



# Macro-economic impact of trade shows

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# Short introduction of Roland Berger Strategy Consultants

# We are a top player among the global strategy consultants – Revenues of EUR 540 m in 2005

## TOP MANAGEMENT CONSULTING RANKING 2004 WORLD

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1. McKinsey & Company
2. Boston Consulting Group
3. A.T. Kearney<sup>1)</sup>
4. Bain & Company
5. **Roland Berger Strategy Consultants**
6. Booz Allen Hamilton<sup>2)</sup>

## GLOBAL PRESENCE/ REGIONAL FOCUS [Roland Berger's Position]

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Germany	<b>No. 2</b>
Core markets western Europe	<b>No. 3</b>
Growth regions China, Russia / CEE and ME	<b>No. 2</b>

1) Incl. EDS projects    2) Strategy consulting only

# Our global activities in the MICE segment are handled by a dedicated practice group

## CLIENTS (EXAMPLES)



## KEY PROJECTS

- > Conceptual reorientation of several leading international trade shows
- > Long-term strategies
- > Globalization strategies
- > Support of 4 world exhibitions regarding concept, organization etc.
- > Organizational change process
- > Economic Impact Studies
- > Bids for Olympic Games and FIFA World Cup



## Macro-economic impact of trade shows

# The impact triggered by the MICE industry is two-fold: Tangible and intangible economic effects occur

## 1. TANGIBLE ECONOMIC EFFECTS

- > Quantitative, quantifiable effects with regard to additional
  - Gross Value of Production (GVP)
  - Gross Domestic Product (GDP)
  - Employment
  - Taxes

*Quantification via appropriate macro-economic methods*

## 2. INTANGIBLE ECONOMIC EFFECTS

- > **Image** – Increased media coverage and attention
- > **Marketing** – Efficient instrument for regional companies
- > **Investment** – Additional direct investments and new companies
- > **Politics** – Intensified political contacts (visit of international delegations, opening ceremonies)
- > **Tourism** – Push for tourism

*Not quantifiable – only structure of effects and nature of influence can be described*

# The total tangible effects are the sum of direct, indirect and induced effects

## TANGIBLE EFFECTS

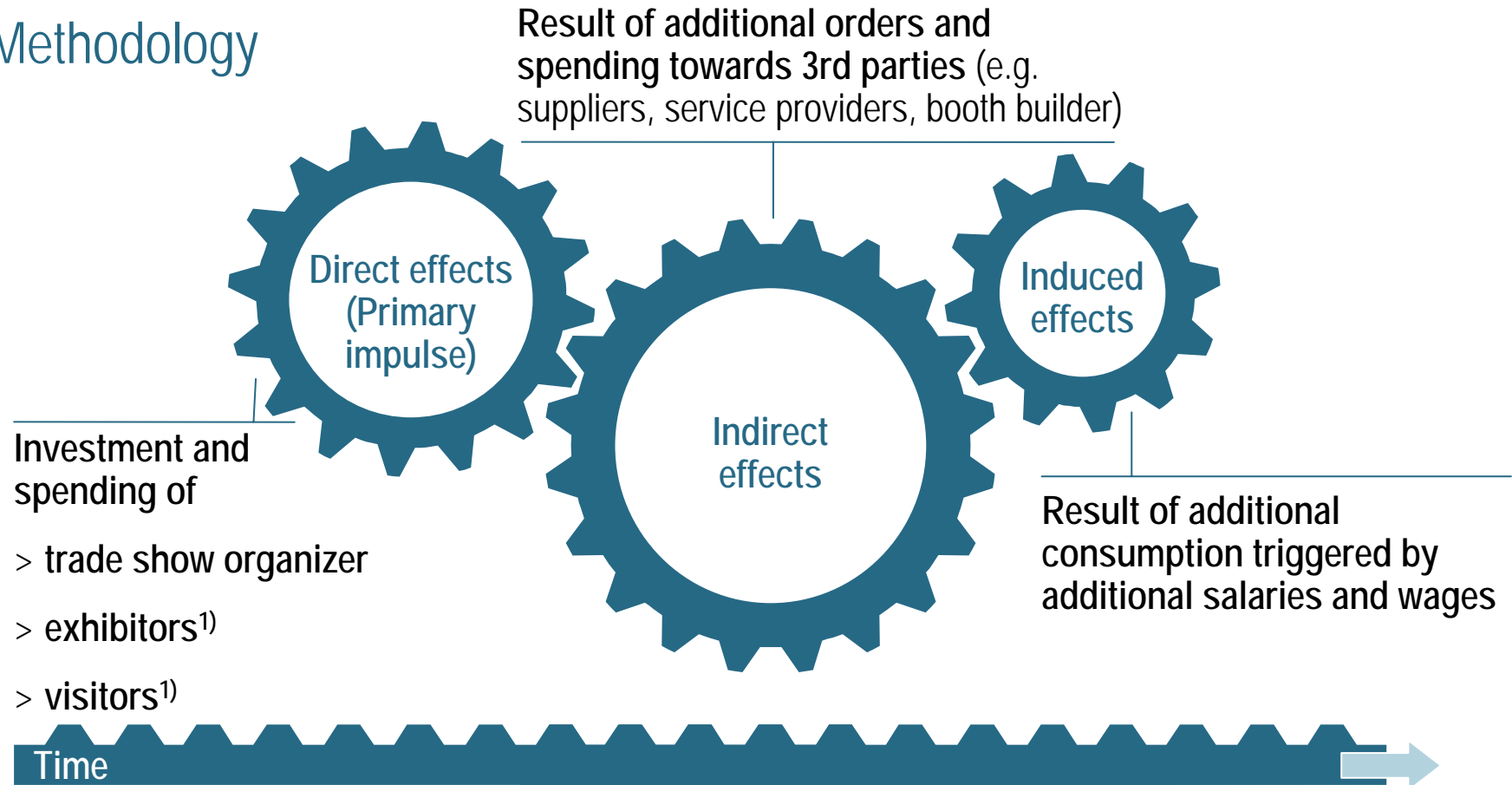
### Structure of tangible effects



# The tangible effects are triggered by the spending of the trade show organizer, exhibitors, and visitors

## TANGIBLE EFFECTS

### Methodology



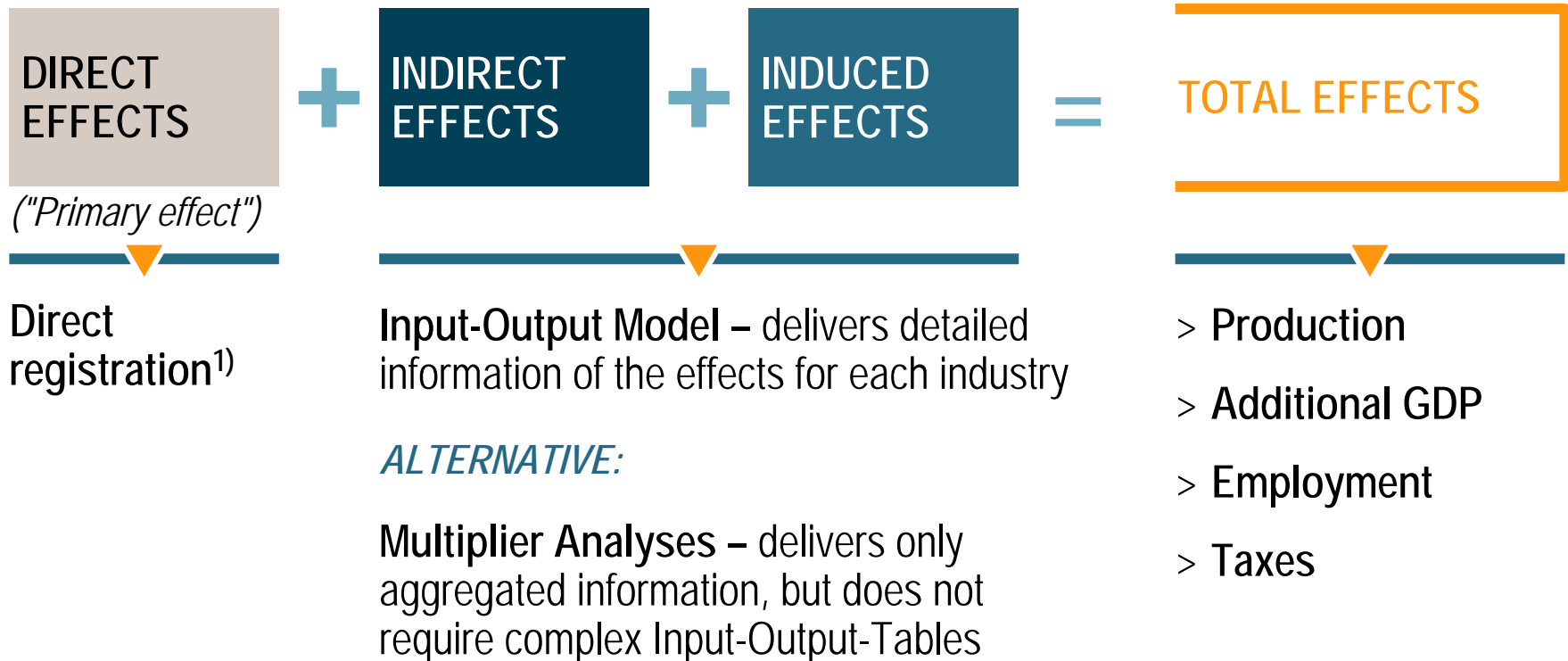
1) Spending towards the trade show organizer (space rent, registration fee, entrance tickets etc.) may not to considered, as they are mainly used to finance the operational spending of the trade show organizer – Avoidance of "double counting"



# There are two methods to calculate the total impact: Input-/Output Model and the Multiplier Analyses

## TANGIBLE EFFECTS

### Tangible macro-economic effects

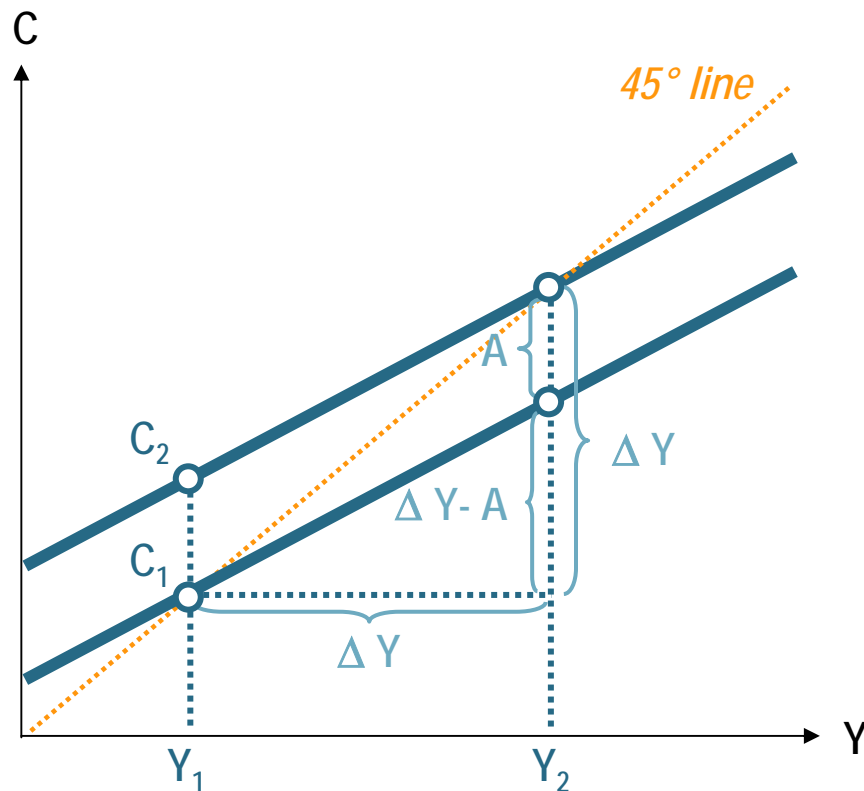


1) e.g. via market surveys

# The Multiplier Analysis is based on the Keynesian Theory of Business Fluctuations

## BACKUP – THEORETICAL ILLUSTRATION

### MULTIPLIER ANALYSIS



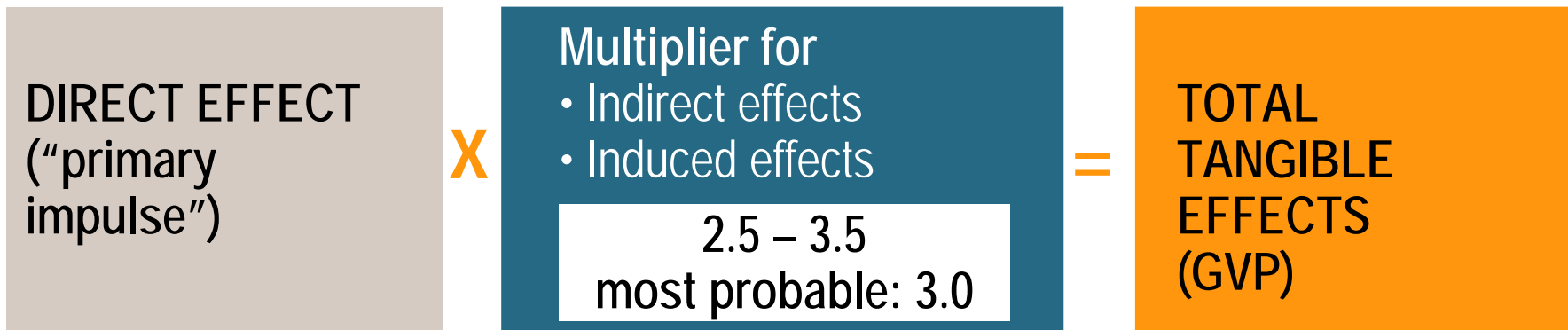
### THEORETICAL BACKGROUND

- > **Keynesian Theory of business fluctuations** – The multiplier quantifies the total impact on output generated by an increase in aggregated demand
- > **Basic assumption**
  - Consumption (C) is a linear function of the output (Y) with a marginal increase that lies between 0 and 1
- > **Mode of function**
  - Initial output level =  $Y_1$
  - Autonomous increase of demand (A) leads to a shift of the consumption function from  $C_1$  to  $C_2$
  - New equilibrium point is found (intersection of C with 45° line) and output increases from  $Y_1$  to  $Y_2$  with an additional output  $\Delta Y$
- > **Effect**
  - The total increase in output  $\Delta Y$  is larger than the increase in demand A

# Based on benchmarks, a multiplier of 3.0 in the trade show industry can be assumed

## TANGIBLE EFFECTS

### Multiplier for indirect and induced effects



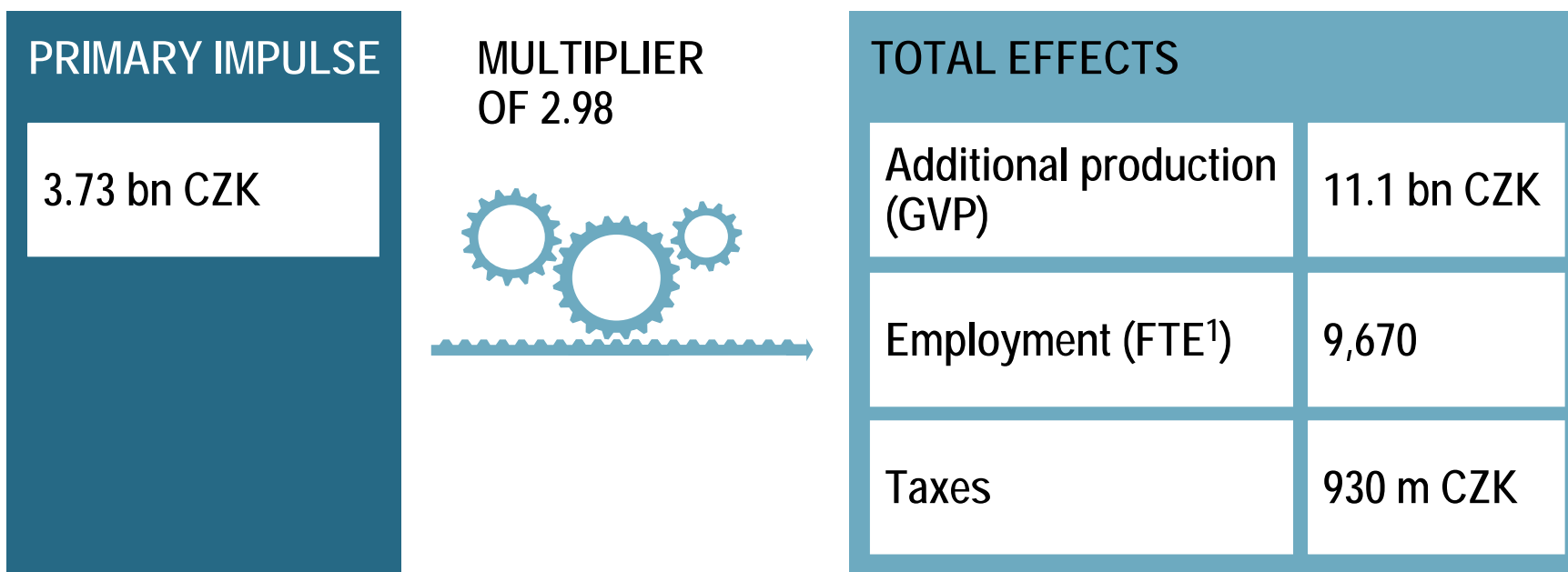
## BENCHMARKS

- > German trade show industry: 2.35 without induced effects
- > EXPO 2000 (Hanover): 2.73
- > Tourism: 2.45 without induced effects
- > Airports: 3.9 – 4.9

# Example input-output analysis Veletrhy Brno: 11.1 bn CZK GVP, 9,670 FTE employment, 0.93 bn CZK taxes

## TANGIBLE EFFECTS

Example Veletrhy Brno – 1.56 bn CZK turnover, 600 employees (2002)

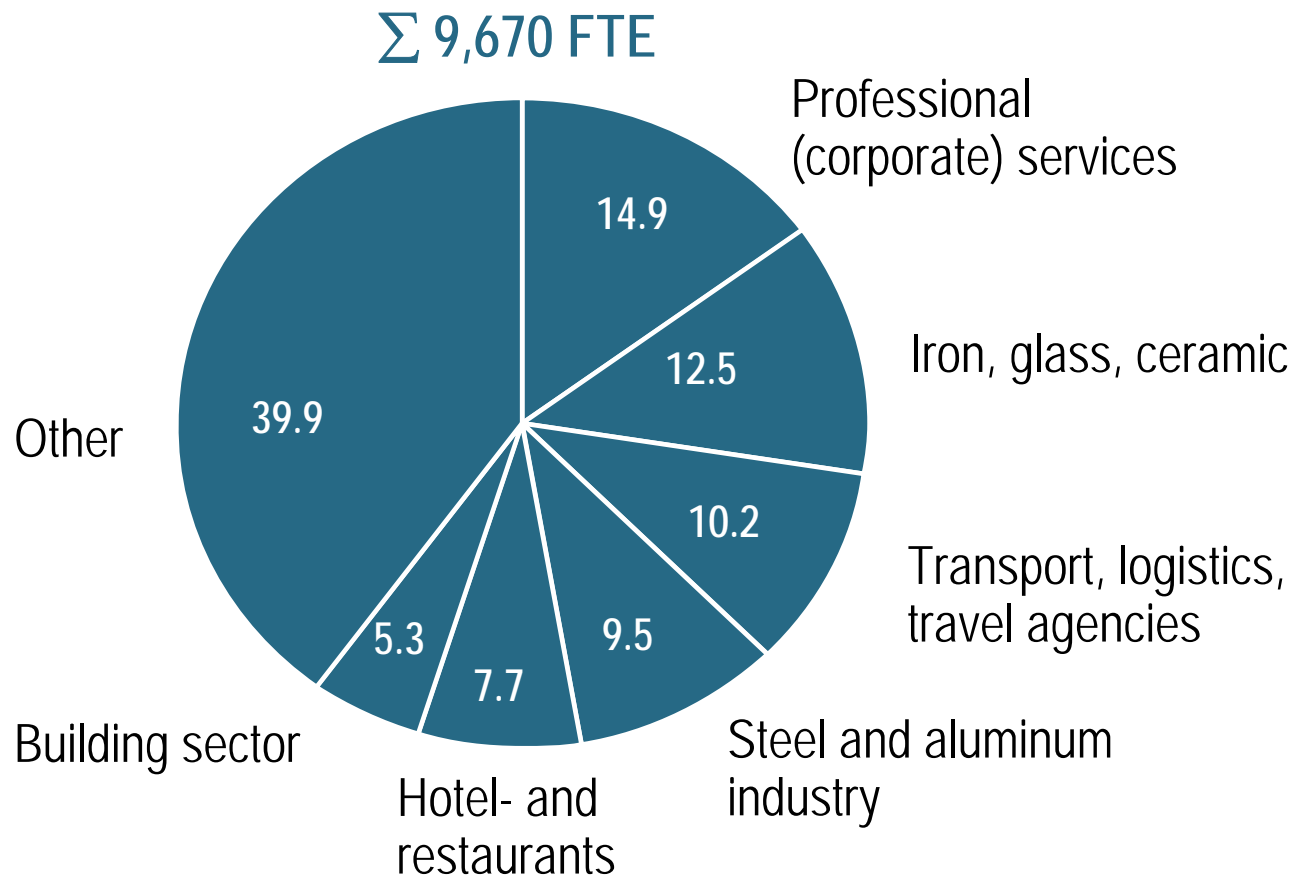


- ➔ Turnover x 7.1 = Additional GVP in Czech Republic
- ➔ No. of employees x 16.1 = Total employment effect

# Example Veletrhy Brno: The employment effect is spread over almost all industries

## TANGIBLE EFFECTS

Example Veletrhy Brno: Employment effect by industry (2002; %)



# The effects are often overestimated: A number of variables influence the size of the tangible effects

## TANGIBLE EFFECTS

### Variables influencing the amount of effects

- > **No. of MICE events** (congresses, trade shows etc.)
- > The **type** of event (local, national, international)
- > **No. of participants** of each event (exhibitors, visitors, participants)
- > **Duration** of each event

#### DIRECT IMPACT

- > Spending of exhibitors, visitors, participants (fees, booth, hotels, taxis, restaurants etc.)
- > Operational spending and ongoing investments in facilities

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#### MULTIPLIER FOR INDIRECT AND INDUCED IMPACT

- > Impact on other industries / sectors

TOTAL  
TANGIBLE  
EFFECTS

# International events show the highest impact – Flea markets with almost no or even negative effects

## TANGIBLE EFFECTS

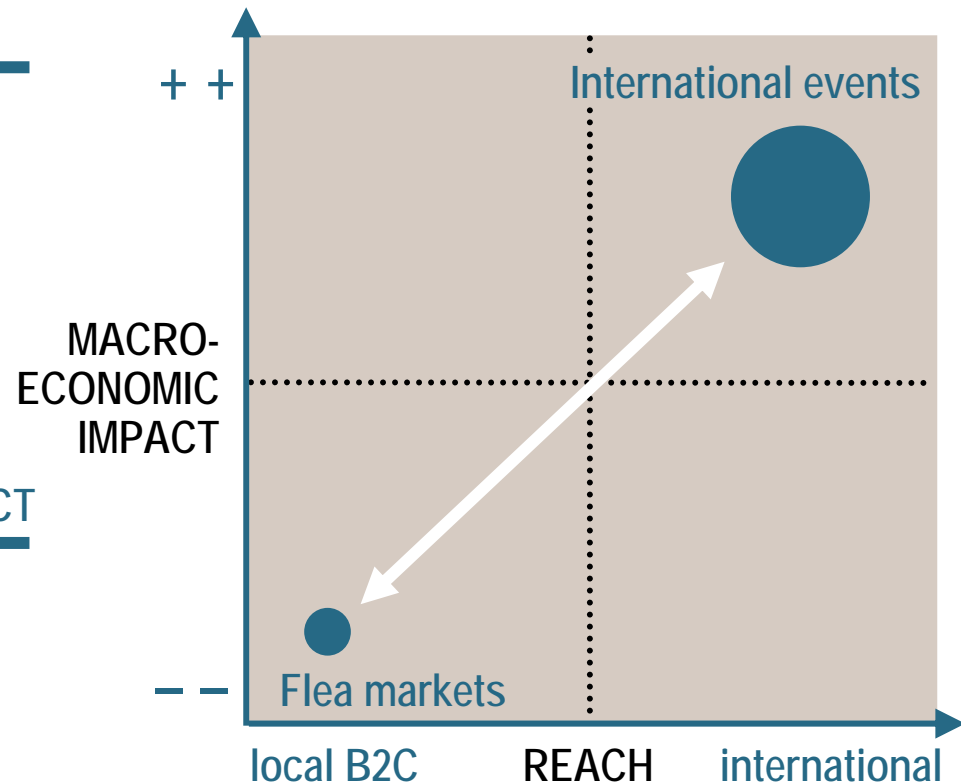
### Economic impact by type of event

#### HIGH ECONOMIC IMPACT

- > High spending of international participants, e.g. utilization of hotel capacity, food & entertainment, flight demand
- > Additional orders for national industries, e.g. PR-agencies, booth builder, service provider
- > Additional GDP and employment

#### LOW OR EVEN NEGATIVE ECONOMIC IMPACT

- > Substitution effects
- > Threat for local shops
- > No additional GDP and employment – or even negative influence

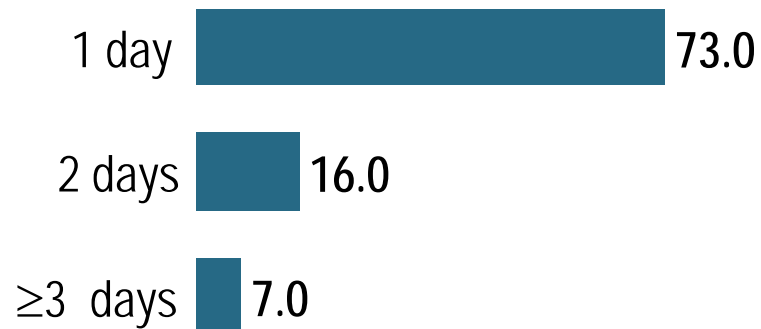


# Example Germany: Foreign visitors stay considerably longer at a trade show than national visitors

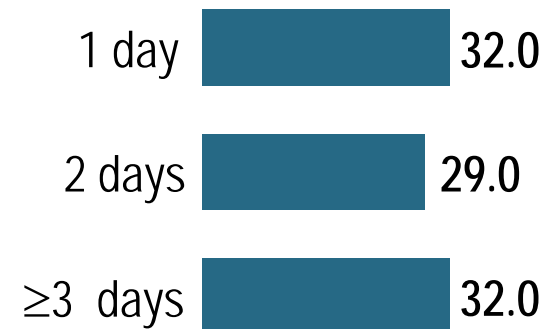
## TANGIBLE EFFECTS

### Duration of stay at trade shows in Germany

#### DOMESTIC VISITORS [%]



#### FOREIGN VISITORS [%]



Ø 1.4 days

Ø 1.6 days

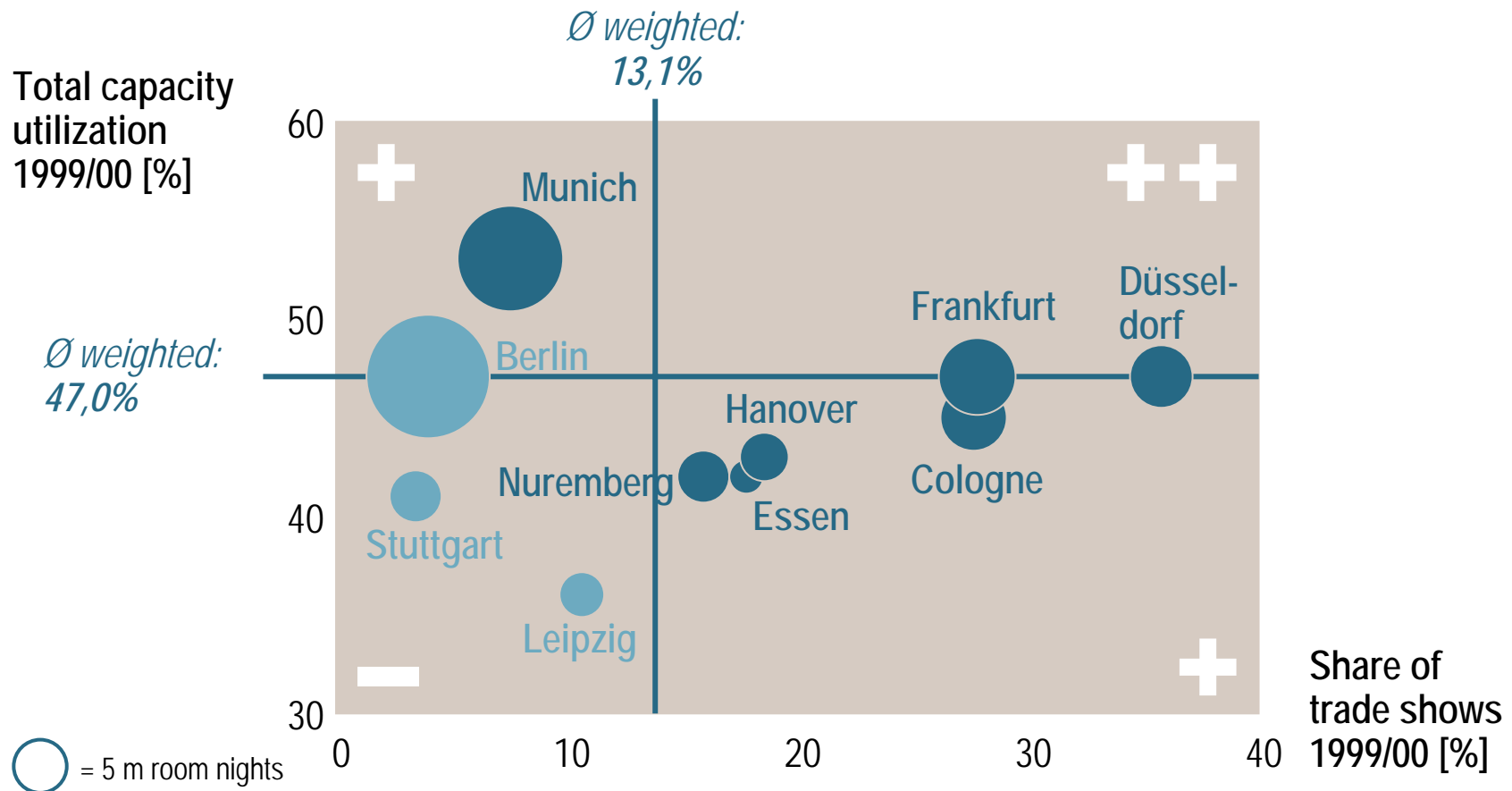
Ø 2.3 days



# Example Germany: Trade shows contribute with up to 1/3 to the actual capacity utilization of hotels

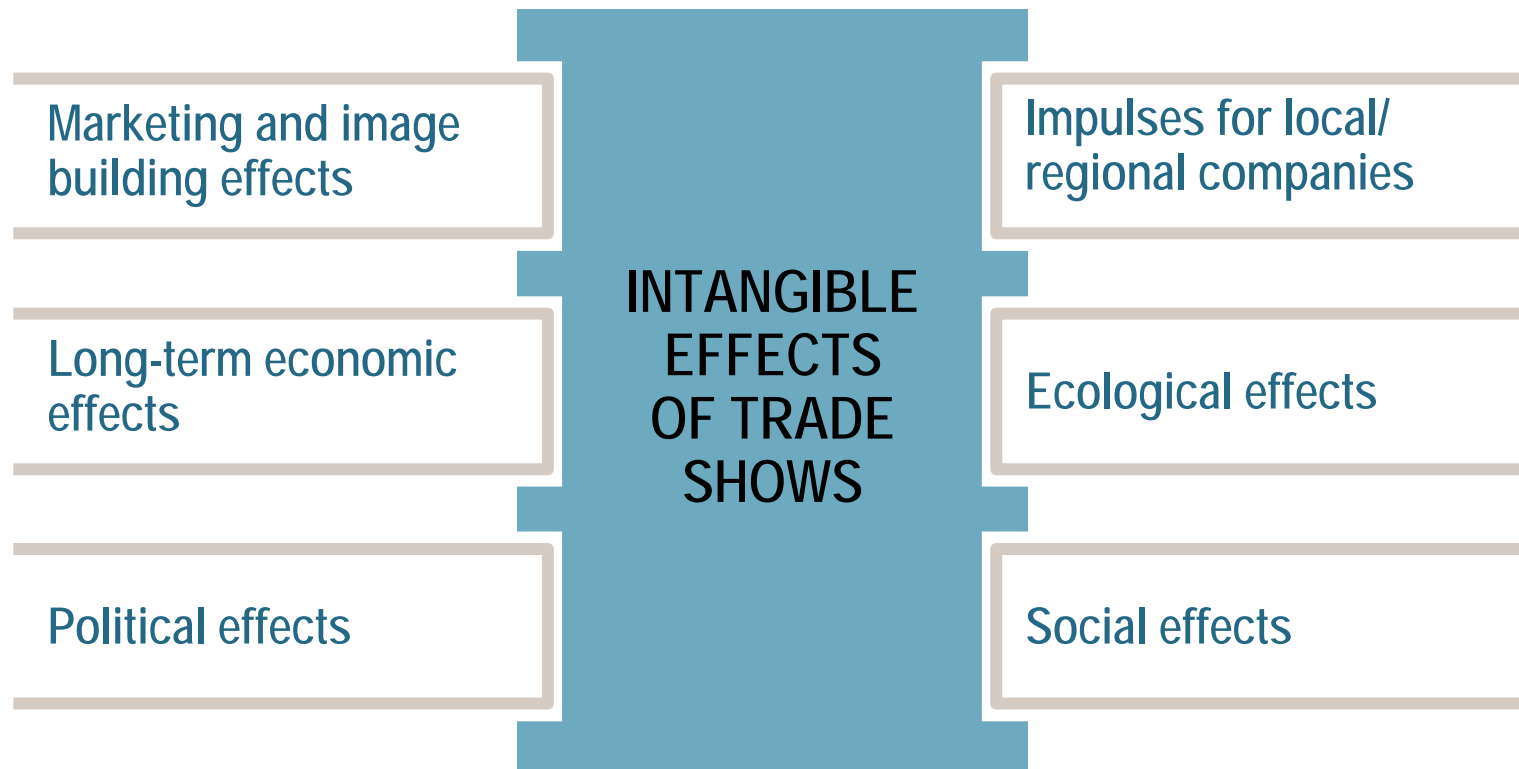
## TANGIBLE EFFECTS

### Impact of trade shows on hotel utilization in Germany



# Trade shows also generate vast intangible effects – they are not quantifiable, but with same importance

## INTANGIBLE EFFECTS



# The key intangible economic effects can be clustered in five dimensions (1)

## INTANGIBLE EFFECTS

### 1 MARKETING AND IMAGE BUILDING EFFECTS

- > High media coverage of international trade shows (and congresses)
- > Marketing efforts of trade show organizer
- > Generated **interest** in the host city and region
- > **Raised profile** in global country competition
  - Sustainable **image effects**

### 2 INFRASTRUCTURAL EFFECTS

- > Additional investment in **hotels, roads and transportation** means
- > Improved **efficiency of infrastructure**
- > Additional **cultural events**

### 3 IMPULSES FOR LOCAL COMPANIES

- > Attractive window for local and regional companies
- > Increase in **tourism** and business travel
- > Increased **attractiveness** for **foreign direct investment**
- > Settlement of **new companies** (e.g. booth builder, PR, marketing)

# The key intangible economic effects can be clustered in five dimensions (2)

## INTANGIBLE EFFECTS

### 4 SOCIAL EFFECTS

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- > Fostered confidence and pride of the local population
- > Increase in quality of life via improved infrastructure

### 5 FOREIGN AFFAIRS EFFECTS

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- > Intensification and expansion of **diplomatic contacts**
- > Enhancement of **understanding among nations**

# CONCLUSION: Trade shows are an ideal means to boost the economy of a city and its surrounding region





*THANK YOU!*