easyFairs®

Re-inventing the Trade Show as a Sales Event

An easyFairs® White Paper

Eric Everard
Founder & Chairman, easyFairs
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Executive summary

Trade shows as originally conceived were simple events where tradespeople from near and far could display their wares to local buyers. They had their roots in the mediæval fairs of central Europe, and they were particularly important for family businesses and other small traders.

Somewhere along the way, this simple and democratic idea got lost. Nowadays trade shows tend to be large, international, impersonal, infrequent, expensive, bad for the environment and a lot of work for everybody concerned.

The time has surely come for a return to the principle of "trade shows for people who simply want to do business". Of course, this must be achieved in the modern context where people have less time on their hands, and even small companies tend to trade in national and international markets.

There are currently some 20 million or more companies active in the EU and the overwhelming majority do not participate in trade shows. easyFairs is changing this situation by creating physical marketplaces that enable face-to-face contact at the heart of the market.

This new low-cost and green business model is robust whatever the economic conditions, and it is reinvigorating the events industry.

Introduction

In 1993 Michael O'Leary founded Ryanair. At the time, nobody could have anticipated that in less than 15 years, Europe's most successful airline would:

- Not sell tickets through travel agents
- Only offer economy class
- Fly out of airfields up to 100 km from the cities they served
- Make seating a "free for all"
- Provide no free drinks or snacks

The success of Ryanair, like all low-cost operators, is based on the simple truth that people do not want to pay for things they don't want. Air travel was traditionally sold as a bundled product. You paid for all elements of the bundle whether you wanted them or not. Ryanair identified that many people just wanted the core offer of getting from A to B safely, at the lowest possible price.[1]

This same low cost approach has been successfully applied in a wide range of other industries such as hotel and catering and home furnishings. Other industries – mostly in the business to business sector – have been more resistant to the low cost approach. Until now, it has not succeeded in the exhibitions industry. Yet it is my contention that in a relatively short timeframe one of the most successful trade show organisers in Europe will:

- Organise trade shows that look and feel basically the same whether they are in Barcelona, Warsaw or Helsinki
- Not sell floor space by the square meter
- Offer everybody the same kind of stand
- Hold most of its trade shows in smaller venues
- Attract most visitors from within a 200km radius

Moreover it will do this ethically. It will charge no hidden add-on fees. And it will reduce the impact of trade shows on the environment. The name of the organiser is easyFairs and in this document I shall set out easyFairs' core philosophy and business model while explaining the benefits to everybody involved in the industry.

1. Many commentators have argued that Ryanair is damaging the long-term interests of the airline industry. The company has been criticised – among other things – for misleading advertising, hidden charges, environmental irresponsibility and aggressive negotiation tactics with the airports. The validity or otherwise of such criticisms need not detain us here, because they do not affect the basic principle of the low cost operator, which is to strip out costs that do not add value for the paying customer. Whether this is done in a manner that can be considered fair and ethical is a separate debate.

A huge untapped market

There are currently 20 million companies active in the 27 EU countries.[2] The overwhelming majority of them do not take part in trade shows. According to the most recent pan-European study, there were fewer than a million exhibitors at seven thousand European events.[3] More recent figures are available at the national level. For example there were 375 trade shows in the United Kingdom in 2007 with approximately 50,000 exhibitors.[4] In the United Kingdom, there are two million companies, which means that 98% of UK companies do not exhibit at trade shows. In Germany, approximately 140,000 exhibitors take part in trade shows out of around 3.5 million economically active companies.[5]

Even if you subtract sole trader and partner companies from these totals, 95% of companies do not participate at trade shows. Of course, many companies will never take part; for example there is little point in a corner newsagents exhibiting at a trade show. However, there is no doubt that there is a huge untapped market. At a conservative estimate, we believe that there are between three and five million European companies that have never exhibited in the past, but could.[6]

Why do they not exhibit? Here are some reasons typically given:

1. It is difficult to identify the show with the right profile in the right location

There is little point in doing a great job at the wrong show, and finding the right match can be a tough challenge for a small or medium sized enterprise (SME), since SMEs tend to have a fairly narrowly defined product, market and/or geographical focus. Traditional trade shows are largely sold on the basis of volume of visitors. An SME, with limited resources, can only talk to so many visitors in the course of an event and it is difficult to attract the right ones to the stand. Consequently, they will only select a show that has a high concentration of ideal clients.

2. Anecdotal reports that it is not worth the trouble

Bad news travels fast and if a company has a bad experience at a trade show, this will have a knock-on effect, regardless of who was at fault (organiser or exhibitor).

3. There are lots of demands on their sales & marketing budgets

Trade shows must compete for budget against many other sales and marketing activities (field sales, telesales, trade press advertising, direct marketing etc.). The relative benefits of a trade show are very real but may not always be readily apparent.

4. They don't have the time

To succeed at a traditional trade show requires a lot of time and effort. Of course, the investment of *some* time and effort will always be necessary and valuable (for example to prepare sales message, promotional effort etc.) but much of the time spent preparing for a trade show is unproductive time chasing after small details, negotiating with suppliers, making decisions on the vast array of choices that the organiser presents and so on.

5. They don't have the money

When an SME does the maths, adding up all the costs (including staff time), participating at a traditional trade show can appear expensive. A typical equation for assessing cost

2 Source: Eurostat.

3 In 1999 there were 7031 trade shows and exhibitions, with a grand total of 932,000 exhibitors. Source: UFI, the Global Association of the Exhibition Industry.

4 Source: Events Industry Alliance.

5 Source: www.handelswissen.de

6 In fact, the evidence suggests that the traditional trade show market has been experiencing a decline in its rate of growth, and has become vulnerable to economic slowdown, even before the recent recession. For example, the number of exhibitors taking part in Germany's large international annual exhibitions was down two percent in the year 2002. The decline in the number of German exhibitors taking part was even greater. (Source: www.handelswissen.de)
In the USA, the exhibition industry declined 3.1% in 2008 compared with 2007, according to the Center for Exhibition Industry Research Index. This index combines four exhibition industry metrics, and all four declined in 2008: attendance (-4.0%), revenue (-3.5%), exhibitors (-2.6%) and net square feet (-2.0%). (Source: CEIR)

and performance at a national trade show in a country such as the UK, France or Germany, based on a shell scheme, might be as follows:

- Cost (12 square metre booth space): €5,000
- Number of leads: 50-100
- Cost per lead: €50 to €100
- Number of qualified leads: 15-30
- Cost per qualified lead: €165-€330
- Number of new accounts: 2 to 8
- Cost per new account: €625 to €2,500

However, this is just a starting point. Few organisers offer complete all-in packages that also include stand build, stand furniture (aside from the absolute basics) and exhibitor promotion. In addition, most national and international trade shows last between three and six days, and securing 50-100 leads in this time will require the would-be exhibitor to take a couple of salespeople off the road for that period. If you add these "hidden" costs to the equation, many companies will decide that the cost/performance ratio does not justify participation.

6. It's all too difficult

Larger companies have dedicated employees such as event managers and planners who know all the ins and outs of exhibiting. This is not the case for SMEs, which have perhaps a single marketing manager or assistant with one hundred and one other things on their plate.

You could fill an entire library with books titled "How to Succeed at Trade Shows" (or similar). This in itself is an indication of how daunting a challenge participation can be for an under-resourced SME. In this context, SMEs may choose to focus on easier and more controllable options such as road shows and in-house "open days". However, these offer very limited opportunities for making new business.

7. They think they are too small to compete at a trade show

Managers at most SMEs will have attended trade shows as a visitor. While many are thrilled at the idea of seeing their own company represented at such an event, others (especially in relatively recent start-ups) might find it too daunting. Fear of failure is a big deterrent. At the larger shows, attention is centred on the larger exhibitors and the smaller companies, in shell scheme stands at the outer edges of the floor plan, appear sidelined.

8. The idea has not even been given a chance

While it is possible to identify a number of good reasons why companies do not participate at trade shows, there are likely to be a combination of inhibiting factors. In many cases companies have not even got to the stage where they have not made a rational decision to exhibit/not to exhibit. The idea has perhaps not even occurred to them. Perhaps the idea has only been presented in an inappropriate way, as a result of miss-selling. Or quite simply, the idea has occurred to them, but they don't really know where to start.

The low cost business model

A low cost operator competes by driving out unnecessary costs and becoming ultra-efficient compared with its competitors. This alone is not enough to create a unique and sustainable competitive advantage, however. To break new ground within its market, a low cost operator typically needs to "train" future customers to do things differently.

For example:

- McDonalds made people accept that you don't need cutlery and crockery to eat a meal
- IKEA made people accept that you can collect furniture from a warehouse, deliver and assemble it yourself
- ALDI and Lidl made people accept supermarkets that offer a very limited product line
- Ryanair trained people to book directly online without a travel agent



Figure 1: Market-leading low cost operators (logos are the copyright of their respective owners)

These companies posed some threat to existing market players because they tapped into a market that was already there and "trained" it to make certain sacrifices to get a lower price. After all, most people were already eating out, buying furniture and shopping in supermarkets before McDonalds, IKEA and Aldi came along. On the other hand, these companies have also greatly expanded the market. People eat out far more than they did in the days before fast food, and they fly far more often than they did before the birth of Ryanair and easyJet. Moreover, the business model is robust in good economic times and bad. For example, during the "lean" years people will turn to retailers such as Lidl and Aldi precisely because they need to tighten their belts. However, in the "fat" years it is likely that they will shop for basics at Lidl and Aldi and use the moey that they save to spend on more luxury items with more upmarket retailers. Thus, poor economic conditions can give the low cost operator a boost or help to get it started, but the business model is not dependent on it.

In all of the cases described above, the low cost operators achieved the most significant cost reductions not in what they offered, but rather, in *what they did not offer*. This typically went far beyond the oft-applied "no frills" tag because it required customers not simply to forego the "frills" but also to readjust their behaviour.

Having made the decision to eliminate business processes that did not contribute to the newly defined core product or service offering, the low cost operator focuses on driving out costs and becoming more efficient in what remains.

Finally, this core offering must be easily deployable on a massive scale in order to achieve

scale efficiencies. Ryanair has grown rapidly from a small operator focused on UK and Ireland routes to a pan-European company. Aldi and Lidl expanded across Germany and then to other parts of Europe. And of course McDonalds has become ubiquitous around the world.

In some cases low cost operators have created a core competency that can be applied in numerous markets, pursuing an "inside-out strategy" as theorised by Gary Hamel and C.K. Prahalad.[7] An example is the Accor Hotels group, which has applied its core competency of best-price accommodation across a wide range of markets through a variety of brands (not only budget brands such as Ibis, Etap and Formule 1 but also upmarket brands such as Sofitel and Mercure).

Low cost operators in business-to-business markets

The best known low cost business models are in consumer markets, but we can find examples of low-cost competitors in the business-to-business space also identifying what the customer is prepared to sacrifice in order to secure a lower price. Some have transformed the market just as radically as McDonalds or Ryanair. An often-cited case is Dell Computers.

Before Dell, the business customer for personal computers ordered through a local dealer or a distributor, who would not only make the sale but would install the system and provide after sales service including hands on technical support. Dell cut out these middle men, using a direct-sales model where corporate and small business customers could place orders first over the phone and later via the internet. Customers welcomed this approach and for a time Dell was the world's largest marketer of personal computers.

Apart from removing the middle man, Dell's approach reduced costs and accelerated revenue flows in several ways. Dell Inc. received payment for the products before it had to pay for the materials and used just-in-time (JIT) inventory-management. It did not build the computers until it had received the orders, so there was no risk of over-production.

7 Gary Hamel and C.K. Prahalad, Core Competence of the Corporation (1990)

The low cost business model in trade shows

As we have seen, a low cost operator is a company that competes by:

- Identifying a market or market segment(s) that is prepared to make certain sacrifices in order to secure a core product or service at significantly reduced costs
- Eliminating business processes that do not contribute to that core offering
- Re-engineering the remaining business processes to reduce necessary costs to the minimum
- Rolling out the business model rapidly and on a massive scale to achieve high and sustainable turnover

Let's examine how these principles apply to the trade show market.

Market identification and segmentation

There is a huge untapped market for trade shows. What is it that distinguishes this untapped market from the active market of exhibitors at traditional exhibitions? What is it that this untapped market is prepared to forego? What can we strip out from the traditional product offering to reduce the cost of participation? How can we significantly reduce the price of participation at a trade show in order to attract them to exhibit?

A traditional trade show is a show case for a company and its products that addresses both sales and marketing objectives. Exhibitors typically invest in a show for four reasons:

- To make a statement
- To meet and greet
- To showcase new products and innovations
- To win new customers and sell

Companies that invest in large and expensive stands at trade shows are essentially doing so to create brand awareness and to communicate the brand. They are saying, "We are important to this industry". They are "flying the flag". At certain key events, non-participation is not an option for the major players. If the show is a flagship event, nobody wants to be outshone by a competitor. This is how the organisers generate the bulk of their revenue at mature shows.

Likewise exhibitions provide a unique opportunity for exhibitors to provide hospitality to key customers, which can be vitally important to long-term relationship building. Again, doing this requires significant investment in large and expensive purpose-built stands.

The traditional exhibition concept, where the emphasis is on large and impressive stands, can be an ideal platform for the big players to make major product launches. This is however certainly not the case for SMEs who want to put the focus on the product and technical innovations. They do not have the budget for high profile launches.

The fourth and most important reason why companies exhibit at trade shows is to *make sales*. This is the reason why smaller companies participate at trade shows. They are not interested in paying to "make a statement" about their brand because they know they cannot compete against the bigger exhibitors with large stands. They are probably sales and product-led organisations with little brand equity to leverage at an exhibition. And in any case, a large stand would blow their marketing budget for the year. Likewise, small businesses cannot afford to entertain customers at a major exhibition. Their motivations for exhibiting at a trade show is simple and straightforward: *they want to promote their products (especially new ones), win new customers and make sales*.

In fact, the branding and hospitality aspects of a trade show can actually inhibit selling for small to medium sized companies, which are quite literally "sidelined" from the main action, occupying the outer aisles where there is limited foot traffic. Even if the organiser offers a low-price shell scheme for smaller exhibitors, many potential exhibitors

therefore see this as a wasted investment. In the business-to-business environment (and in particular, in technical environments) information is as important as the goods and services themselves, and there are simply too many distractions at a large exhibition to facilitate information exchange with new customers and prospects.

The low cost model seeks to attract this untapped market by stripping out costs that do not contribute to the objective of exchanging information and making sales, which is the clear focus of the low cost trade show (see *Figure 2*).

Under the heading "costs" we can include important costs to the would-be exhibitor such as time, stress and fear of failure. Participating at a major exhibition typically requires months of planning and organisation. By contrast, the low cost operator must make the decision to participate, and participating itself, as easy as possible. Just as Ryanair (and its direct competitors) has turned the decision to visit a city on a weekend break a relatively simple process by reducing fares and eliminating the need to visit a travel agent, the low cost trade show organiser must not only reduce the cost of participation.

The low cost operator must make the cost totally transparent and the decision easy. Exhibitors must know exactly what they are paying for, and if they are going to come back and exhibit a second time, they must feel that they the organiser has delivered the value that was promised. easyFairs expresses this transparency thus:

The price of your stand is the cost of the show.

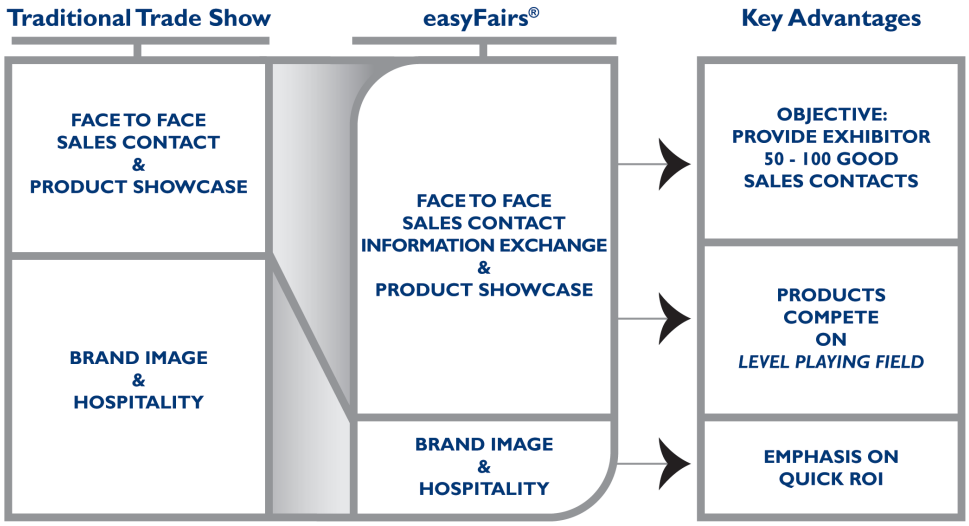


Figure 2: Face-to-face sales contact and information exchange is the clear focus of the low cost easyFairs business model

Eliminating business processes that do not contribute to the core offering

At a traditional exhibition, the organiser sells floor space and shell scheme stands. The exhibitor that buys floor space *only* must then work with stand designers, stand builders and other contractors to create a unique stand. For the organiser, the most time-consuming and expensive business process is therefore coordinating all the various players in the operation. It can become an intensely political operation as well

as logistical, as the major players want to ensure that their profile at the event will reflect the size of their investment and they will not be outshone by the competition. Account management and supplier coordination are therefore major business processes for the exhibition organiser.

The only way to eliminate these highly expensive operations is to create a *level playing field* in which stands are essentially homogenous booths designed to support the core offering of making sales and conducting business.

Rapid roll out and sustainable profitability

In the exhibitions and trade show industry, a product is a unique event taking place on a regular cycle, i.e. with annual or biennial editions at the same location. Trade shows have traditionally been high risk, high cost affairs, they are difficult to reproduce on a mass scale and it typically takes years and years to build a really successful event. In order to build momentum, the organiser has to invest heavily, so it may be several years before the event becomes really profitable.

Once they have reached maturity their rate of growth decelerates rapidly and may even go into decline. Costs remain high as the organiser tries to extend the life of the product, for example through new show features, repositioning etc. But once the decline starts, it is typically irreversible.

In fact, this describes the classic product life cycle of marketing theory.

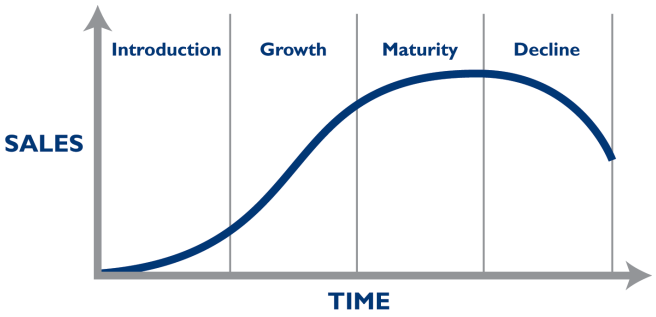


Figure 3: The classic product life cycle

In trade shows there are also a lot of fad products: shows that are introduced to represent a new business area. These typically have a very successful introduction phase, with rapid growth in sales, but go into decline before they reach maturity. For example, during the IT boom of the late eighties there were dozens of computer hardware-focused trade shows that went into rapid decline as microchip technology improved and hardware prices plummeted.

During the rapid growth period, the huge potential rewards justify high costs as the organiser tries to capitalise on hype.

Some IT shows survived a little longer, for example by harnessing a niche residual market (e.g. by partnering with user groups) but tended to go out of business when hit by an external shock such as a recession.

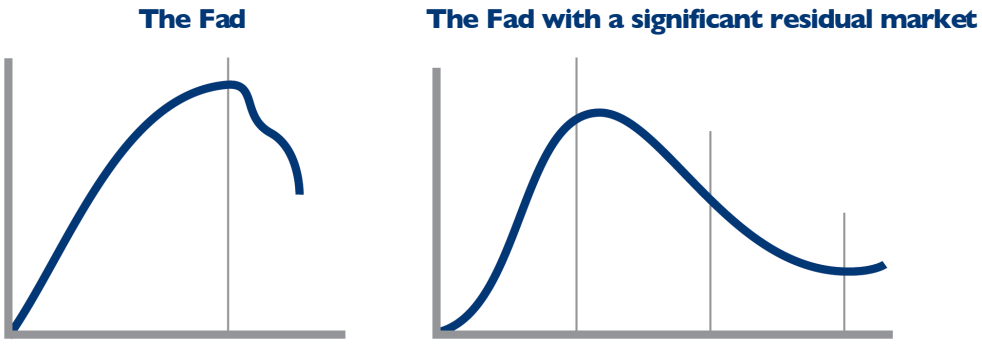


Figure 4: Fashion and fad product cycles

In the low cost model, the aim is *both* to achieve rapid roll out and sales growth without high costs, and to sustain the product's sales over a long period without adding significant new costs.

easyFairs has been able to collapse the introduction and growth phase to approximately three editions of an entirely new show concept. This is further reduced to two editions for an existing show concept that is rolled out to a new venue. In exceptional cases, such as easyFairs' first show in Spain,[8] the company achieved product maturity with a single edition.

Moreover easyFairs avoids fad events, preferring to focus on industry sectors that have significant communities and topics that address long-term and universal business challenges. This makes easyFairs shows easily exportable to new markets.

8 easyFairs® PACKAGING INNOVATIONS Barcelona (February 2008) was an instant sellout.

Implications of the low cost model for the industry's actors

Unusually and perhaps uniquely, the exhibition industry is not a simple two-way relationship between customer and vendor. At its very simplest, there is a three-way relationship between exhibitor, visitor and organiser. However, these are not all by any means homogenous, and many other actors can be involved: hall owners, trade associations, media and many others. Let's consider how the low cost model impacts on each of them.

Exhibitors

First time exhibitors

We began by observing that the overwhelming majority of companies never exhibit, but it could make good business sense for many of them to do so. Most of these companies are sales-focused SMEs who do not have the time or resources to take part in "image shows" where the focus is on raising profile that will perhaps help generate future sales. Instead, these companies want clearly demonstrable ROI in return for a relatively small investment of time and money. The way easyFairs articulates this is:

Trade shows for people who simply want to do business.

As already discussed, this is the exhibitor market which makes the low-cost model viable. They are the exhibitors who don't know what to expect from a trade show, but are prepared to give it a go (provided the costs and the risks are low and they do not have to get bogged down in details such as stand design and construction) and are likely to be impressed by the results. However, they are only one part of the exhibitor market.

Winbacks

Secondly there are the exhibitors who were lost to the industry (because they had a bad experience at the first time of trying) and need to be won back. They found that exhibiting was more expensive and time consuming than they were led to believe, or it didn't deliver the expected return on investment, or it was too demanding on people's time.

The fact is that exhibiting is generally not easy and it is not always a cost-effective way to make sales. (You could easily fill a library with guide books and manuals on how to succeed at trade shows.) No wonder many get it wrong, or feel they cannot compete against larger, more experienced, more powerful exhibitors, and don't come back.

The best way to convince people to come back and try again is *not* to send them a manual but rather to make things easy, provide a level playing field and cut out the risks that had spoiled things in the past. Again, the way to do this is to trim down the basic offer to the essentials, removing the extra costs and the features that smaller exhibitors do not value and, on the contrary, regard as obstacles to participation. (This is not to rule out some additional services, but these must likewise be packaged to make life easier for the exhibitor.)

Experienced exhibitors

Just as you will find business people flying on Ryanair, and affluent housewives shopping in Aldi and Lidl, the low-cost trade fair is also attractive to the large corporation that exhibits at the large international image shows. Why? *Because it is so easy that it would be crazy not to take part!* The level playing field concept is a refreshing alternative to the big shows, and a regionally based trade show provides access to customers who are often difficult to reach.

The point is that such companies will take part at *both* low-cost trade shows *and* large international image exhibitions but for entirely different reasons. They will continue to exhibit at the larger shows because, firstly, they are expected to "fly the flag". If they did not take part, this could be (mis-)interpreted as signalling a loss of confidence or financial problems or (worse) a snub to a particular market. Secondly, this is where they do business with the key accounts. Thirdly, a big show is the ideal occasion to launch a new product or make an important announcement.

On the other hand, these companies do not make a direct comparison between a large exhibition and an easyFairs show. The cost of participating at a major exhibition is typically an order of magnitude higher than an easyFairs show and the decision to participate is made at a different level of the organisation. The difference is as great as the difference between an advertising campaign in the international business press and an advertisement in the trade press.

Typically the local subsidiaries of large corporations have their own local sales and

marketing budgets. They decide to exhibit with easyFairs to meet important local buyers that they cannot reach at the big shows, and they regard easyFairs as first and foremost a sales platform. easyFairs represents a different category of event.

Visitors

Why do people visit trade shows? Primarily because they want fairly detailed information about the products and services they need to buy, and their suppliers and manufacturers. Most visitors have a decisive or partial influence on purchasing decisions (*see Figure 5*). Face-to-face contact is a really important part of the information gathering. However, the typical visitor has less and less time to develop these contacts. The average trade show visitor can devote at most a day to visiting a trade show (*see Figure 6*) and engages in an average six business meetings per visit.[9]

These visitors – whom exhibitors of all sizes want to reach are managers, entrepreneurs and professionals with a genuine interest in buying. They are "the guys without ties", for example engineers and technicians, graphic designers, operations and production managers, maintenance and safety engineers and leaders of SMEs. Collectively these busy people wield tremendous buying power; they are the core easyFairs visitor audience, and a couple of sales contracts with any of them will cover the cost of a stand at an easyFairs show.

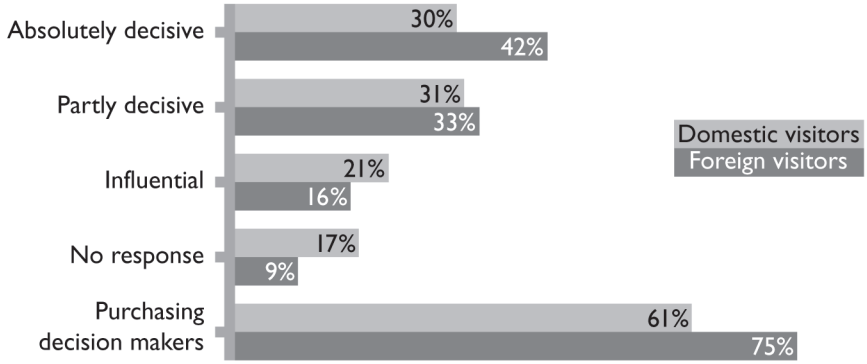


Figure 5: Influence of trade show visits on purchasing decisions (Source: www.handelswissen.de)

Visitor surveys conducted at easyFairs events consistently reveal that approximately 85%-90% of visitors take purchasing decisions on behalf of their organisations and 80-85% of visitors make a purchase in connection with their visit to the show.

This is of course a much higher percentage than large exhibitions which are open to the public. Given that easyFairs trade shows are specifically designed as *sales platforms* easyFairs only promotes these shows to professionals with buying power. Casual visitors, such as students, are actively discouraged (or even barred) from attending. By contrast, the large public exhibitions provide exhibitors with an opportunity not just to make sales but also to raise awareness and brand profile, so they put an emphasis on *quantity* of visitors as well as quality of visitors.

Visitors to easyFairs shows tend to be busy people with little discretionary time to spare. Unless an international exhibition happens to be taking place in their region, they

¡9 Source: www.handelswissen.de

are probably not going to attend, because to do so would require a day's visit and a day's travel *at minimum*. Just as the typical easyFairs exhibitor is looking for *cost-effectiveness* to justify participation, the typical exhibitor is looking for *time-effectiveness*. The easyFairs proposition for visitors is "value for your time" and this typically means being able to identify trustworthy suppliers and make better buying decisions, faster. easyFairs helps the visitor to do this with rapid registration and admission to the show, easy floor plan layout, online catalogs and much else besides.

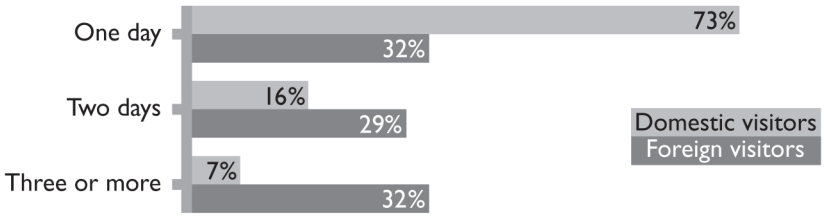


Figure 6: Average duration of visit at German trade shows (Source: www.handelswissen.de)

As far as identifying suppliers is concerned, the comparison that visitors often make is with internet searches: at an easyFairs show, they can find more in less time, but with the added advantage that they meet them face-to-face. As far as making better and faster buying decisions is concerned, the comparison they often make is with short-listing and interviewing exhibitors on company premises, or making onsite visits: a relatively time-consuming process.

Exhibition halls & show organisers

For exhibition halls and venues, especially the smaller ones in provincial and regional capitals, the introduction of the low-cost model provides a much appreciated source of additional revenue that does not interfere with their existing business. easyFairs shows last just two days and can be built and torn down quickly, which means they can fit around larger exhibitions. This is good news as the massive investment in exhibition areas prior to the downturn means there is currently excess capacity - a situation that is not going to change for some years to come.

In some cases, easyFairs has rebranded existing trade shows and given them a new lease of life. An example is the Shop show that easyFairs took over and rebranded from the Utrecht Jaarbeurs Holding. Its CEO Arie Briener said, "We could not give this show the attention it deserved so we contacted easyFairs and now you see this show growing again."[10]

In other cases easyFairs co-locates with other shows so that both parties benefit from the crossover and additional footfall. For example two easyFairs shows (focused on packaging technology and electrical and lighting equipment and fittings) were co-located with the Stockholm Technical Fair in late 2008. Tom Beyer, Managing Director and CEO of Stockholmsmässan, testified to the success of this co-location in providing additional crossover visits to the two events.

10 Arie Briener, quoted at UFI Conference, Istanbul, November 2008

Trade associations & media

Trade associations and media are an integral part of the trade show scene. They rely on trade shows to extend their presence in market and sector communities.

Typically trade associations and media have a national (or in multi-lingual countries, regional) focus so they need a regular event within their geography. Very often they have a relatively narrow sectoral focus, too. They depend on relatively small communities for their revenues. easyFairs shows, being strongly focused on buyer communities, provide an excellent opportunity for associations and media titles to meet their existing and potential membership and readership.

Stand constructors

Stand constructors love the easyFairs model. easyFairs shows provide a simple and predictable way to earn revenue with minimum risk and virtually zero waste.

A robust model for any economic climate

The exhibitions and trade show industry has been hard hit by the recession, as shown by the UFI's Economic Crisis Barometer, a survey of the exhibition industry. In the August 2009 survey 76% of survey participants stated that they had experienced a decrease in gross turnover in the first half of 2009, while 83% anticipated a fall in the second half of 2009. Half of respondents said that the decrease would be 10% or more. Some regions will do better than others. The impact was found to be greatest in the Americas and in Europe.[11]

The general message that is being communicated by marketing gurus and events services providers is "exhibit less but exhibit smarter".[12]

Whereas large exhibitions tend to be vulnerable to economic downturn, the low cost model is a robust sales and marketing tool during a recession. In fact easyFairs' experience suggests that they may be "counter-cyclical", in other words, participation at existing events may actually increase during an economic downturn. While a recession may not be a propitious time to launch new events, easyFairs exhibitor revenues and visitor numbers both showed improvement in the recession that began in late 2007 and early 2008, when the exhibition industry was already beginning to feel the chill wind of recession.[13]

Because event planners generally book in advance, the performance of the meetings and exhibitions industry tends to be a lagging rather than a leading indicator. The true impact of the recession was not really felt until 2009, when the industry faced unprecedented challenges.[14]

The low cost sales platform model is robust in a recession for the following reasons:

- Exhibitors focus more on making sales rather than raising profile and entertaining
- Trade show visitors are more interested in finding competitive suppliers and have less budget to attend big image shows

11 UFI Economic Crisis Barometer (August 2009).

12 See for example the Skyline (USA) White Paper, "Successful Exhibiting Strategies in Uncertain Times", about adjusting exhibiting practices in a tough economy (Skyline, November 2008).

13 According to www.btobonline.com (May 2008) growth in the exhibition industry slowed from 2006 to 2007 and declined late in 2007:
"Though the exhibition industry grew 3.2% overall from 2006 to 2007, that growth was impacted by a decline of 1.9% in the fourth quarter compared to 2006 levels, according to an April report from the Center for Exhibition Industry Research (CEIR).
"The overall growth of 3.2% follows a trend of slowed growth for the industry over the past three years with increases of 5.8% in 2005 and 4.8% in 2006, according to the annual CEIR Index Report. Slowed growth was also seen throughout most exhibition industry sectors, and three key sectors saw declines during the fourth quarter: net square feet (-3.0%), exhibitors (-3.6%) and revenue (-1.6%)."
By contrast easyFairs revenues increased by 80% in its Financial Year 2007-2008.

14 According to EIBTM report published December 2008, "2008 was a good year for most organisers in comparison to 2007, and the experience of cancellations or other problems as a result of the global economic situation has only been felt very recently. However there is real concern about business levels for next year with 64% saying the economic climate and pressure to reduce costs is the key factor of influence for next year. 39% already see a decrease in budgets for next year and over 30% are predicting fewer events or are unsure whether the volume of events will remain consistent."

- Visitors are fewer, but of higher quality. They are more often focused on identifying products and solutions that will give them a competitive advantage
- Trade show visitors will not travel so far afield because their travel and entertainment budgets are cut
- Events planners and marketers are under greater pressure to measure and prove value, which is easy where the "price of your stand is the cost of the show" applies
- Events planners and marketers may need to reduce budgets they cannot afford large showy stands
- The low-cost model also eliminates exhibitors' shipping, drayage, storage and refurbishing costs
- Exhibitors know there will be fewer visitors at the large trade shows. With fewer resources to staff stands, the focus must shift towards quality of visitors[15]

Independent research has confirmed that in general, small and focused trade shows fare better than the larger exhibitions in a recession.[16]

A recent McKinsey Quarterly report underlined why this might be the case, arguing that "The primary task for any sales organisation is to maximise the amount of time reps spend selling while ensuring that they sell the right products to the right customers." This may sound obvious, but it may take a recession, when sales are harder to come by, to force organisations to act on the obvious.[17] The report continues: "That's even more important during difficult economic times, when customers resist committing themselves and sales reps must pursue renewals and new business aggressively." Sales-focused events that deliver the right customers are an attractive proposition in this environment.

Meanwhile analysts expect that further internationalisation, concentration and convergence are likely to be the response at the top end of the exhibitions industry. According to Roland Berger Strategy Consultants, the share of the 20 leading providers will rise significantly, there will be a period of aggressive acquisitions and media companies will extend their control of the trade show business.[18] These market trends will not be welcomed by many exhibitors and visitors, particularly from small to medium sized companies. It is likely that shows with a strong market focus will feel the squeeze, reducing choice for the specialist or professional visitor.

At the same time, virtual trade shows may pose a threat to the physical trade show business in some sectors such as IT, despite the obvious disadvantage that they offer no face-to-face contact and are typically unable to secure the visitor's undivided attention (since they must compete with work, email and other online distractions).

Many show organisers currently face a stark choice. Trade shows and exhibitions that were already vulnerable before the onset of recession will not survive it in their current form. However, so long as they are focused on a market, sector or topic that is of enduring interest (as opposed to a fad product or trend) many of them could be turned into profitable shows on the low cost model.

15 In the economic slowdown that followed the September 11 attacks, and noting a survey carried out by the Center for Exhibition Industry Research (CEIR), www.themarketingsite.com wrote, "Attendance numbers might be declining slightly, however, research conducted indicates that this creates an even more favourable marketing opportunity for remaining exhibitors. During economic downturns, show attendees are a more focused group of individuals. They are the key individuals, the ones who make the buying decisions. Companies will send only one or two people to a show instead of five or six. The individuals who are sent carry the responsibility for scouting out and comparing products and services that will enhance their company's productivity."

16 From the www.btobonline.com report quoted above, according to Laura Ramos, VP-principal analyst at Forrester Research, the growth was indicative of a larger trend. "I found it interesting that the growth in revenue and attendance outpaced the growth in floor space and exhibitors between 2006 and 2007 – showing that smaller, more targeted shows are what are popular and what's working," she was reported as saying.

17 Anuam Agarwal, Eric Harmon and Michael Viertier, "Cutting Sales Costs, Not Revenues", McKinsey Quarterly, Q1 2009

18 Roland Berger predicts that the future trade show business will be dominated by 8-12 global players with an extended business model, and that the focus of their investment will be China, India, Middle East and Russia. The USA and Europe will experience a relative decline.

Making it happen

easyFairs' mission has been to deliver time & cost-effective trade shows. The easyFairs motto is, "If only all trade shows were this easy". But of course, making this happen was far from easy. It took five years and considerable investment of capital, time and effort to build the company up from a handful of acquired industrial technology trade shows to what it is now, an operation that spans 16 countries and two continents, with just under 100 shows in calendar year 2008-2009. easyFairs achieved this by stripping out costs and streamlining the offer as already described. But this was not enough in itself. easyFairs has succeeded by amortising costs across shows, becoming a process-driven organisation, building a powerful sales machine, and achieving unprecedented scalability. All of this has added up to a sustainable competitive advantage.

A distinctive business model

easyFairs has only succeeded because it set out to do things radically differently from traditional exhibition organisers. Essentially, easyFairs runs "selling events" which was the original purpose of the trade show or trade fair. This means, for example: shows are smaller but more frequent; the promotional budget is more focused (on the immediately relevant trade press and low-cost online promotion); easyFairs provides an all-in formula for exhibitors, simplifying the investment decision and givng greater transparency on return on investment; and stand equipment and furnishings are reusable.

Amortising costs across shows

The main cost advantage that easyFairs has created for itself is through the sharing of services and costs not just across show portfolios, not just across venues, not just across countries but across an entire multinational, multi-sector operation. For example a traditional exhibition organiser will typically spend €20-30k to design and print a single show brochure. That is what easyFairs pays for about 25 show brochures. And the same applies to the corporate website, which is a portal to dozens of show websites.

This only works in the business model that easyFairs has created. For a traditional exhibition organiser, especially one that is focused on enormous international exhibitions attracting a general visitor audience, it makes absolutely no sense to create editions of the same show in other countries (with a few exceptions that deliver little cost advantage, such as editions on two different continents in alternating years). The reason is that they would simply be cannibalising the existing exhibitor and visitor market. These shows inevitably reach maturity, after which their revenues level off or decline.

By contrast, easyFairs trade shows are focused on regional and national visitor markets so it makes business sense to move from one country to another.

Process-driven

easyFairs has created a complete toolkit that has enabled it to become a process-driven organisation, whereas traditional show organisers are, and must remain, overwhelmingly project driven, since each exhibition is a discrete project.

This has put us in a situation where easyFairs can move into new countries much faster and at much lower cost than any would-be competitor. For example, from Germany

easyFairs expanded into Switzerland, where the company now have a permanent office, and in 2008 easyFairs Germany ran its first show in Austria.

While the business processes are all centrally defined and managed, easyFairs does need one additional vital ingredient when extending operations to a new territory: local knowledge. easyFairs has become very flexible in its approach to recruiting local management teams. The process-driven model gives easyFairs a range of options, which include setting up direct subsidiaries, working with a local partner, as was the case in Poland and Russia. Alternatively easyFairs can set up a franchise, as it has done for some shows in France.

Whatever the approach, the toolkit is there:

- Common company brand
- Shared and documented best practices and guidelines
- Show concept library
- Show launch process
- Common data taxonomies
- Single IT backbone (show websites, email, visitor registration etc.)
- Centralised buying

A powerful sales machine

Perhaps most importantly, the low cost model depends on high volume, low cost sales. The easyFairs sales approach is low cost because it is telesales-led and the offer is highly simplified, making the decision to invest much simpler for the exhibitor. In addition, easyFairs has created a highly effective sales force, supported by a custom-built proprietary customer relationship management system based on the latest Enterprise Resource Planning (ERP) technology. easyFairs decided to develop its own solution, which delivers some key advantages:

- The system is specific to the unique requirements of the trade shows industry, based on in-house developed industrial taxonomies
- easyFairs is not beholden to external consultants or ERP companies to maintain and develop the system
- The expertise is kept in-house and cascaded from the centre to the national operations
- easyFairs can exercise very effective central control over the system

A highly scalable approach

We know that many more organisations in the exhibition industry will recognise the value of what easyFairs has achieved and will be keen to enter into partnership and franchise agreements with easyFairs.

In easyFairs' early years there were concerns that the concept and the business model might work in some geographies but not in others. In fact, the more the company grows, the easier it is for new partners to come up to speed rapidly with less risk and lower costs.

Conclusion: The future of the trade shows and exhibitions industry

A unified Europe probably cannot support 20-25 major exhibitions per year in each industry sector. But it can support two or three major exhibitions plus 20-25 low-cost, regionally focused *sales events* on the easyFairs model. For example, Europe has many large trade shows for the packaging industry. While some of these continue to thrive, others are in decline, and many are likely to disappear during the current recession, unless they can be radically changed and repackaged for the new environment. On the other hand, easyFairs has expanded very rapidly in this sector and now organises 24 packaging events annually across Europe, all the way from St Petersburg to Madrid.

The future of the industry will depend on the influx of new business. There is, in fact, a huge potential for expanding the market, so long as new customers feel that exhibiting will be time & cost-effective, and low risk. Many industries have seen innovative companies streamlining business processes to simplify choices for customers while driving down costs. This is not in itself easy – it requires significant investment in R&D, business process transformation, information technology and marketing. But easyFairs has made the pioneering breakthrough and is leading the development of a new segment of the exhibitions industry: the **low-cost sales event**. easyFairs has "reinvented the trade show", basing it on the original principle of a physical meeting place for buyers and sellers, but harnessing all the advantages of modern business processes, marketing methods and information technology.

It is a resilient business model that serves all organisations, large or small, in any economic climate.

Far from representing a threat or a challenge to the established professional exhibition, it will funnel new business into the industry, demonstrating the power of exhibiting as a tool for sales and marketing.

Appendix

easyFairs® and low cost airlines: a comparison

The following table provides a simple comparison between the business model of a low cost airline and easyFairs.

Similarities

easyFairs®	Low cost airline
Friend of the cost-conscious exhibitor	Friend of the cost-conscious traveller
Time-effective for the time-conscious visitor	Focus on punctuality
Aimed at people who simply want to do business quickly and efficiently	Aimed at people who simply want to get from A to B quickly and efficiently
Clear and distinctive brand	Clear and distinctive brand
Time-effective: two day show, less time spent on stand build and tear-down	Rapid turnaround of planes – less time on the ground
Preference for lower cost, secondary venues	Preference for lower cost, secondary airports
Online visitor registration and (increasingly) online stand booking	Online booking and (increasingly) online check-in
Robust business model whatever the economic climate	Robust business model whatever the economic climate
No frills – stripping out costs that bring no (or little) value to most target customers	No frills – stripping out costs that bring no (or little) value to most target customers

However, the analogy is of course imperfect. The following differences should be noted:

Differences

easyFairs®	Low cost airline
B2B	B2C
Time-effective for the time-conscious visitor	Focus on punctuality
No hidden costs	Hidden costs for the unwary
Unambiguously environmentally friendly	Green credentials debatable: increased CO2 emissions in absolute terms but lower CO2 per passenger