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ECONOMIC VALUE AND FUTURE TRENDS OF THE TRADE SHOW INDUSTRY IN LATVIA

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Trade shows serve as a mirror for technical development, information exchange, the price ranges, the seller and buyer meeting place. This paper aims to explore the economic value of the trade show industry in the world and in Latvia and possible trends that will shape the nearest future of trade shows in Latvia. Development of trade show industry in the world is obvious - the dynamic growth of the exhibition halls throughout the world clearly demonstrates it. Latvia geographically has a potential to become a significant Baltic States centre of the trade show and meeting industry, but the proper legal framework is needed, as well Baltic governments should cooperate and create conditions for sustainable development in the trade show field. The research concludes that this sector's contribution to the world's economy is several billion dollars per year, and the significance of trade shows is expected to grow in the automotive, IT, environmental protection and healthcare industries; also social media and new technologies, innovations will be more and more involved in the trade show organizing and exhibiting at the trade shows.

Key words: trade shows, trade show industry, future trends, economic impact

Introduction

This paper aims to explore the economic value and impact of the trade show industry in the world and in Latvia and determine possible trends that will shape the nearest future of trade shows in Latvia. The national economic development is directly dependent on international trade and investment, and the trade show industry can give a great contribution to it. Trade fairs and exhibitions (or expositions) are one of the oldest trade and communication instruments known, though through the centuries and times the industry has to adjust to changing conditions of the markets.

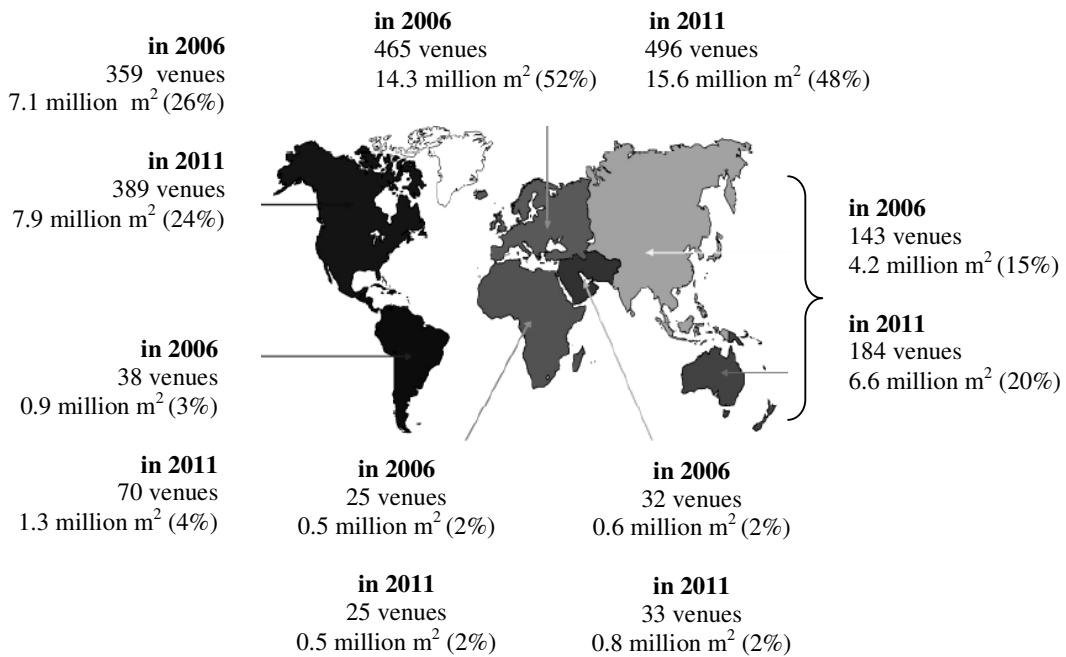
Historically the initiator for displaying manufacturing goods was England and it happened in 1756. But the exhibition was not yet international at all. The first international and world's fair opened almost 100 years later – in 1851 in London, when it became clear that expansion of the market and search for new potential consumers is rapidly growing. This triumph was called "The Great Exhibition of products of industry of all nations in 1851." After that trade show industry has grown to huge industry with several billion dollar contribution to world economy each year.

Latvian trade show business is currently still in its initial development phase, although some of the trade shows are a serious announces to the international market. As well Latvia geographically has a potential to become a significant Baltic States centre of the trade show and meeting industry, but the proper legal framework is needed, as well Baltic governments should cooperate and create conditions for sustainable development in the trade show field.

This paper is based on existing literature, different researches, scientific publications and other materials. The research is mainly based on the monographic descriptive method and methods of analysis and synthesis. The research paper provides a list of important factors that most likely will influence the trade show industry in Latvia in the nearest future.

Trade show industry's market in the world

In recent years the development of new exhibition/trade show venues is growing rapidly. Global indoor exhibition space (venues with minimum 5000 square meters) in 2011 has reached 32.7 million square meters, and the figure continues to grow. According to a The Global Association of the Exhibition Industry (UFI) statistics in November 2012, exhibition space has increased by 12% since 2006 or 3.4 million square meters. The average annual increase is +2.3% against the +3.1% per year that has been anticipated in 2007 for the 2006-2010 periods - see Figure 1 (The Global Association..., 2011).



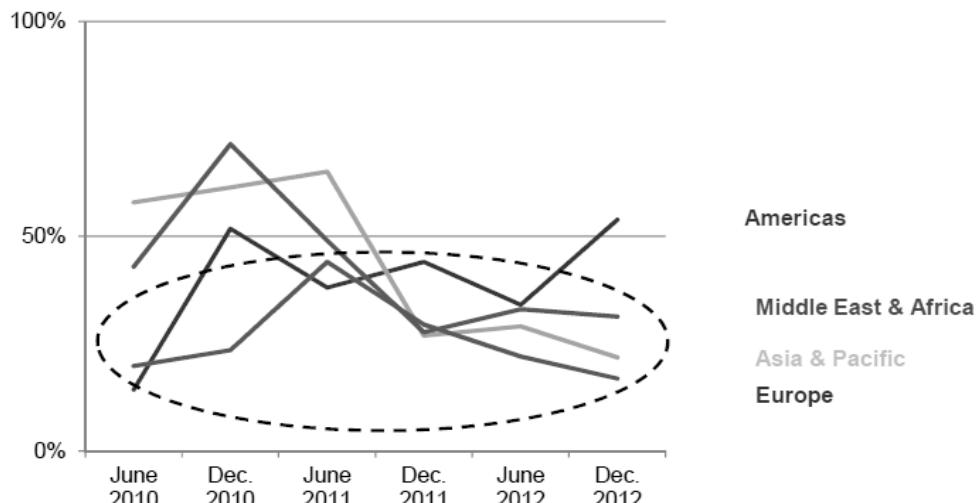
Source: author's construction based on The Global Association of the Exhibition Industry statistics, 2011

Fig. 1. Exhibition venues and indoor exhibition space available in the world in 2006 and 2011

As shown, the largest exhibition spaces in 2011 are available in Europe 48%, in North America 24% and in Asia 20%, making a total of 92% of the total available exhibition/trade show and events venue area. The UFI statistics identified 57 venues increase since 2006, what makes 1197 venues with minimum of 5000 m² exhibition space in 2011. A total gross indoor venue space in the world is an area of 32.7 million m² which is 3.4 million m² more than in 2006. This increase of 54% is related to new venues and 46% to extensions of existing venues. In terms of countries, 5 of them – USA, China, Germany, Italy and France – account for 59% of the total world indoor exhibition space (The Global Association..., 2012).

The most significant increase in indoor exhibition space is in China where the indoor exhibition space has increased for 48% in 2011 since year 2006 and China operates the total of 4 755 102 square meters of exhibition space. Turkey remarkably has increased the indoor exhibition space for 25 % and operates the total of 433 904 square meters of exhibition space. The author should remark that since 2006 the national indoor exhibition space has grown for 17% in Russia, for 15% in Mexico and The Netherlands, for 13% in Spain and United Kingdom. Statistics shows that 15 countries account for 80% of the global indoor exhibition space (The Global Association..., 2011).

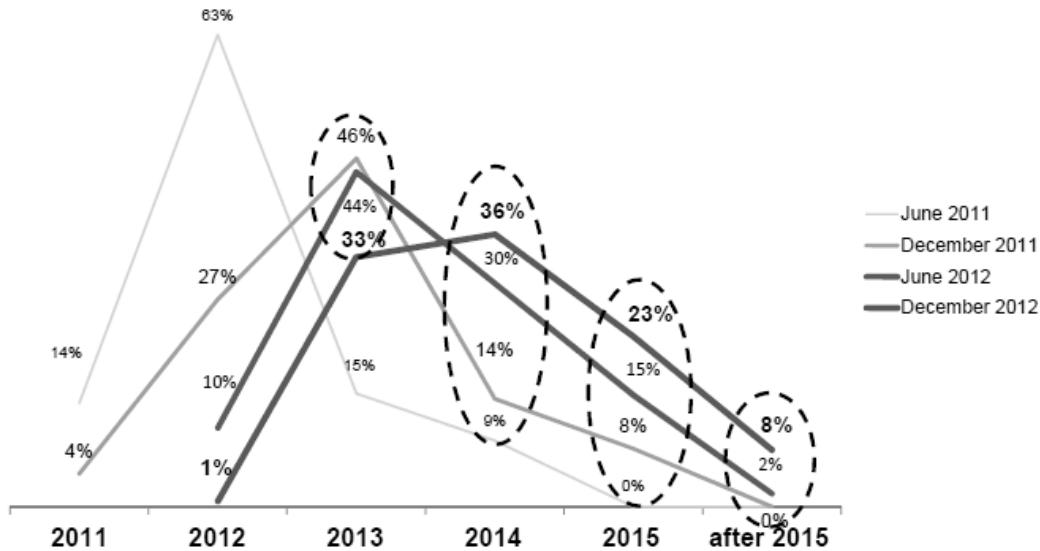
These developments suggest that trade shows have progressive development. Of course the global economic recession gave negative impulses also to the trade show industry. Figure 2 shows the perceptions of the economic crisis according to 10th Global Exhibition Barometer conducted in December 2012 where 213 companies from 56 countries were surveyed.



Source: 10th Global Exhibition Barometer, 2013

Fig. 2. Companies (in %) declaring that the impact of the "economic crisis" on their exhibition business is over

As figure 2 shows, the Americas is the only region where a small majority of respondents declared that the impact of the “economic crisis” on their exhibition business is now over. In all other regions a strong majority of respondents consider that their business is still affected by the “economic crisis” (10th Global Exhibition Barometer, 2013). But figure 3 shows that the year when it is expected that the economic crisis will be over has shifted when compared with the results of previous surveys.



Source: 10th Global Exhibition Barometer, 2013

Fig. 3. Anticipated end of the “economic crisis” as declared by those companies who consider that the crisis is not yet over

The number of companies who believe that the crisis will end in 2013 has dropped from 44% six months ago to 33% today. 36% now believe that the impact of the economic crisis will only end in 2014, 23% that this will occur in 2015 and 8% that it will be later than that (10th Global Exhibition Barometer, 2013).

According to the Global Exhibition Barometer and the results of the 10th survey conducted in December 2012, the outlook since 2011 is positive with a majority of companies in all regions declaring turnover increases. Projections indicate that this is expected to continue through 2013 (10th Global Exhibition Barometer, 2013).

Trade show industry is directly dependent on the clients, economic environment, financial stability, as well as relevant legislation. It seems logical chain – if the economic situation is better, the trade show industry gains more - people or companies have more funds to spend either for visiting the trade show either to participate in the trade show. This statement is grounded on the assessment of concrete indicators: firstly, trade show rented space; secondly, exhibitor and visitor tendencies. Table 1 shows the comparison of different indicators of The Global Association of the Exhibition Industry’s audited trade shows in Europe in 2009, 2010 and 2011.

Table 1
Key indicators for audited trade shows in Europe 2009 - 2011

Indicator	2009	2010	2011	Tendency 2010/2009	Tendency 2011/2010
Audited trade shows/ exhibitions in Europe	2.09 thousands	1.97 thousands	2.25 thousands	↓ -0.12	↑ +0.28
Total of audited trade show organizers	450	434	564	↓ -16	↑ +130
Total of audited trade show exponents	578.8 thousands	575.6 thousands	602.5 thousands	↓ -3.2	↑ +26.9
Total of audited trade show visitors	50.8 million	52.2 million	62.6 million	↑ + 1.4	↑ + 10.4
Total of net exhibition space rented	20.9 million m ²	21.04 million m ²	22.35 million m ²	↑ + 0.14	↑ + 1.31

Source: authors' calculation based on Euro Fair Statistics 2009, 2010, 2011

As Table 1 shows, in 2010 less trade shows are held, less organizers and exponents participated in trade shows, however, more visitors attended and more net space was rented, which means that fewer companies participated in the trade shows but rented for 0.14 million square meters more space. Whereas in 2011 all indicators have increased – the

most significant increase is in the number of trade show organizers and exponents also increase in the number of visitors in 2011 is remarkable. As The Global Association of the Exhibition Industry states that these figures are approximately only 40-45% of the European exhibition market in terms of net exhibition space rented.

In calculating the averages, author concludes that each show on average was participated by 277 in 2009, 292 in 2010 and 268 in 2011 companies, each trade show was attended by average of 24 306 visitors in 2009, 26 497 visitors in 2010 and 27 822 in 2011.

Assuming that given indicators and numbers should be multiplied by 2 as they represent just 45-50% of all Europe trade show industry, author roughly calculates that with available for rent 15.6 million square meters exhibition space - total net rented space is approximately 41.8 million square meters in 2009, 42.08 million square meters in 2010 and 44.7 million square meters in 2011. So one can only imagine the volumes of the trade show industry's sales in Europe and in the world.

Author concludes that the trade show industry can be very significant for national economy, also the importance of the trade shows rapidly grow all around the world especially in China, Turkey and Russia. Author believes that exhibitions and trade shows around the world is a part of industry that gives billions of investment in the global economy.

The main aspects of the trade show industry in Latvia

Latvian trade show industry begins its roots in 1895 when the Jelgava Agricultural Society organized the first agriculture, handicrafts and industrial products trade show. One of the biggest agricultural trade shows was held in 1903 in Valmiera by Kauguri Agricultural Society - it had 14 thousand visitors. Different small trade shows were organized by other agricultural associations (Kelle, 2011). The first international trade show (exhibition) in Riga was held in 1901. Agricultural and industrial international trade shows in Riga were regularly organized since 1921.

Trade shows as a type of business is relatively new in the Latvian economy, which began in 1992 when Ministry of Economy and Latvian Chamber of Commerce and Industry (LCCI) jointly organized the trade show "Choose Latvian product." The trade show "Choose Latvian product" was held with interruptions until 2001. This trade show's success demonstrated the business demand and the importance of both business and consumers, also significant potential for industry in general. Afterwards, in 1993, Gundars Petersons founded company "Creatio", which in a relatively short period of time carried out a number of significant projects. Since 1996, when the Olympic Skonto Hall and Kipsala Exhibition Centre was build, a power struggle began between two of these complex manager firms, namely, "BT1" and "Exhibition Company Prima". By 2008 the following companies in Latvia were working in the trade show organizing business - SIA "BT 1" – organizing events in Kipsala Exhibition Centre, "Exhibition Company Prima" – working in Skonto Hall, "AML"- making different agricultural trade shows in Ramava complex and "Latexpo", who organized trade shows in various rented halls and complexes.

In 2009 when economic conditions changed a lot of things throughout the world, changes appeared also in trade show industry in Latvia. "Exhibition Company Prima" ceased operation, but appeared in a new company - "EXPO PRIMA", which arranged only a few projects and currently is not active anymore. "KELLE EXPO" introduced them in the market with a project – national multi-branch trade show "Made in Latvia" - they came in with new ideas and new attitudes. Unfortunately at the moment this company is not active in trade show organizing anymore.

Trade show organization is not the most common type of business in Latvia and there are just few trade show organizers. The industries in Latvia are ranked according to NACE codes, which identify key sectors and subsectors. According to existing provisions of Latvian branch codes, exhibitions or trade shows are classified under the sector "administrative and support service activities" and below under the sub-sector "administrative offices and other business support activities" which according to NACE codes are further subdivided also to "meetings and trade show services". "Administrative offices and other business support activities" section includes various daily office administrative services, as well as a permanent regular business support for others on a fee or contract basis. This section also includes all support services, which are usually provided by companies and are not classified elsewhere. (Centrālās Statistikas Birojs, 2012). The sector of "meetings and trade shows services" includes also other similar events, for example, conferences, seminars, business meetings and other – for this reason author believes that current classification makes it very hard and difficult to carry out the analysis only of the trade show organization and trade show services.

In Latvia the average price for participating in the trade show in 2011 was approximately 74 Euro to 119 Euro for the booth rental without any additional equipment (per 1 square meter) plus the exhibitor has to pay the participation fee approximately 149 Eur. At the moment the situation has changed a little and the average price for booth rental without any additional equipment (per 1 square meter) is 60 Euro to 89 Euro and additional participation fee of average 100 Eur. Available exhibition space for trade shows in Latvia is just a little more than 30 thousands square meters, but the most popular exhibition venue is the Kipsala International Exhibition centre with 15 thousand square meters.

During one year approximately 22 trade shows are organized in Latvia. BT1 events in Kipsala Exhibition Centre often are organized as combined events, for example, at the same time in the same exhibition halls are held trade shows Recreation and Sport, Motorcycle and Baltic Boat Show – three trade shows at once. If comparing this to the other Baltic States - Lithuania organizes approximately 20 trade shows a year and Estonia about 14 trade shows a year.

Calculating the possible market volumes for Latvia's trade show industry author assumes that exhibition space is rented for 60% and with the average price of 75 Euro per square meter and multiplied to 22 trade shows held during a year in Latvia makes sales volume of almost 15 million Euro annually. This is only a rough prediction as no precise data on the net rented exhibition space is available. The future research in this field is needed. This indicator shows only the possible rented space revenues. Other revenue sources from trade shows include administration costs, hall or booth rental, employment spending, shipping costs, spending on hotels and lodging, local attractions, entertainment, and restaurants, also different additional services related to the trade shows and needed for exhibitors should be taken into account, for example, decorating, drape set up, booth set up, carpet rental, furniture rental, signs and graphics, cleaning, as well as drayage and material handling, florists, catering, photography, transportation, telephone/internet/fax, booth personnel, security, electrical, plumbing/air/water, exhibit design and construction and publicity and other. These services directly create a great amount of revenues for local businesses and tax revenues (Huang, 2010).

Author assumes that trade show industry or trade show organization as a type of business is not likely to disappear in the nearest future.

A solid idea of why companies are taking part in trade shows and how much they acquire, can be obtained only by analyzing the company's achievements and benefits from the trade shows. There are no organizations in Latvia competent in collecting and analyzing data on the trade shows' impact on the economy. Latvian trade show business is currently still in its initial development stage, although some trade shows make serious announcements in the international market. Lack of money and lack of proper government support and regulations at the moment are the problems to be solved in terms of Latvian trade show industry, but trade show industry in Latvia is able to live and compete.

In 2011 and first half of 2012 the popularity of trade shows in Latvia was fallen, a lot of companies exhibited only every second year or just for the image marketing. But at the moment trade show industry starts to climb up after the economic crisis and author believes that trade show industry in Latvia will change and just one dominant exhibition organizer will remain in the market. Author also precludes the possibility of appearing a foreign investor, who builds a new hall, establishing a large company and in such way crowds out Latvian trade show organizers.

The future trends of the trade show industry

According to the economic experts, the region of Southern and Eastern Europe with Croatia, Albania, Bosnia and Herzegovina, Bulgaria, Romania, Serbia, Montenegro and Macedonia is besides China, India, Brazil and Russia the most successful emerging market worldwide. The positive impact of the following elements is directly connected with the results of the exhibition industry, for example: sustainability of the economy, market liberalization and competition framework, privatization, development of the entrepreneurship and foreign investments, socio-ecological development level, increase of the standard of living, and economic wealth, the countries in Central and South East Europe are target of many companies from Western Europe in terms of cooperation, investments and trade, especially Germany, Italy and Austria, success of the political stabilization process, start of the several reforms in the process of joining or approaching to EU (CEFA Market Report, 2009).

Kirchgeorg, Jung and Klante made research on future of trade shows. The analysis produced five factor groups as follows: international shift in demand and supply; communication patterns in business relationships, especially the importance of face-to-face communication; positioning strategies of trade show organizers; trade show efficiency and time pressures on exhibitors and visitors; and barriers to mobility and crises. A company has to consider both the macro trends in economics, politics, law, technology, demographics, society and culture, which are out of its control but influence the decision making, and the activities of diverse persons and organizations present in their market with whom they interact, i.e. competitors, customers, partners and suppliers. This network has recently been complemented by special regard for such groups as local communities, non-profit organizations, universities or environmental activity groups due to the growing awareness of their role in creating sustainability and influencing business. Trade shows will continue to be an integral and indispensable part of the marketing mix of companies. However, trade show companies should continue to move away from selling space and instead become information brokers who facilitate the networking and interaction of market players. There are indications that this function represents the competitive advantage of trade show companies now and in the future. In addition, trade show organizers need to focus more on offering a broad range of high-level services.

Ian Whiteling explores The Global Association of the Exhibition Industry's Delphi Study and remarks that one of the most enthusiastic hypothesis regarding the trade shows is that „trade shows should become thought leaders in their markets”, that trade shows should take the initiative to become „kings of content”, and instead of selling space, the ability to supply clients with future-oriented information is seen as more and more important.

According to Thimmesch, the trade shows in the future will grow as exhibitors will be past their smaller budgets, companies will invest in marketing to compete with aggressive competitors, large number of new products needs to be introduced at shows. Thimmesch states that sustainable exhibiting will be the trend of the future and that more exhibitors will exhibit internationally (Thimmesch, 2010).

Latvia geographically has a potential to become a significant Baltic States centre of the trade shows, but the proper legal framework is needed, as well as Baltic governments should cooperate and create conditions for sustainable development in the trade show field.

Author concludes that more exhibitors and trade show organizers will use social media to promote the trade shows/exhibitions, conference presentations and exhibitor presentations will improve and be more interactive as technology and tools get better and more interactive.

Conclusions

Trade shows have been recognized as a successful product and sales promotion tool all over the world for many centuries. They serve as a mirror for technical development, information exchange, the price ranges, the seller and a buyer meeting place. Trade shows bring multiple economic benefits and job opportunities to local communities and cities, these events connect individuals with feature product or service launches, problem-solving, education, and networking opportunities.

The significance of trade shows is expected to grow in the automotive, IT and electrical/Electronics industries as well as in the areas of environmental protection and healthcare industries. Also instead of selling space, the ability to supply clients with future-oriented information is seen as more and more important, as well the social media and new technologies will be more and more involved in the trade show organizing and exhibiting at trade shows.

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