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What Happened to Strategy?

By

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So the conventions and meetings industry is in turmoil? Welcome to the club.

Name me an industry that hasn't gone through massive turmoil in the last ten years. Consolidations, mergers, disruptive technologies, and all other means of change have been part and parcel of the real world for a long time.

I have to admit I've watched our industry "leadership" with amusement and bemusement over the last year or so. Headlines and industry experts have simultaneously proclaimed the trade show world as "dead," "alive and well," "brought to its knees," "rebounding," and "at risk."

We've seen industry summits, executive forums, white papers, and CEO roundtables hastily formed looking for answers to the latest "New Rules" we've all been caught off guard by.

Caught off guard? Excuse me, but I would hardly say that our industry was "caught off guard." And I would hardly say we didn't have ample time to be better prepared for the current state of the economy, as well as the problems that have befallen our tiny little world.

For years, the convention/exposition industry has merrily traveled down its path of choice, eagerly counting on and banking the annually increasing revenues, and extraordinary profit margins. We've enjoyed a cash flow that Bill Gates and Arthur Andersen would envy. We've hit the nest of the Golden Goose every chance we could and then, *because we could*, went back for more. We just kept fiddling away while flames consumed entire industries around us. Just because others were having problems apparently didn't apply to us.

But that's the **Curse of Success**, isn't it?

Too many events and too many show producers, both associations and for-profits, have had the easy life for so long, they just don't know what to do now that the gravy train has derailed. Our industry has been primarily focused on the operational side of producing events simply because we all believed, "If we build it, they will come." For many major events, that was true, which meant they didn't have to put a lot of money into the sales, marketing, and design - all "unnecessary costs" that simply took away from the coveted bottom line. Any additional costs incurred were simply passed on.

Make no mistake about it. I am a cheerleader of conventions and expositions as powerful media and marketing tools, but our industry's arrogance and complacency

has long bugged me. I have written about the potential for huge problems for ten years in my own *Ramblings* and in my six years of columns for PCMA's *Convene* magazine. While many of you have certainly acknowledged these potential cracks-in-the-armor, most of you shrugged your shoulders ("He can't be talking about *us*."), and others have ridiculed me for exposing them:

- *Example 1:* I wrote in the August 2000 *Convene* about the potential problems facing for-profits for their wanton buying frenzy and running up the price tags of events, comparing their activity to the famous, well-documented, tulip craze in 17th Century Holland. A certain CEO from IAEM loudly declared that I was pretty much full of it. Hmm, share with me again how Key3 Media, Penton, Reed, and others are doing? Does the phrase "debt service" ring a bell? Tulips, *indeed*, Mr. Hacker. If you don't learn from history, you are doomed to repeat it.
- *Example 2:* Comdex is invulnerable? It never was, as I pointed out in my March 1995 *Rambling*. It's been more of a consumer show than trade show from the beginning. But, according to Fredric Rosen, Chairman-CEO, Key3 Media, in the August 12, 2002 *BtoB* magazine, "Comdex will not go away ... We have the best brands. In the end, brands always win." **Wow**, I think that would be news to the National Computer Conference, the National Home Center Show, Summer CES, Summer Housewares, and on and on ... Word on the street is this may be its last year. I have to admit, Key3's press release this week about the recent exhibitor signings sounds like things are heading back in the right direction. At least that was until I read further into the release. Here is the release, straight from the Key3 Media website:

October 24, 2002

COMDEX Fall 2002 Momentum Builds With Exhibitors; Despite Tough Economy First-Time and Returning Exhibitors Seek Global Face-To-Face Marketing Opportunities

10/18/2002 8:03:00 AM

LOS ANGELES, Oct 18, 2002 (BUSINESS WIRE) -- Key3Media Group, Inc. (OTCBB:KMED) announced today that nearly 100 exhibitors have recently signed contractual agreements to participate in the upcoming premier IT event, COMDEX Fall 2002. The weeklong conference and exhibition takes place from November 17-22, 2002, at the Las Vegas Convention Center.

"Key3Media Group is excited to welcome these companies to this year's event. Despite challenging times, they recognize the importance of face-to-face interaction and the significance of participating in the leading IT industry tradeshow event," said Mike Millikin, Senior Vice President, COMDEX Worldwide. "We are confident that the show will meet or exceed their expectations and objectives."

This increase in new contracts is evidence of the continuing essential role COMDEX plays in a company's marketing efforts. COMDEX Fall is renowned in the industry for its special events, programs and networking opportunities that are woven throughout the COMDEX experience. Companies come to COMDEX to meet key decision makers, qualified buyers and close deals.

Companies who recently signed on include:

BYD America Corp, Actis Corporation, Bluenext Technology, CABA, CBW Inc., Open Mobile Alliance, Peace Computers, Flex - P Industries, Nokia, WECA, 4P Mobile Data, Access Denied, Acer America, Austrian Federal Economic Chamber, Bluewind, Cypress Semiconductor Corp., Feelzgood, Gerak Mobile, IEEE Spectrum, Nexsan Technologies, Nexsoft Co., Nextaqua, Teksouth Corporation, Turtle Beach, AG NEOVO, Amtek System, Cinch Material, Cintac A/S, Genovation Inc., HC Distributors, International Online Computer Society, Nexland Inc., OK Security, Platinum System Inc., Pogo Products Inc., Society of Internet Professionals, Trader National Publications, Ultra - X, Virtual Ink, A Source Technologies, Airzip, Asan America, Battery Intelligence, Chapura, Inc., CTX International, Gigacase Corp, Intellinger Software, Intense School, International Microsystems, Lin Chi Innovation, Marc Associates, National Productions, NIX Ltd., Nu-Tech Telecommunications, Philips Components Optical Storage, Photofone LTD, Pretec Electronics, PT Intisar Primula, Publicidad Digital, Sentrybay Corporation, S-Lab Italia S.R.I., Sona Innovations, A SOURCE TECHNOLOGIES, Airaya, Argosy Technology, Battery Intelligence, Computer Liquidations, Digent Co., Driveguys.com, Gvision USA, Highpoint Technologies, ILY Enterprise, Ink Solution, JMTEK, Media Flex, Mighty Micro, Mo Marketing, Nextel, State Government of Victoria, Suma Brand Corporation, T.S. Microtech, Vinpower Inc.

COMDEX Fall is the industry launch pad for new products and innovative technologies, with nearly 400 products introduced at COMDEX Fall 2001. COMDEX Fall 2002 is preparing itself to be once again the most dynamic IT launch platform in the world.

COMDEX Fall 2002 runs November 17-22, 2002 at the Las Vegas Convention Center, Las Vegas. For more up-to-date information, please visit <http://www.comdex.com/fall/>.

About Key3Media Group:

COMDEX Fall 2002 is a Key3Media event. Key3Media Group, Inc., produces information technology tradeshows and conferences. Key3Media's products range from the IT industry's largest exhibitions such as COMDEX and NetWorld+ Interop to highly focused events featuring renowned educational programs, custom seminars and specialized vendor marketing programs. For more information about Key3Media, visit www.Key3media.com

Certain matters discussed in this release are "forward-looking statements," including statements about Key3Media's future results, plans and goals and other events which have not yet occurred. These statements are intended to qualify for the safe harbors from liability provided by the Private Securities Litigation Reform Act of 1995. You can find many (but not all) of these statements by looking for words like "will", "may", "believes", "expects", "anticipates", "plans" and "estimates" and for similar expressions. Because forward-looking statements involve risks and uncertainties, there are many factors that could cause Key3Media's actual results to differ materially from those expressed or implied in this release. These include, but are not limited to, economic conditions generally and in the information technology industry in particular, the timing of Key3Media's events and their popularity with exhibitors, sponsors and attendees; technological changes and developments; intellectual property rights; competition; capital expenditures; and factors impacting Key3Media's international operations. In addition, the IT industry has experienced a significant downturn since the middle of 2001 and the terrorist attacks on September 11, 2001 have adversely affected the economy generally and significantly decreased air travel in particular. These developments have and will continue to adversely affect participation and attendance at Key3Media's events, although the Company is not able to quantify or reliably estimate the future impact that these matters may have on its businesses, results of operations or financial condition. The sections entitled "Item 1. Business - Certain Factors That May Affect our Businesses" and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Annual Report on Form 10-K for the year ended December 31, 2001 filed by Key3Media with the SEC contain important cautionary statements and a discussion of many of the factors that could materially affect the accuracy of Key3Media's forward-looking statements and/or adversely affect its business, results of operations and financial position. These statements and discussions, as well as any others contained in Key3Media's other SEC public filings, are incorporated herein by reference. Key3Media does not plan to update any

As I said, the release appears to show COMDEX is showing strength. But pay particular attention to the paragraph in the yellow circle. Say what????

- *Example 3:* In my April 1997 *Rambling*, I warned the National Hardware Show not to expand from 900,000 to 1.2 million without any new buyers to fill that extra space. They were killing their **density** overnight by 30%, thus diluting the product they were delivering. Both the American Hardware Manufacturers Assn and Reed Exhibitions attacked me when I brought that up. Bottom line: they showed the industry they were more interested in the extra \$\$\$ generated than in the **long-term** welfare of their event. So ... how are they doing now? (I warned the National Housewares Manufacturers Assn. Board of Directors of this same potential problem in 1993. They listened, reinvented their event, and took density out of the equation.)
- *Example 4:* In my March 1997 *Convene* column, I warned the industry of the **Curse of Assumption** – thinking the past would equal the future. I suggested everybody look very hard at their own events from a long-term perspective. I also warned of the danger of **diminished attendance** creating a density problem. I've said it for years: if you live by attendance, you'll die by attendance.
- *Example 5:* In my February 1998 *Convene* column, I made the following statement: "If trade shows are to be one of the most important sales and marketing tools available to corporations today (and I think they should be), we'd better be able to clearly and unequivocally answer these questions: what *measurable, definable*, and unmistakable results and experiences do we provide our stakeholders? Where's the clear **value**? What are the trade-offs and how do we compare?"
- *Example 6:* In my June 1998 *Convene* column, I wrote: "...**branding** is creating a covenant between you and your customer base (both exhibitors and attendees) that goes far beyond isolated or individual transactions. Branding the **experience** is creating a long-term, trusting relationship/partnership with the exact right target market. It is reinforced, enhanced, or diminished each and every time the customer has what they consider to be contact with us."

Value? Diminished attendance? Density? Long-term? Branding? The Experience? Sounds a LOT like what's being spouted *now* at industry emergency meetings and new white papers. And let me tell you, it's easy for Gary Slack to slam the industry now that his agency's customers are telling him to redirect their marketing dollars. But where was he five years ago? I don't remember *him* standing at the top of the mountain shouting about any of this. Trade shows no longer a primary marketing vehicle? Right. And video killed the radio star.

The point isn't to show how darn intelligent I am (although I will say I am smarter than *some*). I am completely convinced none of these past recommendations and predictions came out of brilliance. They came out of common sense, looking at our industry with eyes wide open, and constantly questioning accepted practices. I don't believe for a second it took a rocket scientist to see the cracks in the armor. Exhibitors have been *begging* for measurable value for years! Trade shows have looked alike for years. Exposition halls have looked alike for years.

It is very clear to me that in our industry common sense isn't common practice. Our tiny world has focused too long on riding the backs of exhibitors, assuming the deep pockets would never go away. They've stared inward at the never empty pot of gold, loudly defending our world with the same, old, tired data, well-spun press releases and lipservice to the media and exhibitors. Who exactly have we been trying to convince? Do we think our customers are stupid?

The Industry Response?

Pain is an interesting motivator. We are always more motivated to get rid of pain than we are to acquire gain. For how many years have exhibitors been yelling about their inability to measure ROI? For how long have they cried about the rising costs of exhibiting? For how long have exhibitors and attendees bemoaned there are too many trade shows? For how long have industry consolidations been going on?

But they still came, didn't they? And exhibitors still paid, didn't they? Because they felt they had no choice. They *HAD* to be at their industry's event! So there was no pain.

Until now.

Now, both exhibitors and attendees are saying "Enough!" Now they are saying they have a choice, even if that choice is not doing ANY trade shows. Now the pain sets in. Now we're the ones looking for answers.

How has the industry responded to this sudden new pain? Well, IAEM called a very official sounding Exhibition Industry Summit where they drafted *The Exhibition Industry Manifesto*. (You can read the entire document at <http://www.iaem.org/content/ExhibitionIndustryManifesto.pdf>.) The purpose of the Manifesto was, "... a long-term program that will enhance the real and perceived value of exhibitions to exhibitors and visitors."

The *Manifesto* is broken down into six broad topics:

- Building and venue issues
- Labor and work rules
- Set-up and removal
- Show management rules, regulations, and operations
- Transportation and shipping issues
- Attendance promotion

Help me out here. Can't the first five be classified as "operational issues?" I agree wholeheartedly that all of these are important to exhibitors regarding costs

and efficiencies (not to mention helping to eliminate the Hassle Factor of exhibiting). I agree that attendance promotion is also important to exhibitors.

But these mainly focus on cost issues for exhibitors. While I know costs are important, that's thinking too narrowly. Let me put it to you this way: if I were to guarantee a 20% return on your money, how much would you give to me? The answer is: ALL OF IT. You'd BORROW money to give to me, because you know you'd still come out ahead!

That's the point of focusing on costs, rather than on investments. If we allow our exhibitor customers to only see our exhibitions as costs, then they will do anything they can to reduce costs. If we get them to see exhibitions as investments with strong, potential returns, then they will do everything they can to increase that return! When faced with the complaint, "there are too many shows!" I correct that person by saying, "you mean there are too many trade shows that don't provide you meaningful value!" If every show provided a high ROI, corporations would be at a show every week!

And attendance promotion assumes there are more attendees to be found. Is that true of every major event out there? I don't think so. Every industry is continuing to go through massive changes with consolidations, mergers, bankruptcies, and new distribution channels. We're seeing more and more examples of crossover between industries, blurring the traditional lines of distinction. Do we think the trade show world is immune to all this? Of course not. One of my favorite quotes from Peter Drucker is:

"There is no law that a company has to stay in business."

When you've got entire industries colliding with each other, buyer populations dwindling, and category-killers lurking, why should the mega-shows of twenty years ago all still be around five years from now?

I'm afraid the Summit fell into the same old trap our industry has fallen in for years. We know operations, so that *must* be where the answer is. And, doggonnit, if we haven't shouted loud enough for potential attendees, then we'll just shout louder! If the only tool you have is a hammer, then everything looks like a nail. No, I'm sorry, but I am not confident in the direction our leaders are taking us. It smacks to me of a "more of the same, but better" approach.

There are too many issues not mentioned here – bigger issues, in my opinion. And it's not just the IAEM Summit that fell into this trap. To repeat: the purpose of the Manifesto was, "... a long-term program that will enhance the real and perceived value of exhibitions to exhibitors and visitors." It should be "to enhance the real and perceived value of exhibitions **for** the customer."

Blueprinting the Future on a Solid Foundation

Where is **Strategy** in all these discussions and publications? Where have these industry summits and forums said that our exhibitions need to rethink their long-term strategies, thus creating events that have high, provable value to all stakeholders? Where do they say that our business model may be outmoded and in need of reinvention? It's all well and good to discuss cost reduction, potential for co-

locating, union problems, outsourcing, and all, but aren't those things discussed AFTER you've gone through a thorough strategic planning process.

Where is real **Marketing**, not just promotion? Real marketing focuses like a laser beam on customer needs and wants. Real marketing doesn't spout the same old stuff that every other event spouts. We're fishing without a hook if we can't truly anticipate demand. If we can't define the real problems and worries our customers are experiencing and if we can't deliver a product that is clearly different and superior to every other option available, then why should we exist?

What about the **Customer Experience**? There are three primary reasons why attendees come to events. One is to see what's new. One is for the education. One is to network. When these three are couched in a mutually profitable atmosphere (for both attendees and exhibitors) and a personally interesting environment, you've got a winning combination. How do we guarantee these to all stakeholders? One attendee astutely pointed out to me that we work very hard to get her to *come* to our shows, but we don't work very hard to get her to *come back*. The Experience is the best marketing tool you've got.

When was the last time you really analyzed your market? It's amazing to me how often I'll work with a board of directors and they don't know the answers to the following questions:

- Who is your market?
- How big is it?
- How fast is it growing or shrinking?
- Can it be segmented into targeted customer groups?
- What makes each segment different?
- How would you prioritize those segments?
- What are the clearly distinctive and superior benefits that your product/event provides for each segment?
- How does each segment prefer to be communicated with?
- What are most important criteria to your customers when choosing a product/event?
- What other products/events are available that your customers can use to accomplish the same objectives?

And, lastly, if you are to survive and thrive in the short and long term, you *must* recognize the importance of the following:

Trust will be at a premium

Those organizations who have a reputation for trustworthiness and honesty will hold higher sway over the decision of stakeholders. Our industry has a history of fudging numbers and spinning data. Why are we so reticent to allow our events to be audited? People will never trust you if they don't feel you are being honest with them. I applaud those organizations who have taken the hard step and provide true, third party audits of their attendance numbers. If the magazine industry can live with it, so can we. If you are practicing "situational transparency," you have a huge strike against you.

Everything walks the talk. Every action, every communication, every sign, every graphic, every newsletter, every press release ... every single one either reinforces, enhances, or diminishes your customers' perception of their relationship with you. Look at everything you do and say, put yourself in their shoes (and I mean REALLY put yourself in their shoes) and ask yourself this question: would you do business with you?

Involvement creates loyalty

Future success will depend in great part on how much your stakeholders feel they are involved in the actual planning process. People want to feel they have some *control* over their world. Do you invite and encourage all stakeholders to participate in creating dynamic strategies, relevant research, impactful marketing, and high-value events? Or do they feel you're just paying lip service to them and just doing things your own way? People want to be an active part of something they've helped plan.

How much involvement do your customers have in creating your long-term strategy? Do you have advisory groups from all segments? Do they actually have control over some decisions? The International Manufacturing Technology Show (IMTS) gives their Exhibitor Advisory Committee the final authority for selecting their general contractor.

Where VALUE is clear, the decision is easy

This is the biggest bugaboo of all. After all, value is in the eyes of the beholder. Sure, WE get it. WE understand why trade shows have value. And we have always assumed that any bloke of average intelligence should get it. C'mon, if Tom Peters says that Face-to-Face is the best, then everybody should agree, right?

Where is it written that trade shows, meetings, and conferences are the only way to have face-to-face encounters? Many corporations have found they can set up private events that give them *exclusive* face-to-face opportunities. How do we beat that?

The fact is people do business with us for their reasons, not ours. And that is not only something we should understand ourselves, but it is also an additional strong benefit for why people should attend or exhibit! In an ongoing poll of over 15,000 attendees at various events across industries, I've learned an interesting fact. There is NO ONE BEST WAY THEY GET INFORMATION. Check out the results of the following question:

<i>Please rate on a scale of 1-5 (5 being highest) the value of the following communications media in gathering information for your business:</i>	
Advertising in trade magazines	3.42
Direct mail	3.06
Personal sales calls from suppliers	3.18
Internet/Email	3.38
Articles in trade magazines	3.78
Trade shows	3.43
Peer networking/word-of-mouth	3.30

What I glean from this is there is no one right way to market any products or services. Trade shows are important (they came second, after all), but so are the others. A smart, aggressive corporation would utilize ALL the communications tools at their disposal.

As I was saying, I'm not confident that recent industry leader pronouncements are going to solve our problems. They strike me as being both operational and reactionary, rather than strategic and proactive. The key to long-term success is growth and renewal. The challenge is to balance the reality of the present with the potential of a predicted future. You can't do one without the other.

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