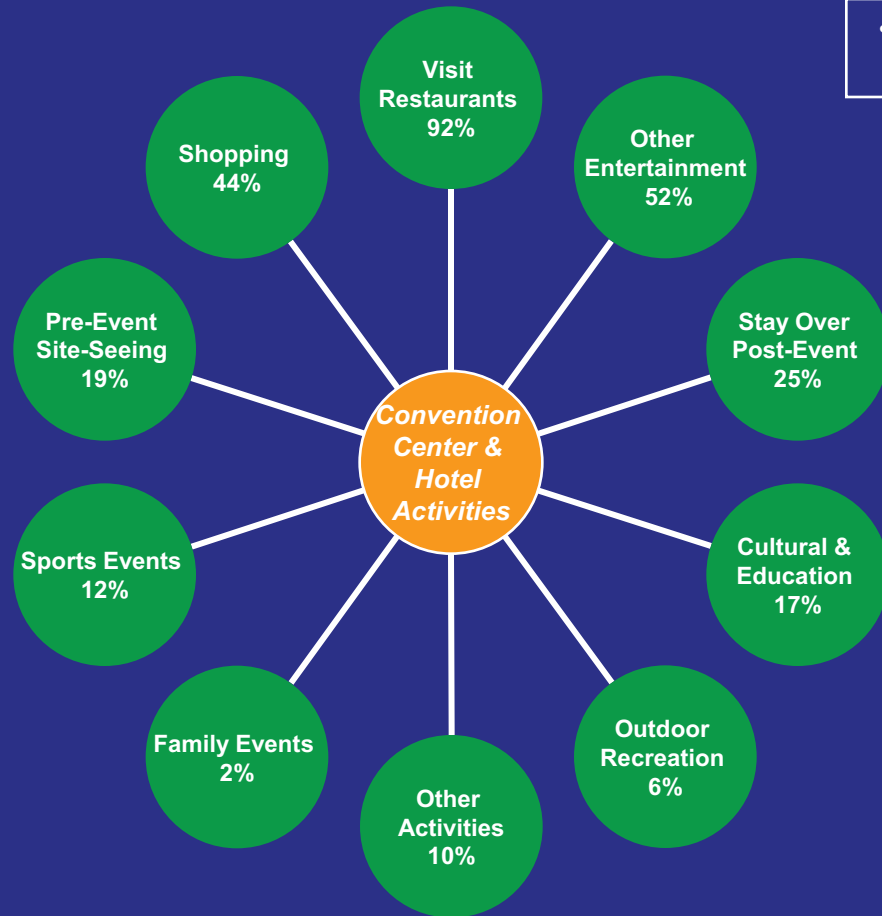
Implement...

- **Better signage and digital networked signs.**
- **More closely tie events and facilities to Internet and digital networks.**
- **Better physical and informational integration with local areas, communities; and transportation flow – better connect to the “Convention, Event and Venue Eco-System”.**

Convention, Event & Venue Impact “Ecosystem”

What Event Attendees Do When In-Town

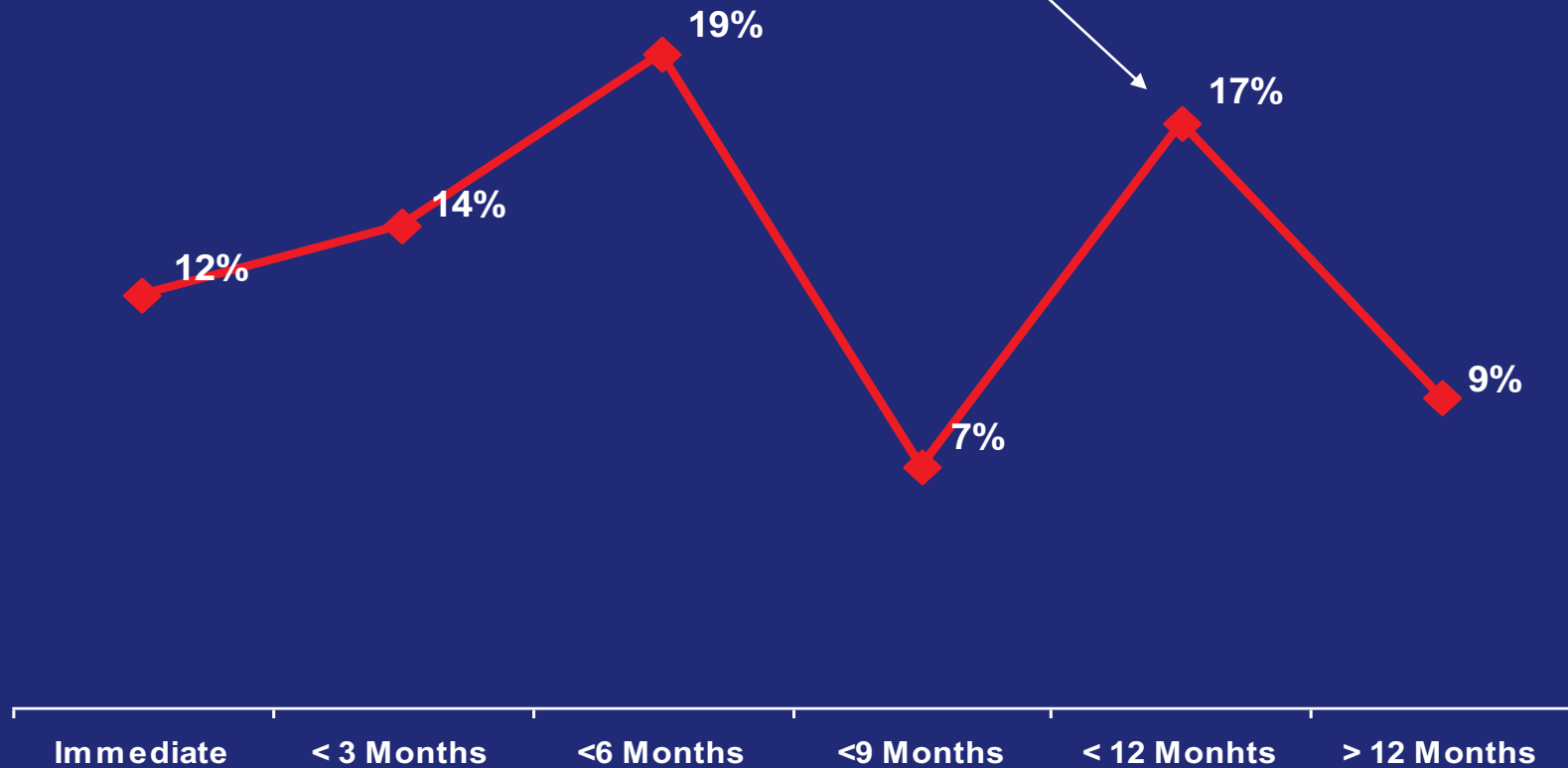
• 17% of attendees bring a spouse or friend



The Rebound

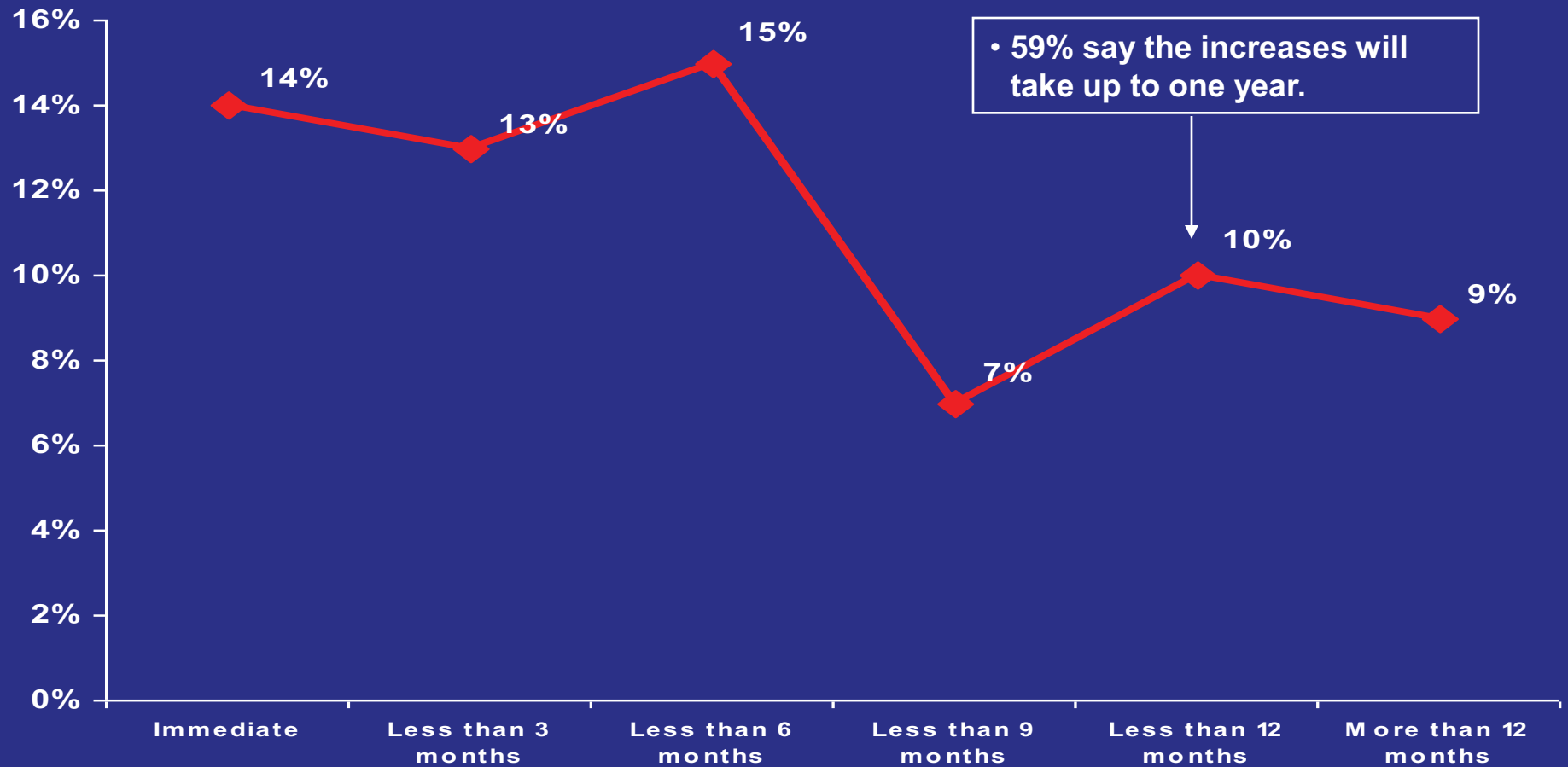
Exhibitors' Budget Rebound Outlook

• 69% say the rebound will take up to twelve months, once they see a solid sales or economic recovery



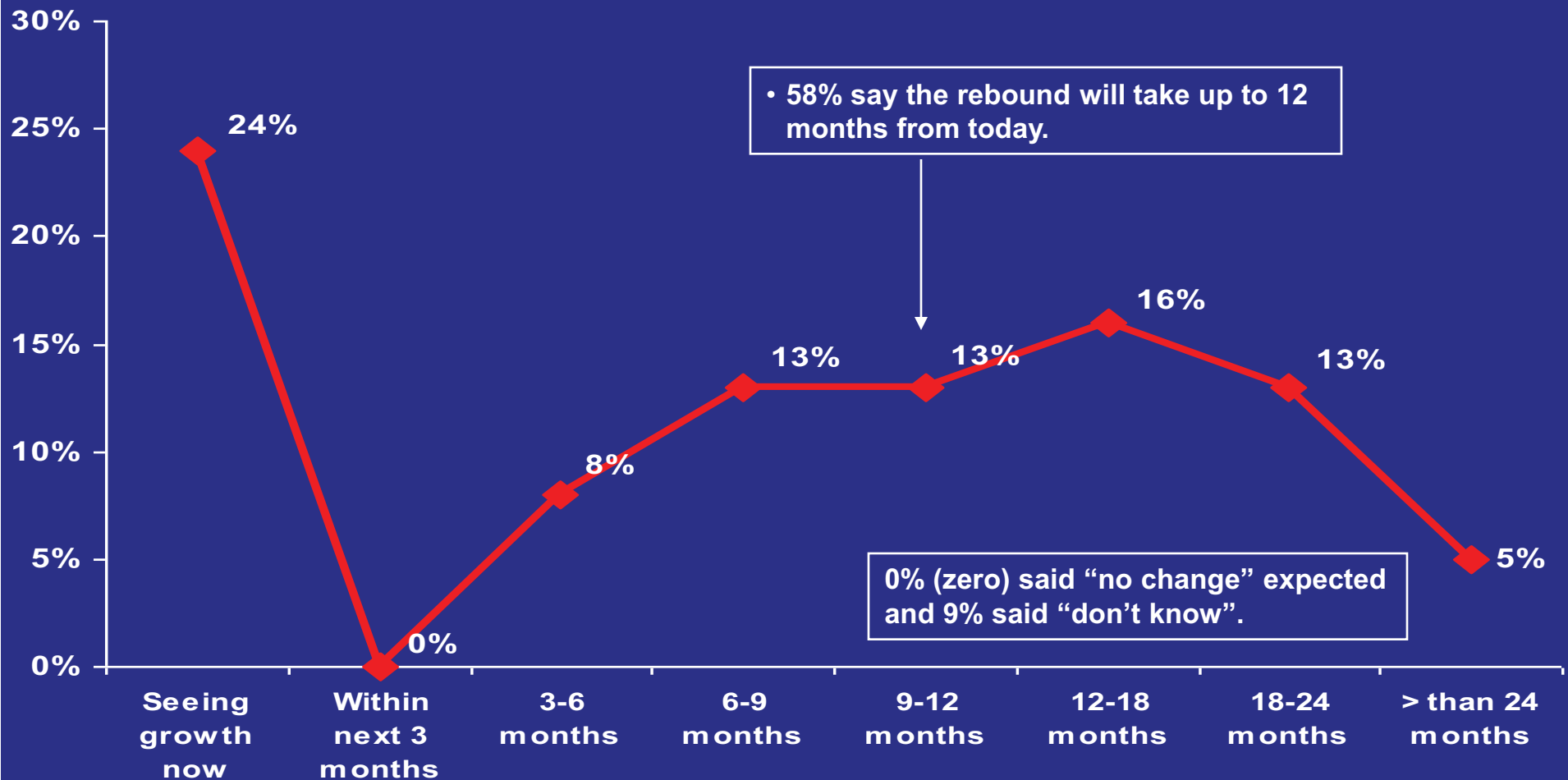
Survey Question: "If the North American economy rebounds and/or your organization's sales increase significantly in 2009 how long will it take for your event marketing budgets to rebound and increase by a similar rate?"

Attendees' Travel Budget Rebound Outlook



Survey Question: "If the North American economy rebounds and/or your organization's sales increase in 2009 how long will it take for your travel budgets to rebound and increase by a similar rate?"

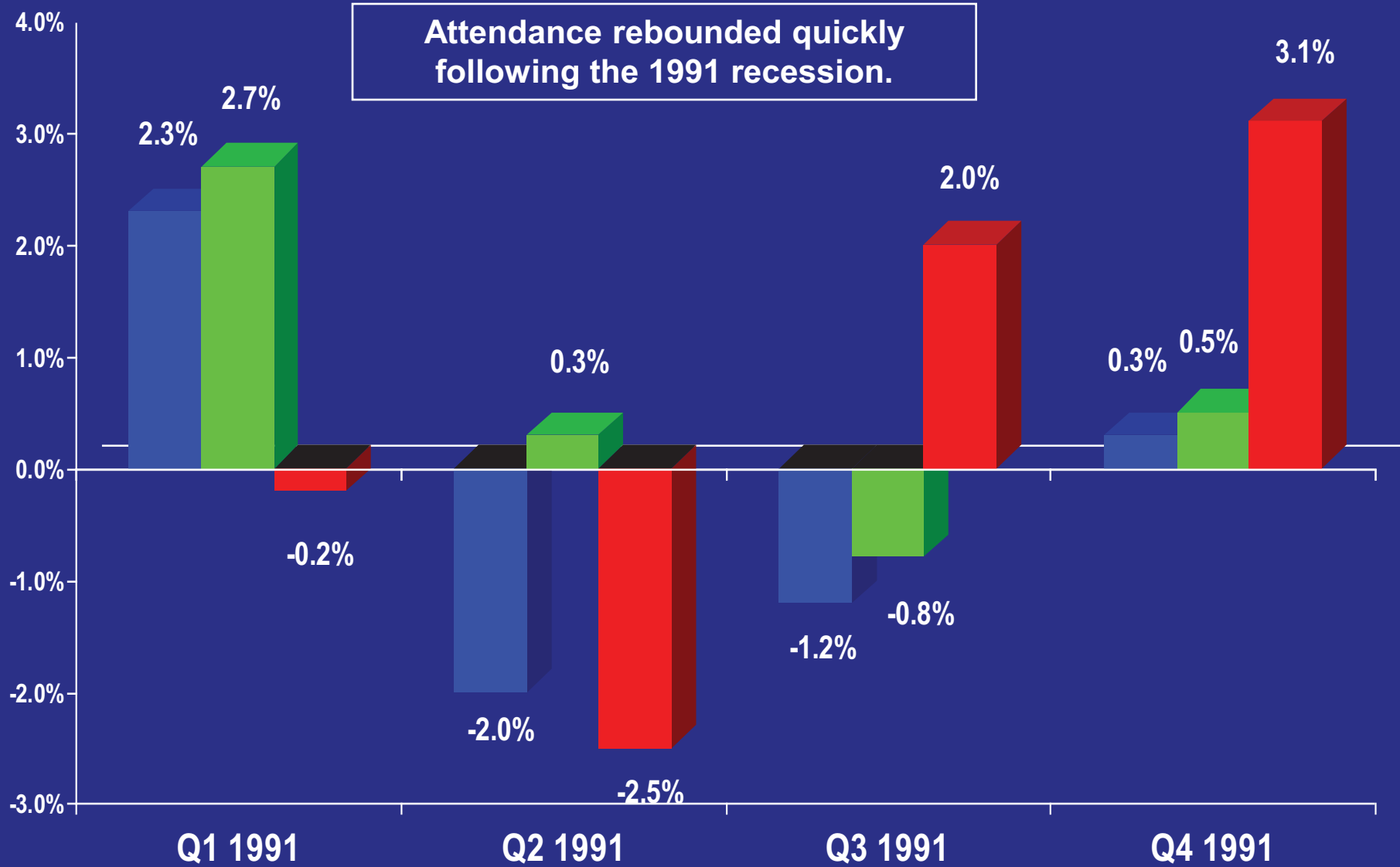
When Convention Centers GMs and CVB Leaders Expect a Visitor Recovery (“Growth in total visitors to their destination”)



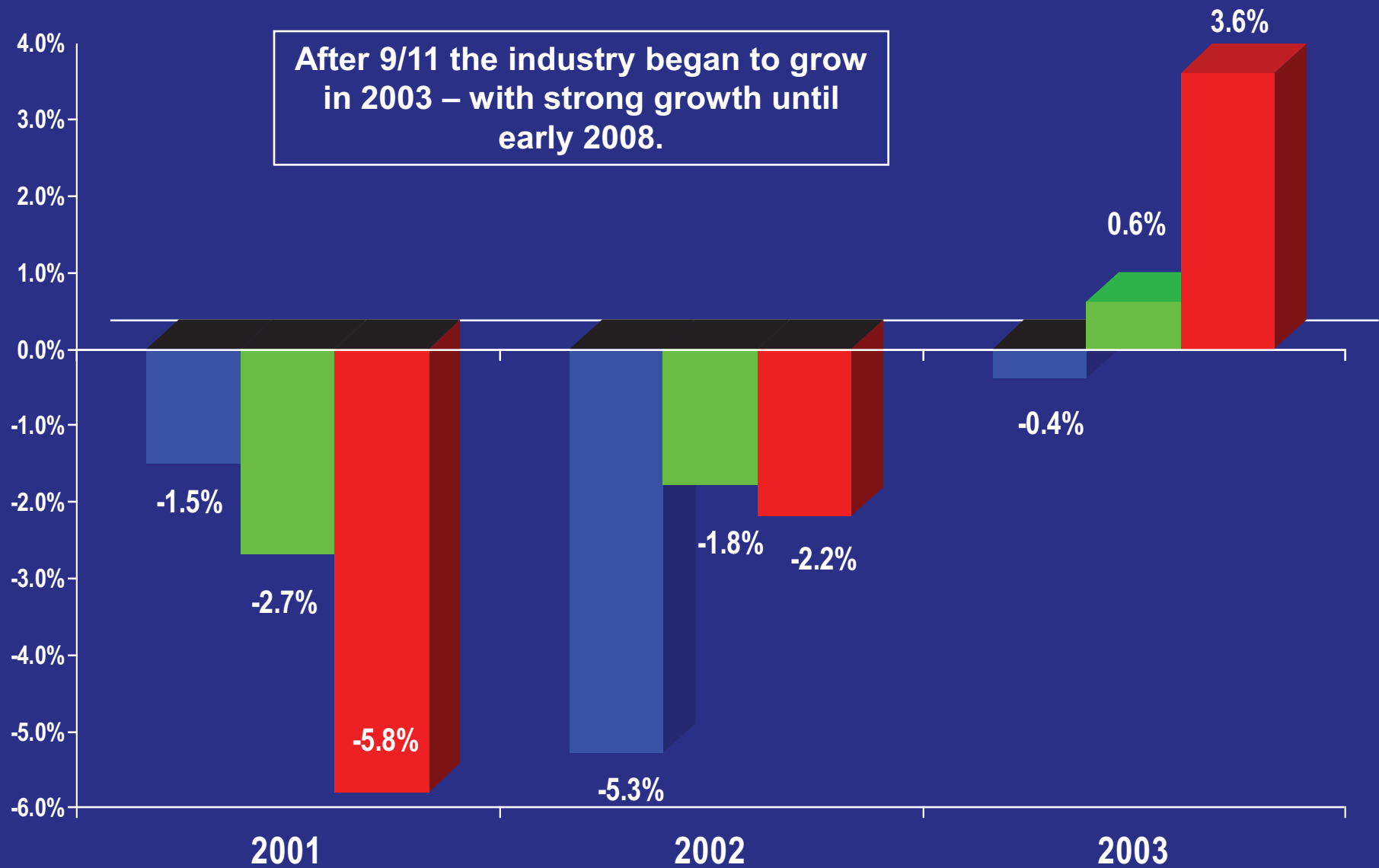
Survey Question: “In light of the recession, when do you expect growth in total visitors to your destination?”

History

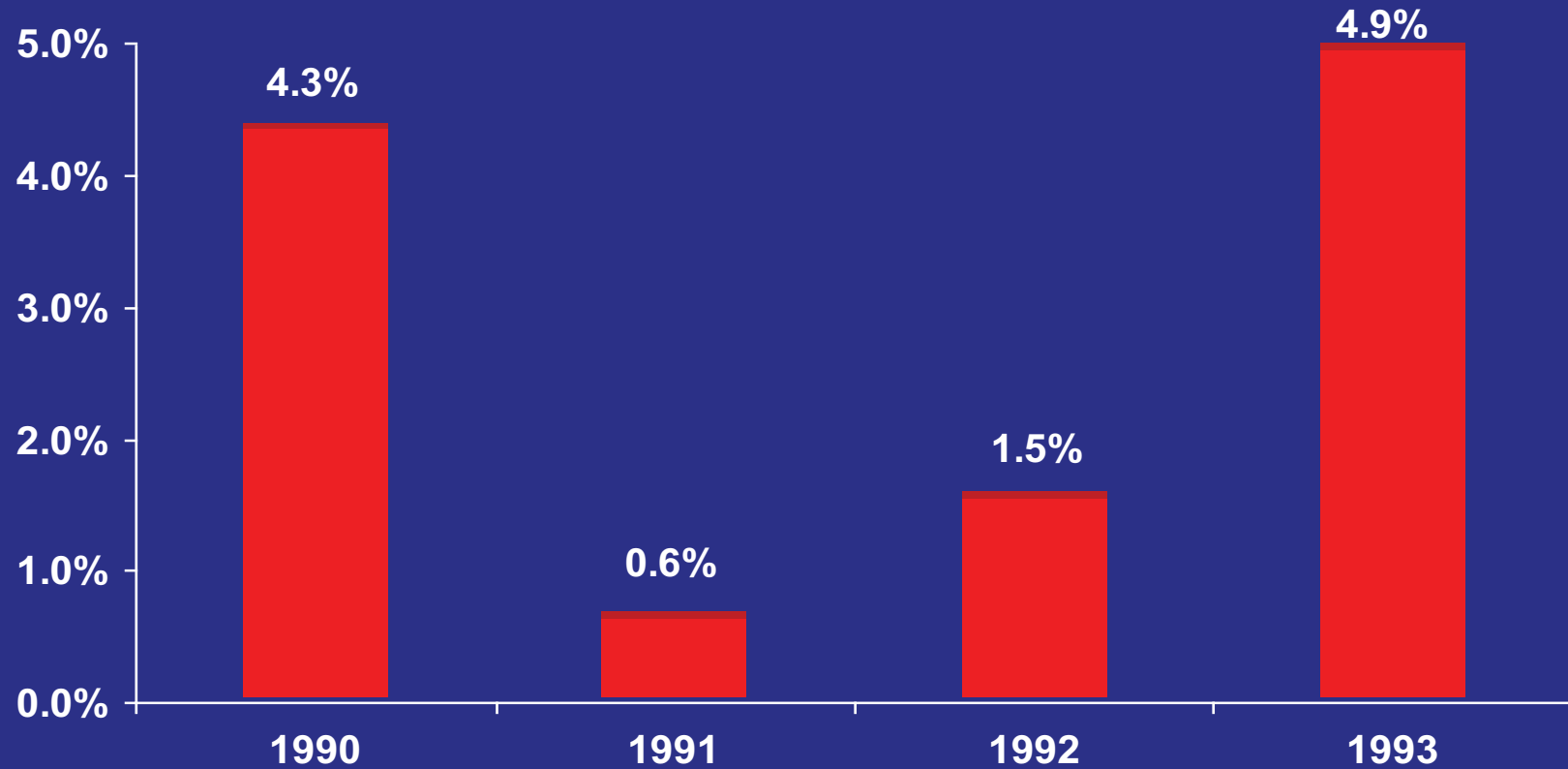
1991 Industry Growth – NSF, Exhibitors & Attendees



2001-2003 Industry Growth – NSF, ExCos & Attendees

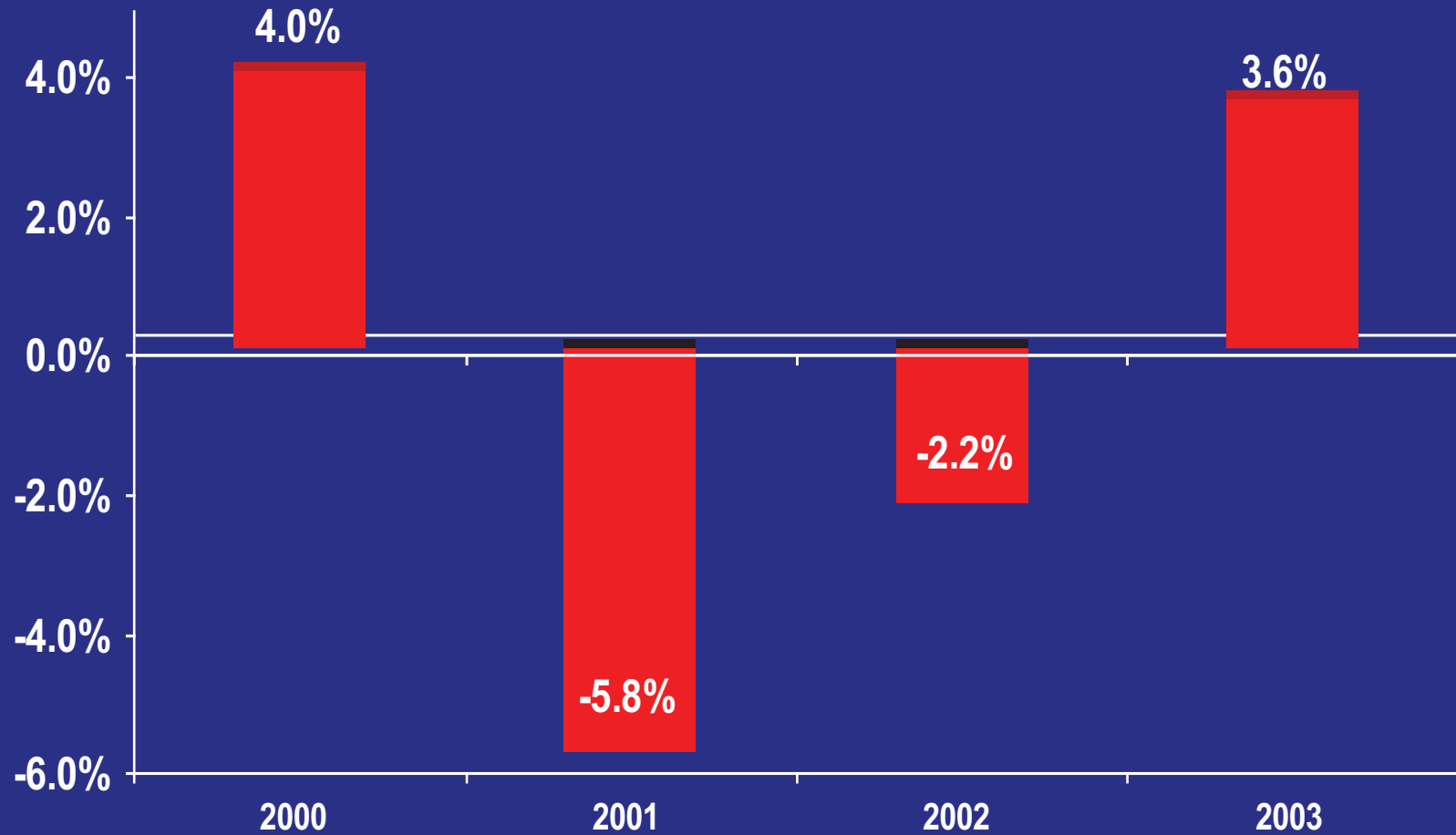


Convention and Tradeshow Annual Attendance Growth 1990 to 1993



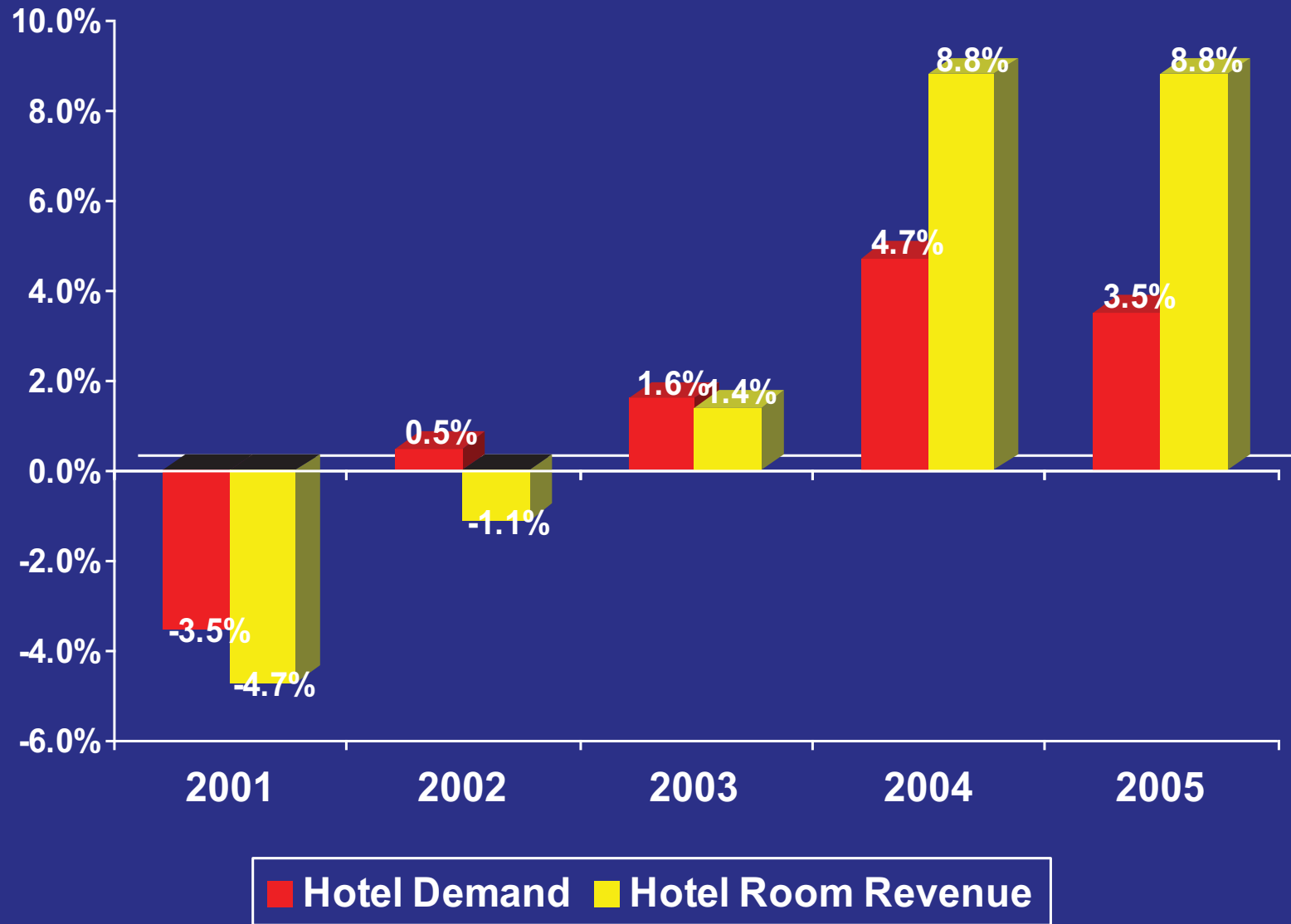
Source: Tradeshow Week Research

Convention and Tradeshow Annual Attendance Growth 2000 to 2003



Source: Tradeshow Week Research

Hotels Rebounded Steadily After 9/11



Source: Merrill Lynch – U.S. Hotels

The Good News

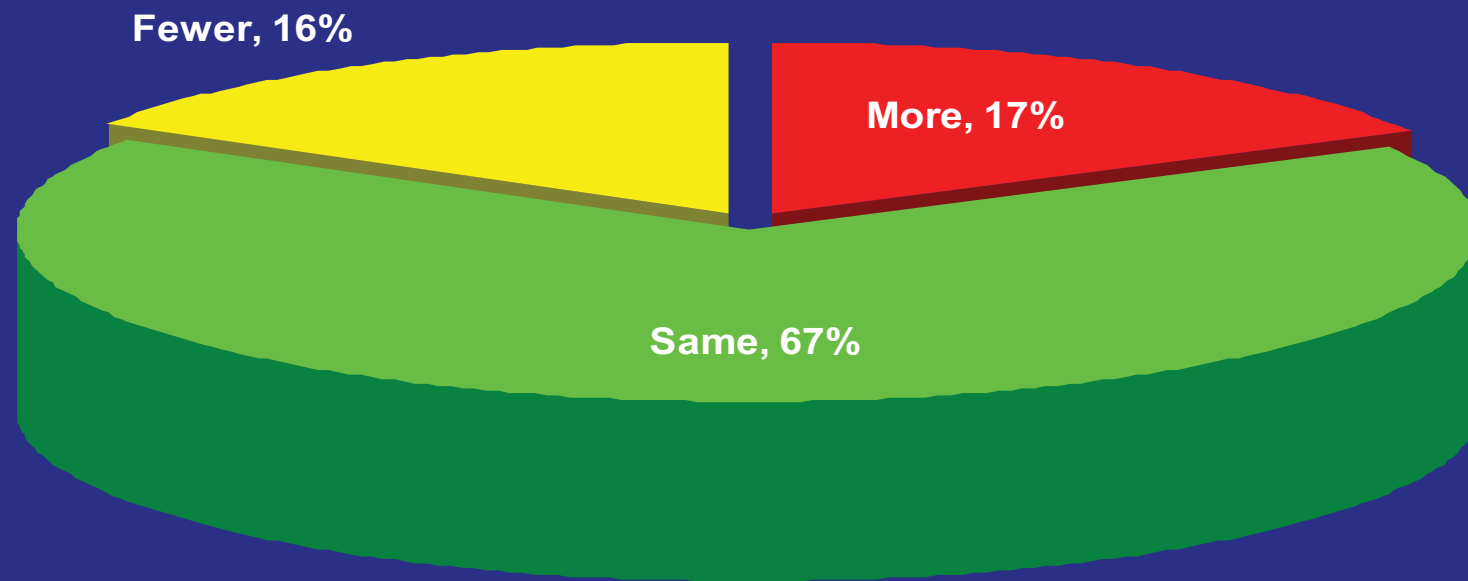
Exhibitors' Event Participation Over Next Two Years

Survey Question: "Do you anticipate participating in more, fewer or the same number of tradeshow in the next two years?"



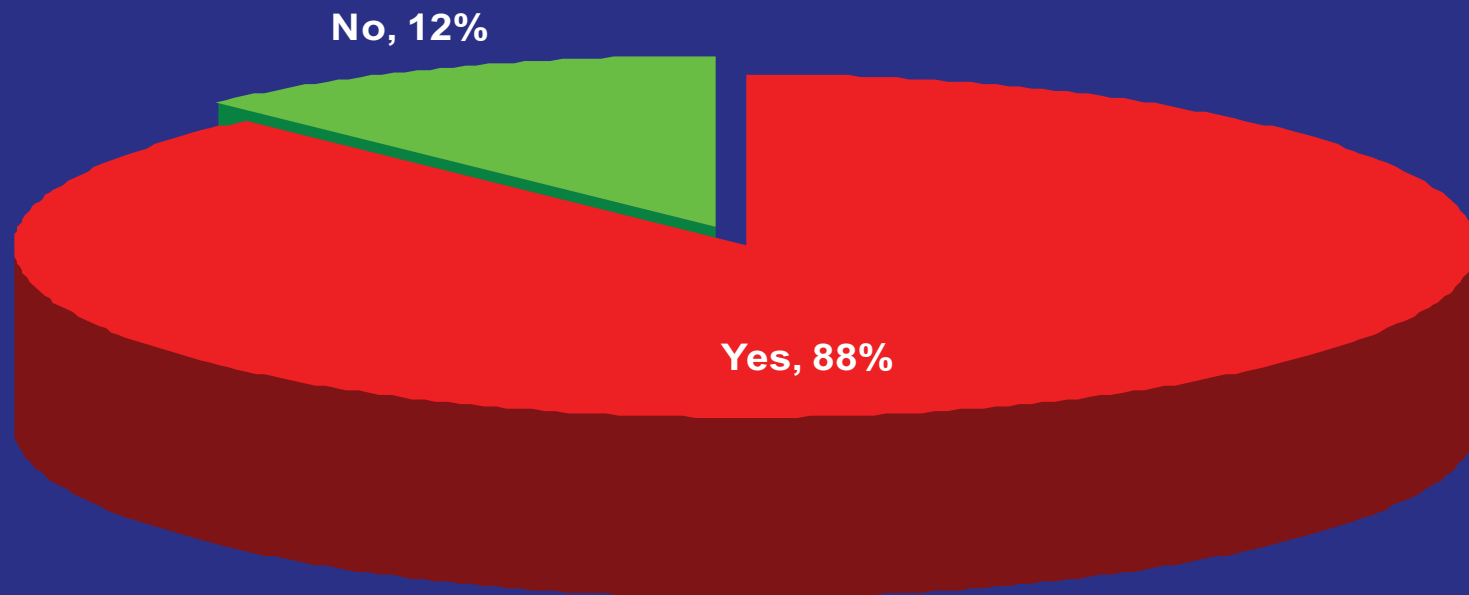
Outlook: 84% of Attendees will Participate in More or the Same Number of Events Over the Next Two Years

Survey Question: "Do you expect to participate in more, fewer or the same number of conventions, tradeshow and conferences in the next two years?"



Outlook: 88% of Attendees and Buyers Believe Events will Continue to Be Critical for Product Sourcing and Buying Over the Next Five Years

Survey Question: "Do you agree that conventions, tradeshows and conferences will continue to be a critical part of the business-to-business product sourcing and buying process over the next five years?"

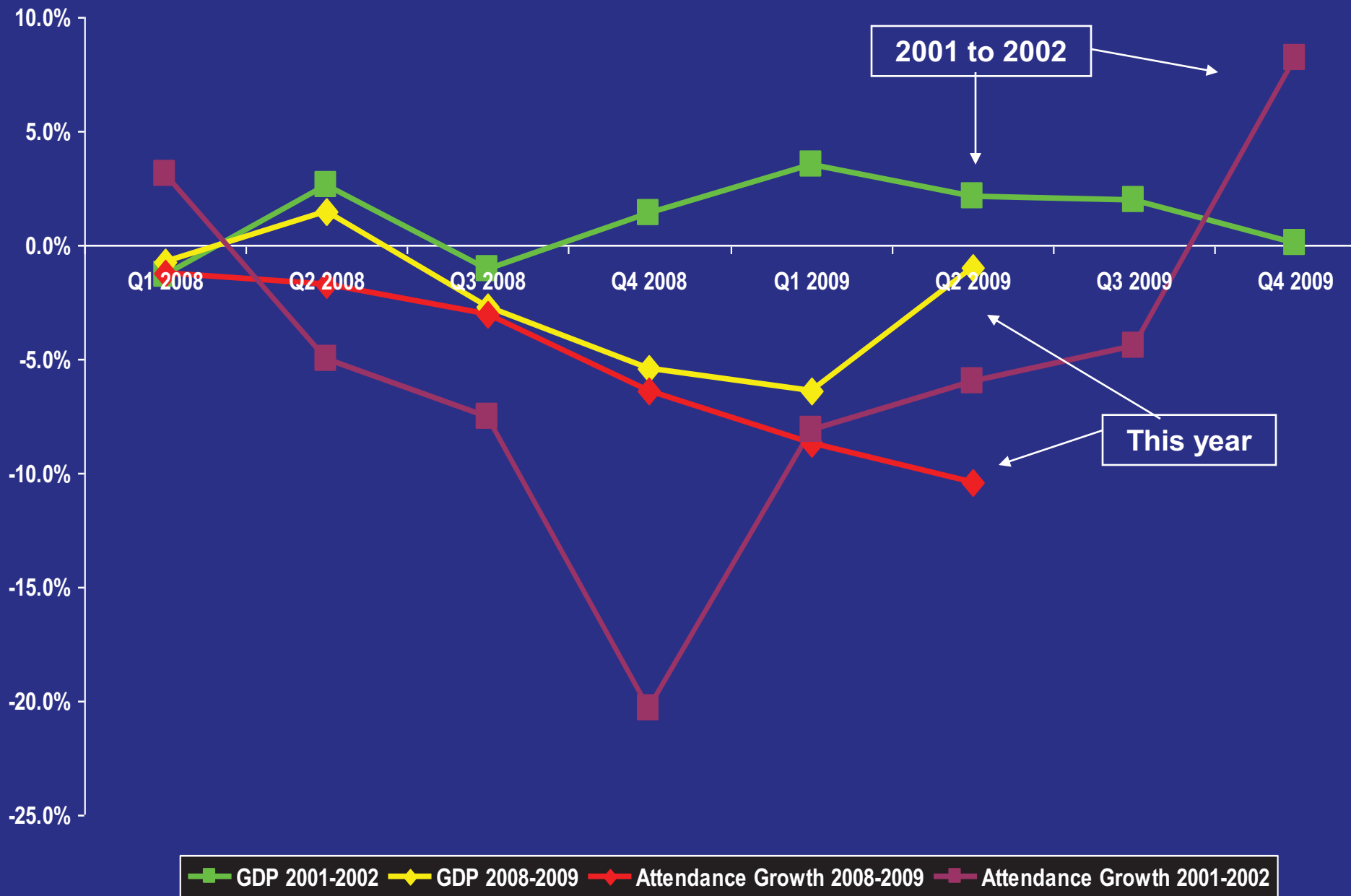


Not Attending Key Events May Hurt Performance

Survey Question: “Do you feel that not attending key events may negatively impact future personal or organizational performance?”

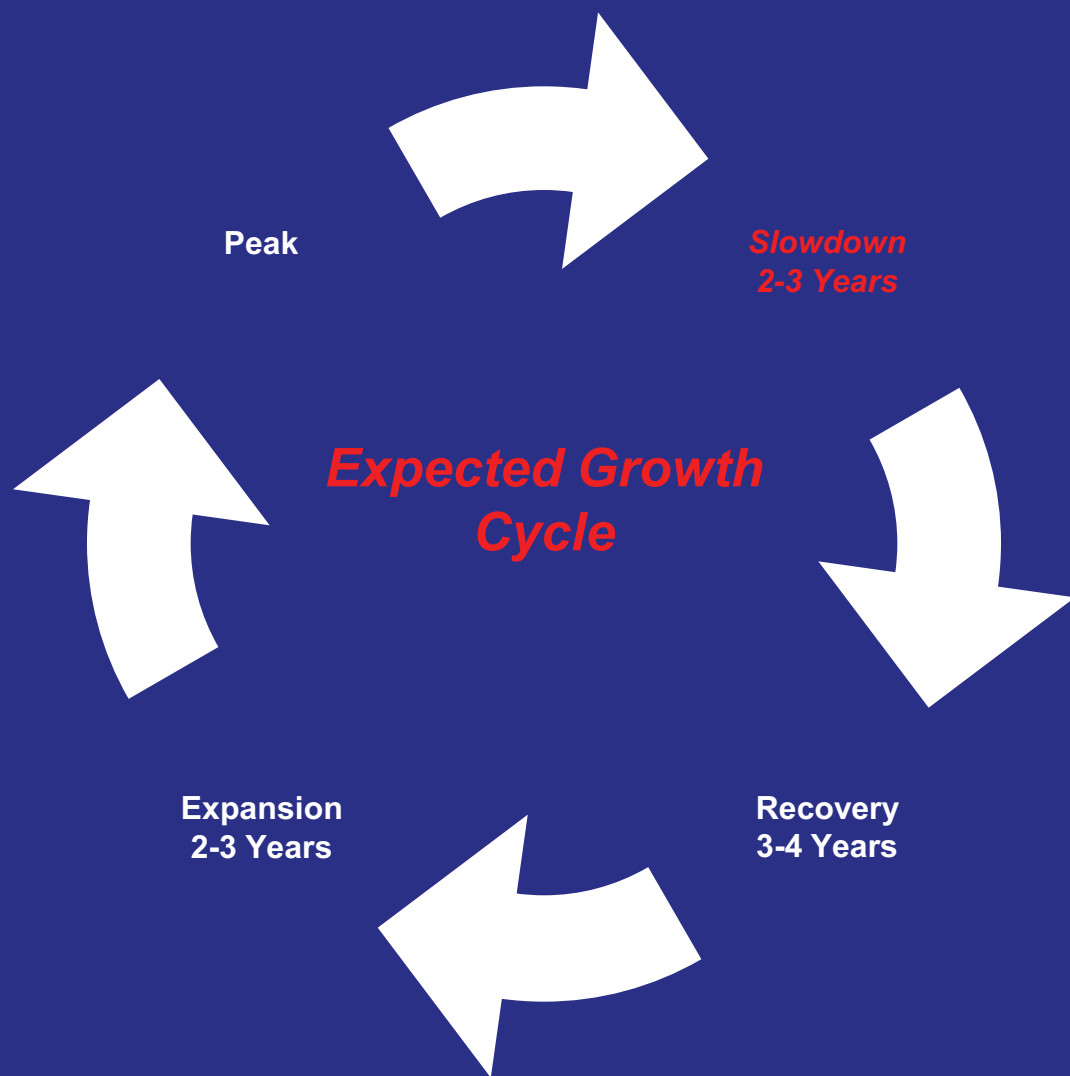


U.S. GDP 2001-2002 & 2008-2009 – vs. Attendance Growth



Source: Tradeshow Week & U.S. Commerce Department

Expected Convention & Exhibition Industry Growth Cycle



Signs of Recovery:

- Attendance grows faster or performs “less worse” than exhibitor participation
- Exhibitor on-site spending increases
- Hotel rates stabilize
- Some new events are launched

Conclusion

- **Outlook: Similar to 2002 to 2003**
- **Key attendees and buyers are attending**
- **Exhibitors need shows for leads; drive sales; big business needs to grow the top line**
- **Marketing: more detailed and focused marketing; What are the new stories to tell?**
- **The only thing worse than your competition growing steadily is them struggling.**
- **Just because business is down doesn't mean clients and customers won't require more value and new services.**

Q&A

About Michael Hughes

- **Vice President, Research & Consulting, Tradeshow Week**
- **As head of Tradeshow Week Research, Michael produces proprietary research, consulting and marketing projects for leading exhibition industry organizations around the world. He works closely with exhibition industry leaders, corporate exhibitors, entrepreneurs, investors and real estate developers to provide strategic information, analysis and recommendations. His client's include nearly all industry leaders in every segment of the industry as well as leaders in the investment and consulting community. Michael is frequently quoted by major newspapers and national magazines such as The Chicago Tribune; The Los Angeles Times; Newsweek; The New York Times; and The Wall Street Journal. In January of 2003, he was selected as a "Person to Watch" by min's btob newsletter. Since 1999, Michael has been a presenter at over 80 industry conferences and meetings. He is also the research director and editor of Tradeshow Week's syndicated Executive Outlook research surveys, and he writes Tradeshow Week's "Industry Analysis" column.**
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