

DIGITAL TRANSFORMATION IN THE TRADE FAIR BUSINESS

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Contents

Executive summary	1
Introduction.....	1
The survey	2
Areas of transformation	2
Status of digital innovation transformation in different organizations	2
Digital strategy objectives	2
Core products/services change in the past 3 years due to digital offerings	3
Obstacles in implementing digital change	4
Digital business revenue.....	4
Does our industry have to fear digital disruption?	5
Conclusion	5

Executive summary

The current state of digital transformation in the exhibition industry can best be characterized as work in progress. There is no clear path into the future in terms of new digital offerings. The good news is, the threat of digital disruption is limited. The road ahead is not paved with risks of rapid business model upheavals. Instead, future digital offerings rendered by today's industry players could and should be seen as opportunities complementing existing revenue streams. To grasp these opportunities, every company needs to develop a clear understanding of what their customers value or even, unbeknownst to them yet, will want and value in the future. To gain revenue traction, companies need to measure customer perceived value of digital services and adjust pricing accordingly. This in turn requires an adjustment of the overall company strategy as digital businesses will have to be iteratively integrated with existing products and services.

Introduction

In the early nineties, the internet and digital technologies were just around the corner and there was concern in our industry that this could potentially be a great threat. All of a sudden, connecting people was so easy that the trade fair industry, as a facilitator of these human interactions, appeared to be severely threatened. Looking back, it can be said that the new technology has not really done harm to our industry. But as technology is constantly evolving, we as an industry need to continuously and closely follow technological developments. Nowadays, there seems to be a lot of talk about digital disruption again. The question has resurfaced: Is there a digital disruption threat and if so, what needs to be done about it?

The survey

In its recent annual survey, jwc has captured the views of almost 1,000 decision makers of the global exhibition industry regarding the status of digital innovation and the relevance of digital technology.

Areas of transformation

Survey results show that digital innovations are considered to be the most important area of transformation in our industry, even more so in North America. By digital innovations, we mean the way an organization takes newly available technologies and adapts them to deliver value to their existing or new customers. This could look very different depending on whether you are an organizer or a venue owner.

Survey respondents affirm that digital innovations will have a considerable impact on the way business is done in the exhibition industry for years to come, but even more so in how business will look for the industry.

Status of digital innovation transformation in different organizations

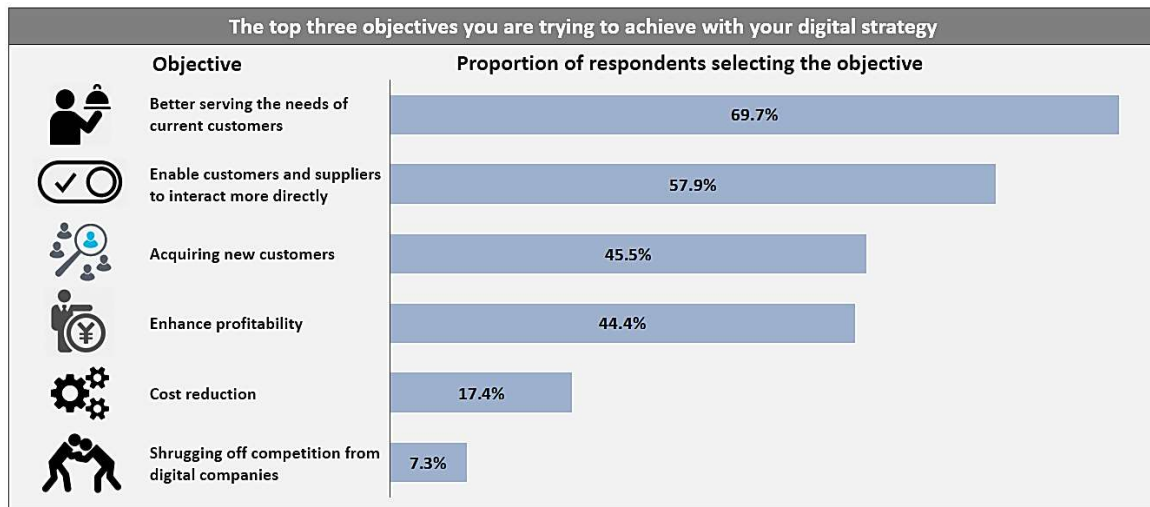
Analysis of survey responses all point in the same direction: The digital transformation process is very much work in progress but little has been completed so far. The vast majority of organizations in our industry report not having changed their group strategy to address necessary changes to facilitate digital innovations. In spite of this, a substantial number of companies report hiring people or shifting internal resources to address digital innovations, initiating or even finishing projects without any clear outcomes. To top this off, discipline has yet to arrive to digital related-activities. Only a few companies measure and monitor results.

To summarize, the survey clearly shows that digital innovations have been identified as the highest priority activities requiring management's undivided attention. Some organizations seem to be further along than others. For example North American respondents reported to be further down the road of implementation than the overall average. The same holds true for the larger (as measured by revenue) organizations. This was to be expected, as this level of transformation requires a significant number of dedicated resources.

Digital strategy objectives

Companies have a number of different objectives when implementing digital strategies. The chart below shows the most important objective is to better cater to the needs of current customers.

Meeting customer needs is the most important objective of the different digital strategies



NB: Total is greater than 100% as respondents could tick up to three options

Interestingly, profitability enhancement was only ranked 5th in importance. Shrugging off competition is also not considered a top priority objective of the digital strategy. Two conclusions can be drawn: Firstly, value sells. Offering products and services in strong demand by customers ensures profitability and continuity for the organization. Secondly, few in the industry believe that competition with digital companies will be a successful path for their own digital strategy. Sticking to core capabilities seems to be the preferred choice. Yet, in order to be able to better serve their customers, organizations need to grow the scope of their digital offerings, and that may mean crossing paths with “digital native” companies whose business has been of digital nature from day one.

Core products/services change in the past 3 years due to digital offerings

The survey revealed that over the past years, little change (towards a more digital offerings) has been achieved so far to the core products and/or services provided by live event organizers and venues. The vast majority of companies have created some niche products, modified existing offerings and/or introduced new ones. But ‘digital’ only makes up a minor share of current business. A clear, visible direction in our industry about what the ideal digital offering could be is yet to emerge. From this perspective too, looking at what might be the impact to core live event offerings, the attempt to develop new ways to deliver value to customers is seen by the majority of respondents as “work in progress”.

Obstacles in implementing digital change

When implementing new digital strategies, the exhibition industry faces many obstacles. Those seen to be the largest impediment to implementing digital strategy depends to a large extent on the size of the business. Typically, the larger the organization is, the more cultural or behavioral challenges become a hindrance. This holds particularly true for the largest, multinational organizations. For smaller businesses, the lack of funding is the main obstacle; other reasons cited frequently include the lack of data, or the lack of internal talent to implement changes. Generally, three high ranking inhibitors include the lack of IT infrastructure, lack of understanding how digital change affects our industry and the organization's competitiveness.

Undoubtedly, many hurdles need to be overcome to be able to successfully implement new digital programs, and these hurdles come in different shapes and sizes. What is certain though is that implementation will require resources, effort and perseverance. To jump these hurdles, one will need to create a rare mix of effective internal communications while at the same time be in close proximity to customers, listen to what they want and what problems they are trying to solve. This environment is a prerequisite if something new of high value can be created and brought to market.

Digital business revenue

About 50% of respondents said their company does not have a digital business revenue target. This can be interpreted in different ways: Initially, many companies do not yet separate digital revenue from space-based revenue. We see this particularly in companies where digital revenue is treated as a simple addition or "afterthought" to the core, space-based revenue. Here, it is not uncommon to see digital products being made compulsory for exhibitors if they book a booth. Secondly, a number of companies are simply experimenting with digital offers; without a clear strategy, an attempt is made to use 'digital' to enhance revenue and profit. In both cases, companies do not know whether and to what extent customers value their digital offerings and how much they would be prepared to pay for them. Reflecting this, we have seen prices which differ by as much as 500% being charged for identical digital services.

Even though nearly 50% of the respondents state that their company does not have a revenue target for their digital business, there is a broad-based agreement that digital revenue will grow from typically less than 5% of overall revenue today to somewhere between 5 and 10% within the next 5 years.

To summarize: Most organizations are already seeing a revenue stream from their digital offering(s). But the value to customers of such offerings is mostly unknown. Companies do

not know what prices to charge, and consequently, prices for identical offers vary widely. As organizations begin to develop a clear strategy and plan for their digital business, they will need to understand more accurately the value customers place on such offerings. In the years ahead, value delivery and value measurement will become critical for a successful digital business.

Does our industry have to fear digital disruption?

Digital disruption occurs when new technologies and business models make use of existing markets at the expense of current value propositions of existing businesses.

Such disruptions are well known: Uber, the world's largest taxi company, owns no taxis. Airbnb, the world's largest accommodation provider, owns no real estate. Alibaba, the world's most valuable retailer, owns no inventory. Common to these disruptions has been the use of existing markets and replacement of current value propositions. The question for our industry is this: Can 'digital' replace our value proposition? Exhibitions can give momentum to individual companies but also to entire industries. They provide an overview of entire industries, allow personal relationships and trust to be built, foster innovation, deliver education and support the launch of new products. These are just a few components of the value proposition of a major, face to face event. In our view, 'digital' may affect single elements of these, but at this point in time it is very unlikely that these value propositions can be replaced in their entirety.

We therefore do not believe that our industry will be disrupted by 'digital'. Sometimes, reverse developments can be seen: In Germany, more than 50% of online businesses have invested in a face to face (f2f) channel. It is expected that this rate will increase to more than 90%.* In other words: 'Digital' needs f2f and will continue to move into the onsite business. A prominent example is Amazon, which runs a book store in its hometown of Seattle nowadays. At the same time, 'digital' will complement our business by providing additional value to our customers.

In summary: 'Digital' will not disrupt our business; 'digital' will need f2f just like f2f business will need 'digital'. In our view, 'digital' offers the industry more opportunities than risks. We should, therefore, not talk about digital disruption but rather digital opportunities.

Conclusion

The overall results are clear; the exhibition industry does not have a well-defined path for its digital strategy journey. The wheels are in motion with many companies starting to experiment with digital offerings, allocating resources and kicking off relevant projects. However, as the strategy review step is often bypassed, high-level objective guidelines for 'digital' are not well articulated. It is no surprise that many initiatives do not successfully convert to the anticipated and desired outcomes.

To successfully implement digital innovations, activities should be placed in a separate business unit or profit center. For example, some of the global organizers we work with have begun setting up departments with a clear digital charter, but these are still not seen as business units (P&L) in their own right. Some organizers, which cover major technology events, have started to talk to specific audiences within their exhibitor and visitor populations. It seems like they are taking listening to customers very seriously.

Some of the larger and well established organizations in the industry might consider initiating a few small M&A / JV forays into the digital space. Some have already started. Take for example the recent acquisition by Ascential of One Click Retail; a high margin, high growth, small business with a very well defined digital revenue stream.

The new, digital business unit should have well defined strategic and financial goals as well as a clear set of KPIs. As these new business units work on delivering value to customers, revenues should be measured early on and offerings should be priced according to perceived value. In addition, to support all these efforts companies need to develop a clear plan addressing the implementation of digital change in their organization. This will demand a senior business leader's commitment and active involvement to overcome internal obstacles associated with digital change and innovations.

About the author

jwc GmbH is the leading management consulting firm for the global exhibitions and conference business sectors. It supports governments, venues, organizers and investors with advisory services covering a broad spectrum of areas including strategy, feasibility, planning, marketing, M&A, pricing & value measurement, thought leadership and training.

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