Steve Miller's Ramblings

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ROADKILL ON THE SUPERHIGHWAY

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I apologize. I got it backwards. The Internet, I mean.

But, heck, this Internet thing has been moving so fast and in so many different directions, I'm sure I'm not the only one who has been dazed and confused. And the fact is, it's STILL moving faster than the speed of time (or thought, as Mr. Gates would say). Let me explain my apology by going back a few years to a couple of previous *Ramblings*.

In 1994, I published a *Rambling* titled, "Will Your Show Be Alive in Seven Years?" Needless to say, it caused quite a stir (I was pretty much blackballed from IAEM conventions for this.). I pointed out the dilemma expositions face when they reach the mature phase of their lifecycle. Basically, my conclusion was that those shows needed to totally reinvent themselves or risk the very real possibility of going off the cliff.

I asked a series of questions designed to help exposition managers recognize if their show was moving in the wrong direction. A few of the questions included:

- Does your show understand if it's, in fact, in the Maturity Phase?
- Will the future buyer population increase in the same proportion as in the growth years? Will it increase at all? Many shows attendance figures are suffering from the decline of buyers, industry-wide downsizing, and mergers, as well as the new problem of a small handful of buyers controlling major pieces of the pie.
- Is it possible, or even desirable, to work at attracting more attendees to the show? Or has the show reached a point of diminishing return on attendance promotion?
- What new profit centers can be developed?
- How do shows re-think, re-invent, and enhance their long-term relationships with current customers (attendees and exhibitors) to become more partnership-driven versus adversarial?
- What is your current annual exhibitor turnover rate? Anything over 15% is cause for serious alarm, yet the average show in the U.S. has approximately a 30% turnover.

- Do 20% of your exhibitors control 80% of their space? If so, a special strategy for handling those "Big Guns" is required, otherwise those "Big Guns" can hold the show hostage.
- Is the space allocation system more than ten years old? If so, it may very well be causing the show harm. Yet our recently completed Benchmarking Survey of top shows in the U.S. revealed that the average national show has been using the same space allocation system for over 20 years!
- How do trade shows effectively compete with the new technology available as alternate opportunities for corporate marketing dollars?

In closing that *Rambling*, I made this statement: "Trade shows aren't going away. The question is not, will the trade show industry be around in seven years? The question is: ***Will <u>your</u> show be around in seven years?"***

Then in 1996, in another *Rambling*, titled "Will the Internet Kill You?," I concluded: "Will the Internet kill the trade show industry? I think I can safely say no. Well, at least for now. The trade show industry overall is alive and kicking."

I'm sorry to say ... I was wrong. The Internet WILL kill your trade show. At least the trade show as we know it today.

It is now 1999. We are crashing headlong into the "net millennium," so to speak. The Internet has become pervasive. It has become a critical part of our everyday life, not to mention our lexicon, faster than pretty much anything else in history. And there is no sign of it slowing down. The problem facing trade shows now is a big one. Pretty much ALL the reasons why a trade show is relevant and valuable to our markets are rapidly being attacked and addressed by the Internet. Let me make this totally clear: the *reasons* why trade shows exist are no longer our advantage alone, and the *efficiencies* that trade shows have provided for years are being replaced by newer, cheaper, and more efficient efficiencies.

Before you leap to your feet in indignation and start to rattle off all the good stuff about trade shows, let me explain why I say this.

Let's start by looking at what makes trade shows so important.
Before the Internet, communication between buyers and sellers was difficult and costly. Corporations looked for the best ways they could find to communicate with their targeted markets. Many set up their own in-house sales departments, assigning geographical regions to their people. These people would travel around their "routes" to regularly meet with prospects, give sales presentations, and close deals. Many other companies, who couldn't afford in-house sales teams, would contract with independent distributors or sales reps. These independents would cover the regional territories and offer a wide range of products from various companies. In many industries, these independent rep organizations wielded big power and influence over the future success of products.

Besides these reps, communication was pretty much limited to telephone, the US Postal Service, and telex (remember telex?). Companies would also send out huge product catalogs and run ads in trade publications.

Buyers were, very often, at the mercy of their local rep to learn about what new products were in the pipeline. They might read about something new in a magazine, but those were always (and still are) several months old. Competitive comparison opportunities were limited. Small and new suppliers often found it difficult to get the news of their products out to the industry.

This is where trade shows became so valuable. Trade shows became a crucial part of the industry's efforts to become an "efficient marketplace." The annual (and sometimes semi-annual) trade show provided pretty much the only opportunity for buyers and sellers to get together. The trade show was the place to see what was new! Suppliers geared product introductions around the trade show. I remember when Lear Jet Stereo was introducing the new 8-track tape player. My father and his engineers worked around the clock to get the prototype ready for the Consumer Electronics Show in Chicago. They worked right up until it was time for Dad to fly out. He even bought a seat for the prototype (very common in those days)! The trade show was THE place where every corporation would be showing something nobody had seen before. The exhibitors expected to write orders on those new products, too. This was where you found out whether you had a good idea and you could ramp up production, or if you had a dog.

The trade show was the place to be seen, too. If your company didn't exhibit at the industry's major annual event, then you just simply weren't a player. And those small, new companies could use the trade show as a springboard for making a splash in the industry and maybe find sales representation.

Buyers could come to the trade show to see all those new products. They had the opportunity to discover those small, new companies who didn't have reps. They had the opportunity to write new orders, taking advantage of the many "show specials" that exhibitors promoted. They had the opportunity to have hands-on demonstrations. They had the opportunity to do competitive comparisons that would normally be difficult, if not impossible. They had the opportunity to network with people they wouldn't normally have communications with. They had the opportunity to get timely information they would normally wait weeks if not months for. AND, they had a chance to get out of the office. To travel to some fun city, see friends and business acquaintances, and eat dinners at expensive restaurants. In other words, trade shows were also a boondoggle.

And talk about people! There were thousands of people attending the shows! Buying power was spread geographically. Oh sure, there were big, important buyers, but they were more likely to be located in one area - the northeast, the Midwest, the south. National chains were few and far between. The local buyer from Indianapolis still commanded a lot of respect and attention by the exhibitors.

When all this was going on, everybody was happy. Trade shows WERE the efficient marketplace, because this was the one place where all this good stuff was happening.

Even before the Internet, though, we started to see tectonic shifts in industries. Large companies started gobbling up small ones to become bigger and more national. And after pretty much all the small guys were taken, the big players started targeting each other. This happened on both sides of the trade show aisle. Consolidations. Mergers. Acquisitions. More than one industry started to joke that their annual trade show would eventually end up with ONE exhibitor and ONE attendee! And while that's a joke, the fact remains the big got so big that massive buying power massed in the hands of just a few people.

Communications became easier for both sides. Instead of traveling to see dozens, if not hundreds of accounts and prospects, suppliers could now fly to one city for one meeting with one person who now has the same collective buying power. FedEx allowed companies to overnight information and faxes made it even faster. Major suppliers even began looking for ways to set up partnerships and open lines of communication with major customers. Some even assigned full-time representatives to actually have office space in the customer's facilities.

Major customers began demanding information *faster* AND *sooner*. These buyers wanted a jumpstart on the competition. Instead of seeing what's new in the toy industry at Toy Fair in February, Toys R US and WalMart and Target demanded and got private meetings in October and November.

And on top of all this change ... then came the Internet.

What did the Internet bring to the game? It brought a new way for buyers and sellers to communicate. It brought a new way for suppliers to lower the costs of this communication process and increase sales at the same time. It brought a new way for buyers to gather real-time information about products, services, new developments, and companies in their industry.
In other words, the Internet brought a more efficient marketplace.

Think about it:

- Buyers no longer have to wait 362 days to attend a trade show to find out what's new. They don't want to wait, anyhow. They want to know what's new RIGHT NOW.
- Sellers can shorten the selling chain even farther by communicating directly with every customer and prospect simply by the touch of a key.
- Buyers can send out RFQ's to an entire industry without leaving their office.
- Buyers and sellers can communicate 24/7.

And what makes this trouble for trade shows?

Trade shows are trapped by the brick-and-mortar of convention centers. The Internet has no physical boundaries.

Trade shows are trapped by their small window of opportunity. Two, three, four days a year? And how long is the information gathered at a show good for? Three, maybe four months, if you're lucky? Who wants to wait?

Major corporations no longer have a need for an annual face-to-face meeting with top buyers. As one major Fortune 50 CEO said to me, "There are five customers who account for 90% of our industry's buying power. I can pick up the phone and get a meeting with any of them whenever I want. Why do I need to see them at a trade show?"

Small, new suppliers to an industry can communicate with their targeted market more efficiently and at less cost through the Internet.

Buyers and sellers are more strapped for time than ever. Their To-Do List gets longer every day. Traveling to trade shows often requires 2-3 days out of the office. Traveling is painful and expensive. These are no longer boondoggles. Traveling is no longer fun.

Buyers don't have to walk miles of aisles hoping to "discover" some hot new product or company, or even the solution to a specific problem. I bought a vacation home that I searched for over the Internet. I determined my own criteria and narrowed the process down. Only after I found one that fit all my criteria did we then travel to see it. I didn't have to go through the painful process of traveling to the area, getting in a car with some strange real estate agent, and then drive around for a couple of days visiting a few dozen homes. (Sounds a lot like walking up and down aisles, doesn't it?)

It can cost a lot less to get efficient on the Internet than it does to plan for a three-day trade show.

Look at what's happening in business-to-business communications on the Internet:

> United Technologies Corporation was looking for a vendor to supply printed circuit boards for their worldwide operations. Instead of going though the normal, time-consuming, and painful process of sending out RFQ's, they put their contract out on Freemarkets Online, Inc. Freemarkets Online is a web-based marketplace for industrial goods. UTC received bids from 39 potential suppliers. The winning bids actually cut $10 million off UTC's original $24 million estimate!
>
> Aon Corporation, a $6.5 billion dollar insurance-services company, has started a web-based service that compiles a database of the latest changes in government regulations affecting their customers. They sell a subscription that matches customers' needs with those regulations to better analyze and manage costs. Aon has 300 subscribers right now paying a cool $10,000 a year for this service.
>
> Forrester Research predicts that actual online e-commerce for business-to-business transactions will reach $1.2 TRILLION by 2003.

Does any of this scare you? Well, I think it should scare the bejeebies out of you!

Like I said, I got it backwards in my previous *Ramblings*. I've paid close attention to all this new technology and how it would affect the trade show industry. I've been at the front of the parade, too, encouraging expositions to embrace the Internet and look for ways to enhance the trade show experience.

But I got it backwards. You see, as I said, I (and pretty much everybody else in the industry) have been looking for ways to enhance the trade show experience via the Internet. What this basically means is that we look at our trade shows as "the Thing," and we look at the Internet as, "the thing about the Thing." In other words, we have approached the Internet as a tool that we use to help sell and promote our trade shows. It's a piece of the puzzle.

I have come to the realization that the Internet is now "the Thing." Trade shows are no longer the hub. They are now a piece of the puzzle.

Think about this carefully. The primary reasons for trade shows to exist are being supplanted by a more efficient, more effective, and less costly tool - the Internet. With only minor exceptions, the Internet allows buyers and sellers to do what they used to only be able to do through trade shows. The operative word here is "trade." That's why they're called trade shows. They provided an opportunity to do "trade." Almost everyone can do that now via the Internet.

- People don't need to come to a trade show to see what's new.
- People don't need to come to a trade show to visit major suppliers.
- People don't need to come to a trade show to uncover new, unknown suppliers.
- People don't need to come to a trade show to compare competition.
- People don't need to come to a trade show to network.

This does NOT mean there will not be a need for the industry to have an annual gathering of buyers, sellers, and movers-and-shakers. In fact, that will be as important as ever. It's the trade part they won't need. But people will still have the need to get face-to-face, as long as it's in a time maximized environment. It will be for different reasons than we are promoting, though.

So, who's doing it right?

I think Fast Company magazine has kind of figured the new business model out. And I think they are working very hard of flying below the non-traditional, competitive radar on it, too. If you haven't read *Fast Company*, you should. It's the new business magazine that talks to its readers in today's language. It believes there is a new business model being created and they want to be the benchmark.

FC is creating its own little world, inhabited by it's customers. They have formed a total partnership with these customers - one that crosses several different communication tools. First, they have the magazine. Throughout this monthly publication, they encourage readers to communicate (via email, of course) with editors, authors, advertisers, and each other. Their website is designed to facilitate these conversations as much as possible. Articles are archived and discussion groups are set up.

These aren't so different from what other sites are attempting, but FC goes a little farther. If you read an article you like, they have it set up where you can send it to a friend or business acquaintance. What a great way to spread the word! (I assume FC captures that new contact's email address.)

Without fanfare, in 1999 FC put on a special event in Northern California. Simply by putting the word out to their "friends," via email, they signed up 450 people for a two-day conference at $1500 a head. No advertising. Simply word-of-mouth. They call these conferences "Real-Time Experiences."

FC has also set-up, again via their website, what they call "Company of Friends." Readers gather together on the Internet, in each other's homes, at local restaurants, etc. to exchange management and career advice, and to discuss personal fulfillment issues. There are actually quite a few of these companies. In fact, at last count there were 52 different cities hosting a Company of Friends.

Let's extrapolate out how I think this is going. FC gets readers (attendees) to communicate with each other on an unsupervised basis in 52 cities all year round. This "community" helps run itself and actually helps to make itself grow via word of mouth. They use efficient means of communicating with each other and other members across the community. They get the face-to-face time with each other in their own local community/club. And, right now, once a year, there is an opportunity to get face-to-face with the global community.

Just how long do you think it will be before FC adds some type of exhibiting opportunity to these events?

The difference is that FC has built a community with strong "sticking" power. It has daily value to its members and suppliers. It *facilitates* the personal conversations, thus building a strong culture, thus building strong bonds, thus building permanent relationships with both sides. *Fast Company* becomes the ultimate infomediary for their world. They create a relationship with their industry based on, what I call, Uncopyable and Unbreakable Superiority. And the more value they provide their "club members" on a daily basis, the harder it will be for a competitor to take them away. And it's all focused around the Internet.

Who else is doing it right? Since a lot of the business-to-business sites are password-protected, I can only write about those I'm familiar with. Check out Charles Schwab and the Wall Street Journal sites. These sites, like *Fast Company*, are doing the Thing. They've gone way beyond the thing that does the Thing.

Is this the new direction we must all take? Is it the only direction? I don't know for sure. But I know this. The road we've been on, just building an annual (sometimes biannual) trade show, and selling participation for all the old reasons just won't cut it anymore. Neither buyers nor sellers have the inclination to support that old business model.

I now firmly believe that the Internet WILL kill the traditional trade show business model we've been living with for all these years. I'm not saying to dig the grave and bury your show, though. But what I am saying is that you can no longer look at your trade show as "the Thing." You need to learn how to use the Internet to help your buyers and sellers to more efficiently and effectively communicate with each other. And if you don't do it, I slam-dunk guarantee somebody else WILL.

Steve Miller, Kelly's Dad and a strategic director, works with both show management and corporations worldwide, advising them on competitive advantage and innovation. He also speaks to business groups around the world on corporate strategy. His website is www.theadventure.com.