



Pricing strategies in the trade fair industry

How good pricing can increase customer satisfaction and organizers' revenues and profits

April 4, 2016



Our services:



Strategy

Strategy & strategic marketing; M&A, commercial due diligence



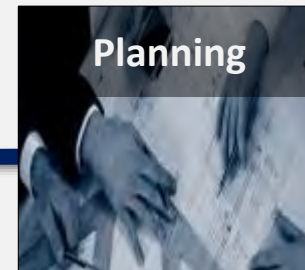
Pricing

Value-based service portfolio development; pricing of trade-fair & conference services



Business Intelligence

Market studies; feasibility studies



Planning

Planning and construction of venues; venue assessments

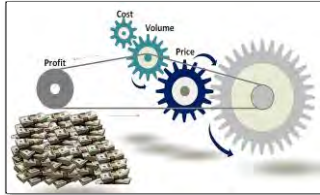


Training

Training and education for management, staff and exhibitors

Our mission is to create competitive advantages for our customers through unique solutions

Topics I would like to cover today



Introduction: Relevance of pricing



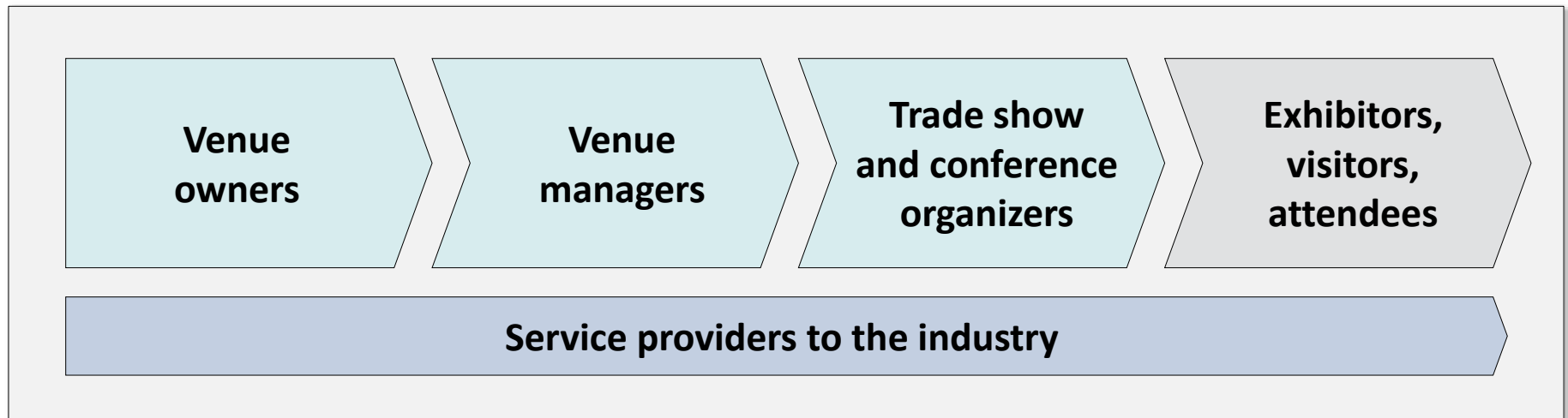
Pricing in the trade fair industry



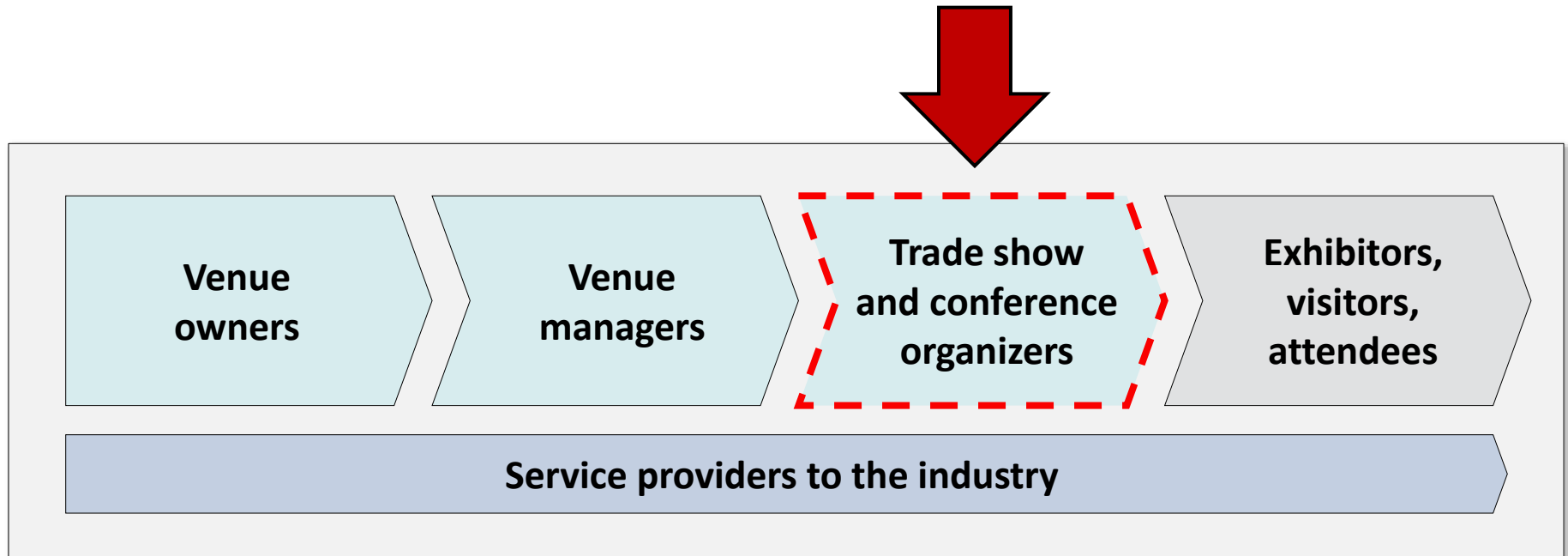
Value based pricing



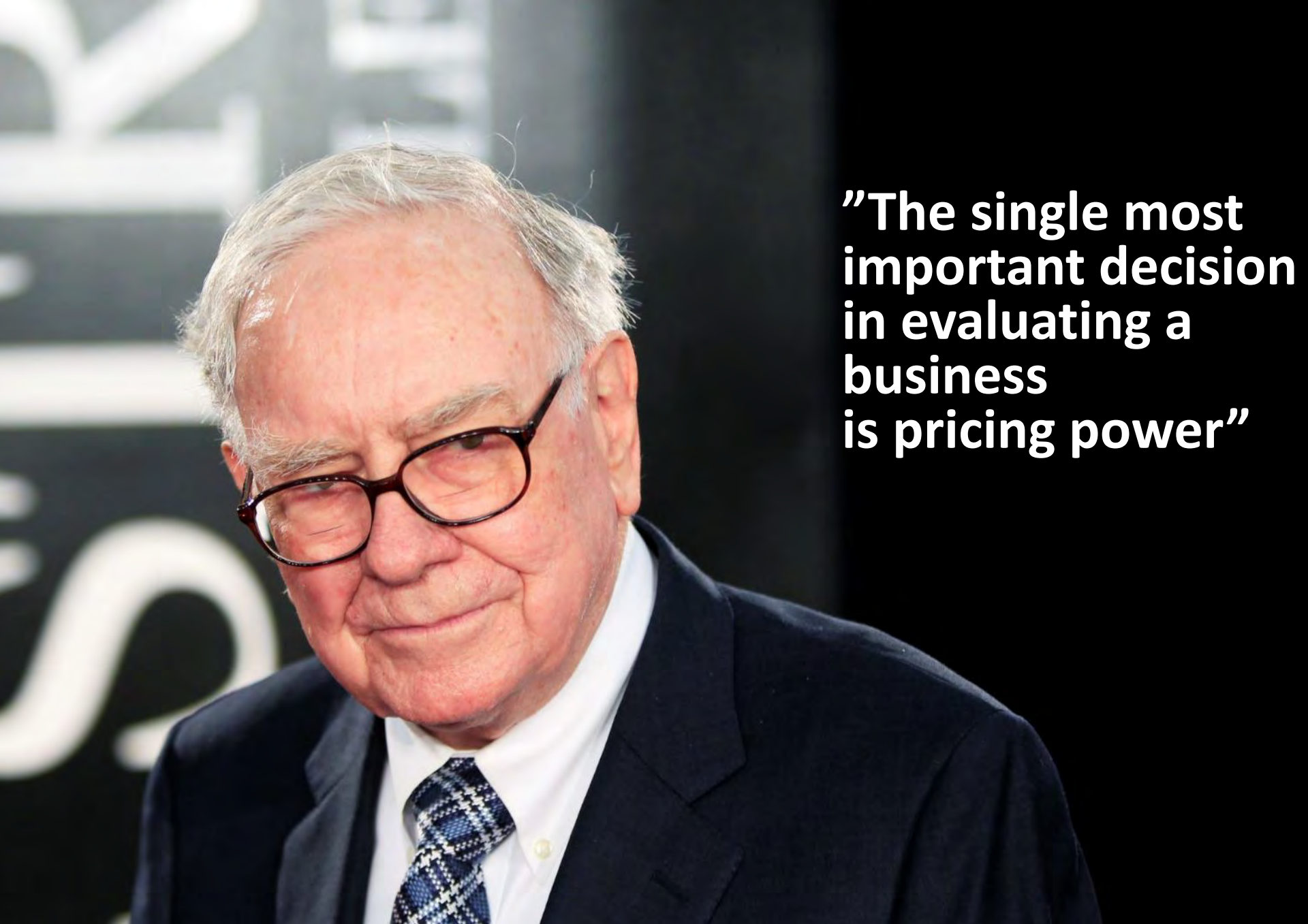
Results & summary



The value chain in the trade fair and conference industry

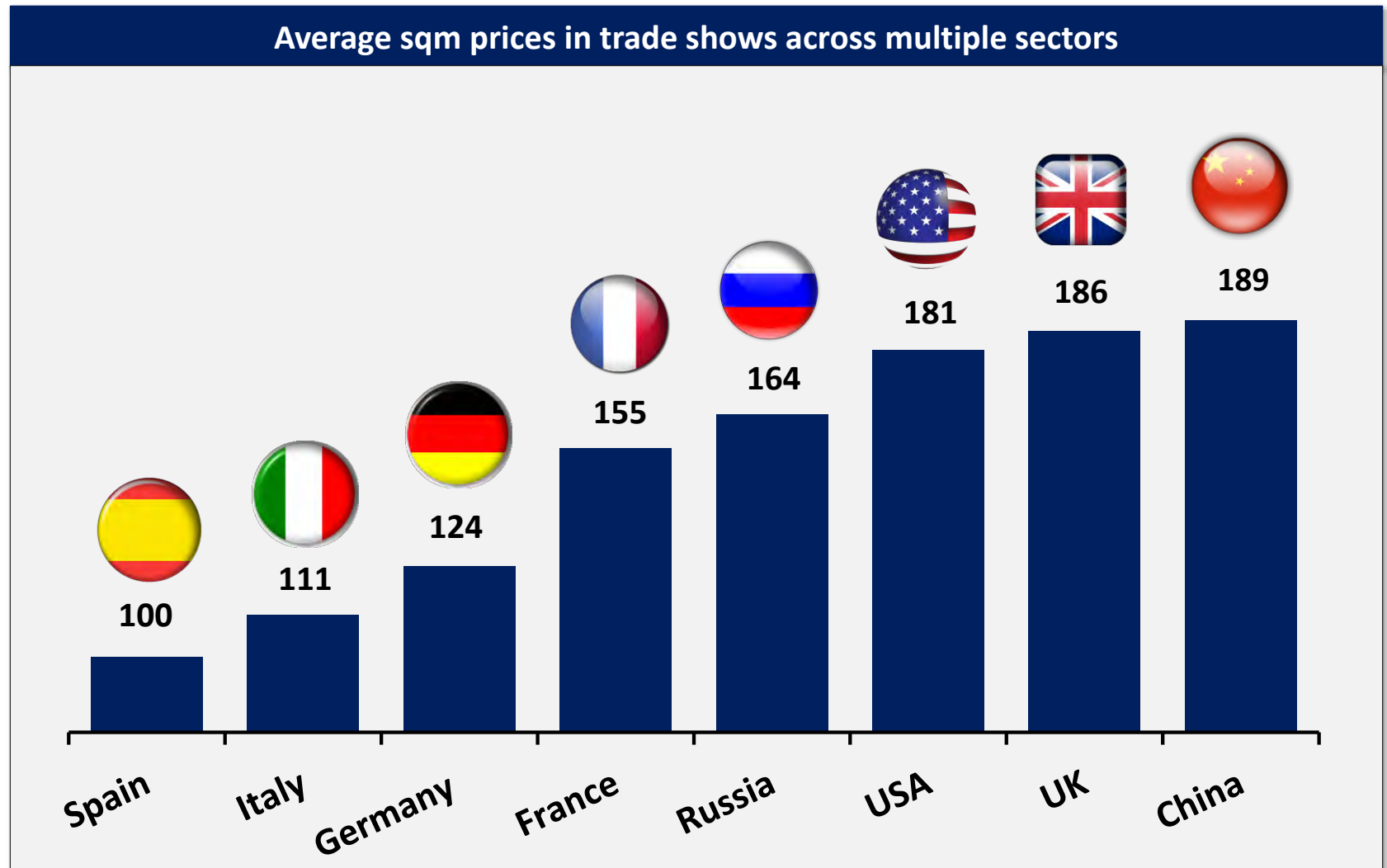


The value chain in the trade fair and conference industry



“The single most important decision in evaluating a business is pricing power”

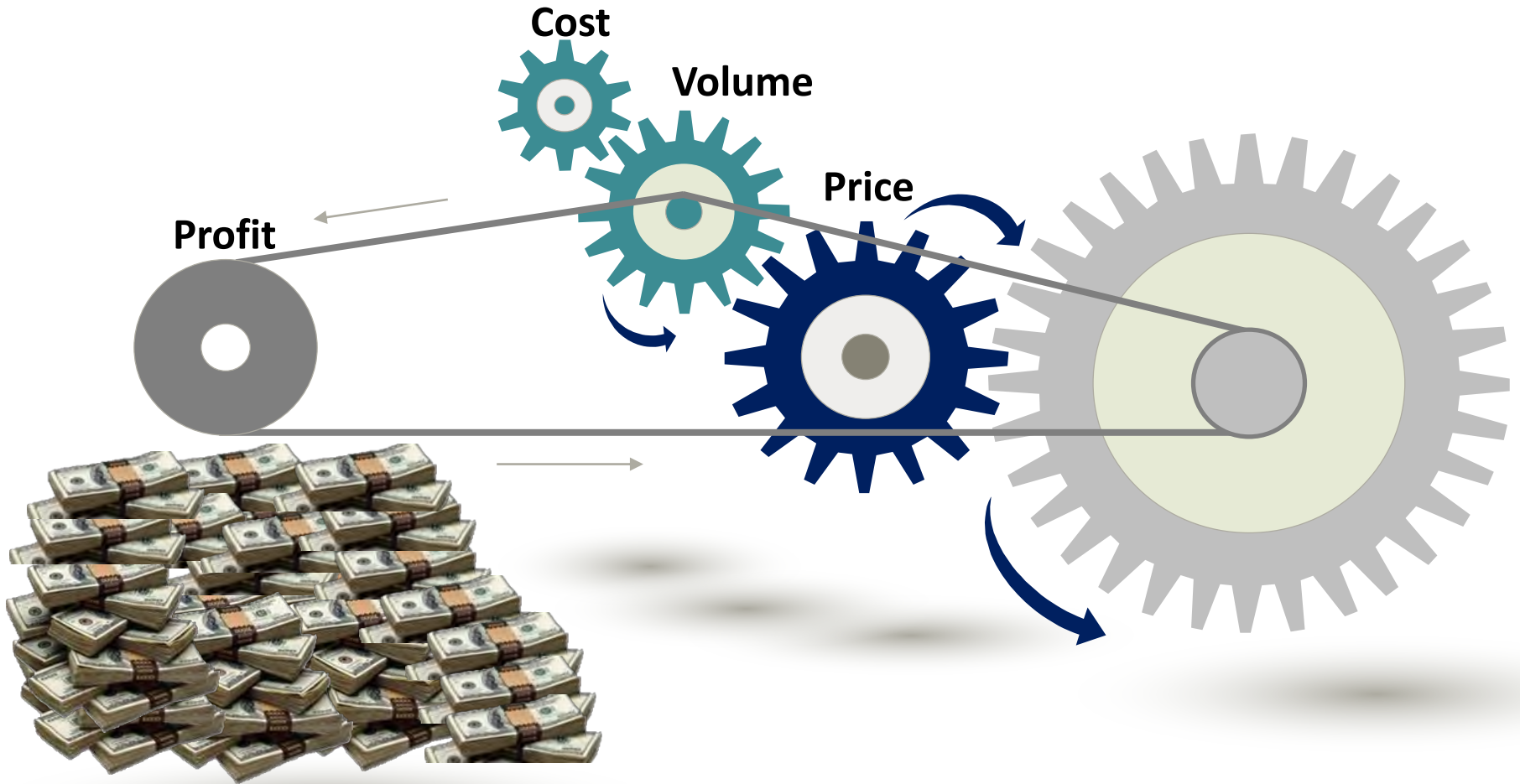
Price levels vary in different regions



“Price Indices”: Lowest average price across all industries in a country (Spain) is set at 100. Basis: 2010

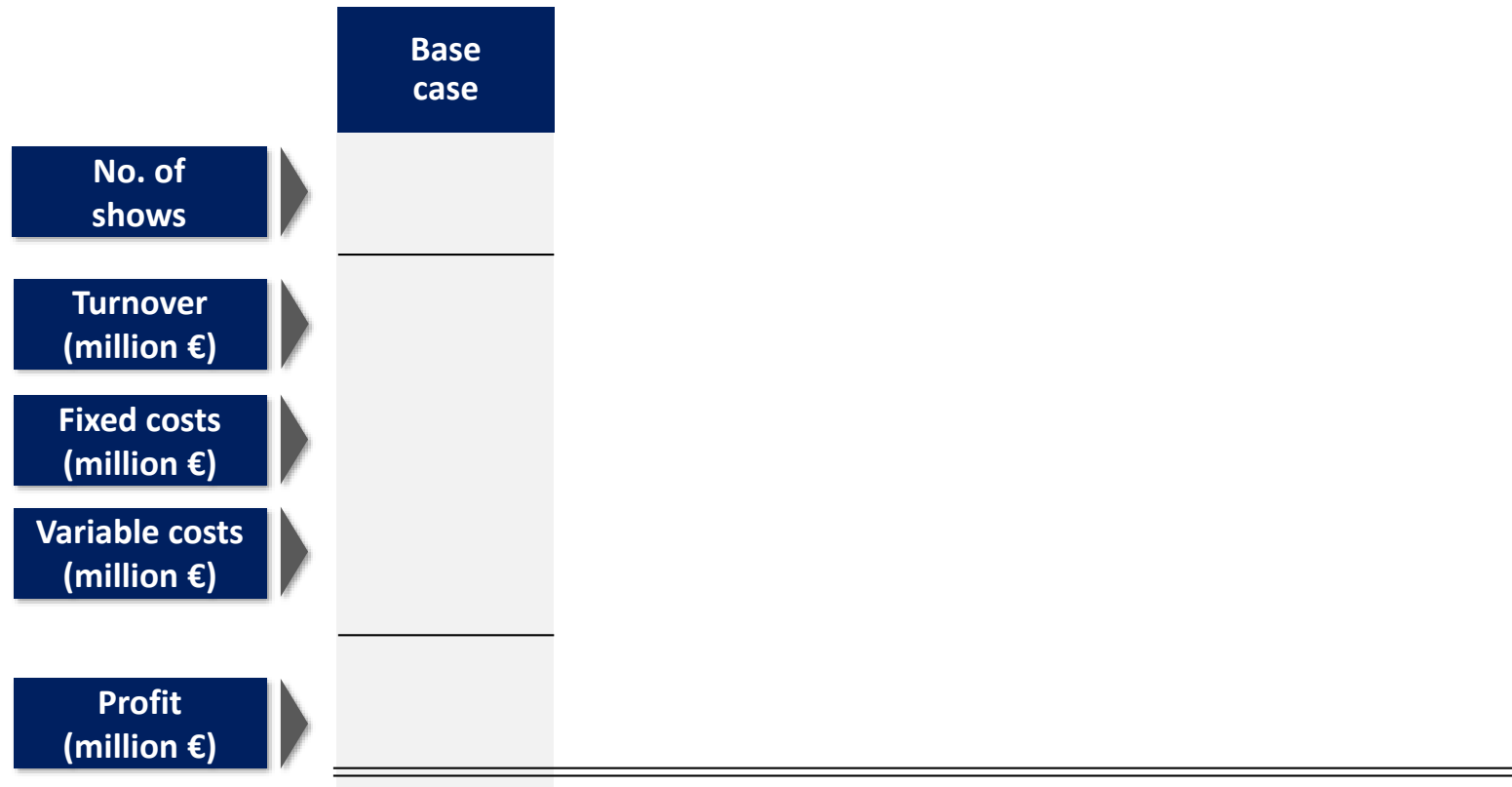
Source: jwc research

Three levers affect profit



Operational measures that impact the bottom line

Examples of levers that influence profit



Operational measures that impact the bottom line

Examples of levers that influence profit

	Base case
No. of shows	40
Turnover (million €)	100
Fixed costs (million €)	40
Variable costs (million €)	50
Profit (million €)	10

Let's make some assumptions guided by typical ratios for our industry

Operational measures that impact the bottom line

Examples of levers that influence profit

	Base case	Fix costs -5%
No. of shows	40	40
Turnover (million €)	100	100
Fixed costs (million €)	40	38 ↓
Variable costs (million €)	50	50
Profit (million €)	10	12 ↑

If you work on decreasing your fixed costs by 5%, you could increase your profit by 20%

Operational measures that impact the bottom line





Examples of levers that influence profit

	Base case	Fix costs -5%	Variable costs -5%
No. of shows	40	40	40
Turnover (million €)	100	100	100
Fixed costs (million €)	40	38	40
Variable costs (million €)	50	50	47.5
Profit (million €)	10	12	12.5

An equivalent variable costs reduction effort, may improve profitability slightly more (25%)

Operational measures that impact the bottom line

Examples of levers that influence profit

	Base case	Fix costs -5%	Variable costs -5%	Number of shows +5%
No. of shows	40	40	40	42 
Turnover (million €)	100	100	100	105 
Fixed costs (million €)	40	38	40	40
Variable costs (million €)	50	50	47.5	52.5 
Profit (million €)	10	12	12.5	12.5 

Developing or acquiring 2 more shows, may lead to similar bottom line gains (25%)

Operational measures that impact the bottom line

A 5% price increase will lead to significantly higher profits

	Base case	Fix costs -5%	Variable costs -5%	Number of shows +5%	Price +5%
No. of shows	40	40	40	42	40
Turnover (million €)	100	100	100	105	105
Fixed costs (million €)	40	38	40	40	40
Variable costs (million €)	50	50	47.5	52.5	50
Profit (million €)	10	12	12.5	12.5	15

Price is the most important profit driver


A 5% increase in average prices can lead to 50% higher profits

Setting the stage

Price is the most important profit driver

Finding the right price is complex but extremely rewarding. It helps to grow the company, enhances customer satisfaction and retention and drives margins up

The vast majority of organizations do not pay enough attention to find and set the right price

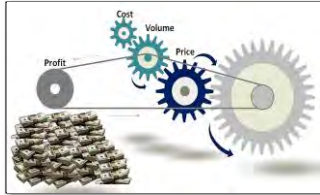


Pricing goes directly to the bottom line

“You basically have to kill a chicken and dance over its internal parts for a couple of minutes to figure out how to price these things.”

Technology analyst on the complex variables that determine prices of chips and microprocessors

Topics I would like to cover today



Introduction: Relevance of pricing



Pricing in the trade fair industry

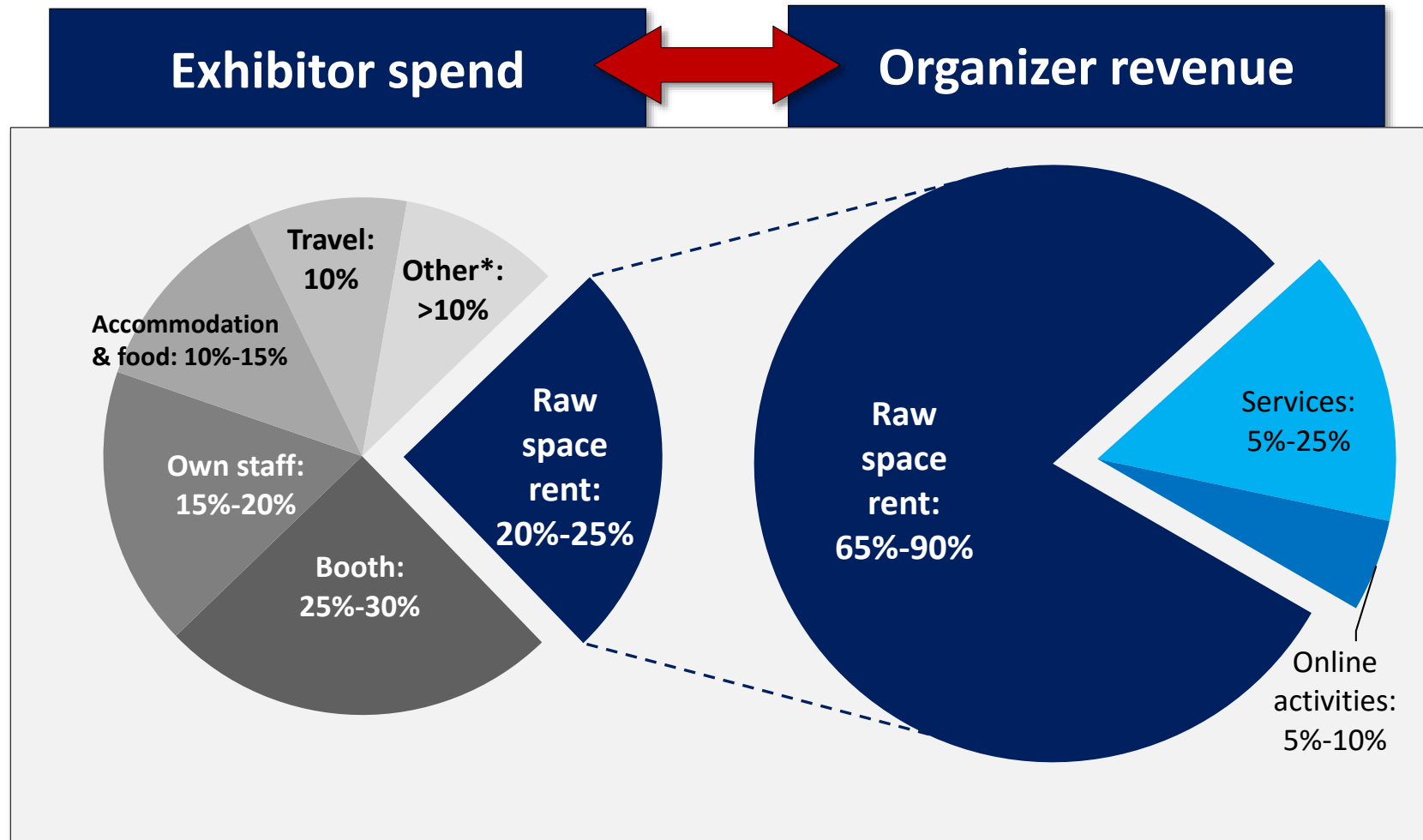


Value based pricing



Results & summary

Space prices have a large effect on the organizers bottom line but little effect on the exhibitors spend



jwc research , *Other= Leisure, shopping, promotion, entertainment

Let's consider for a moment how pricing is approached in our industry

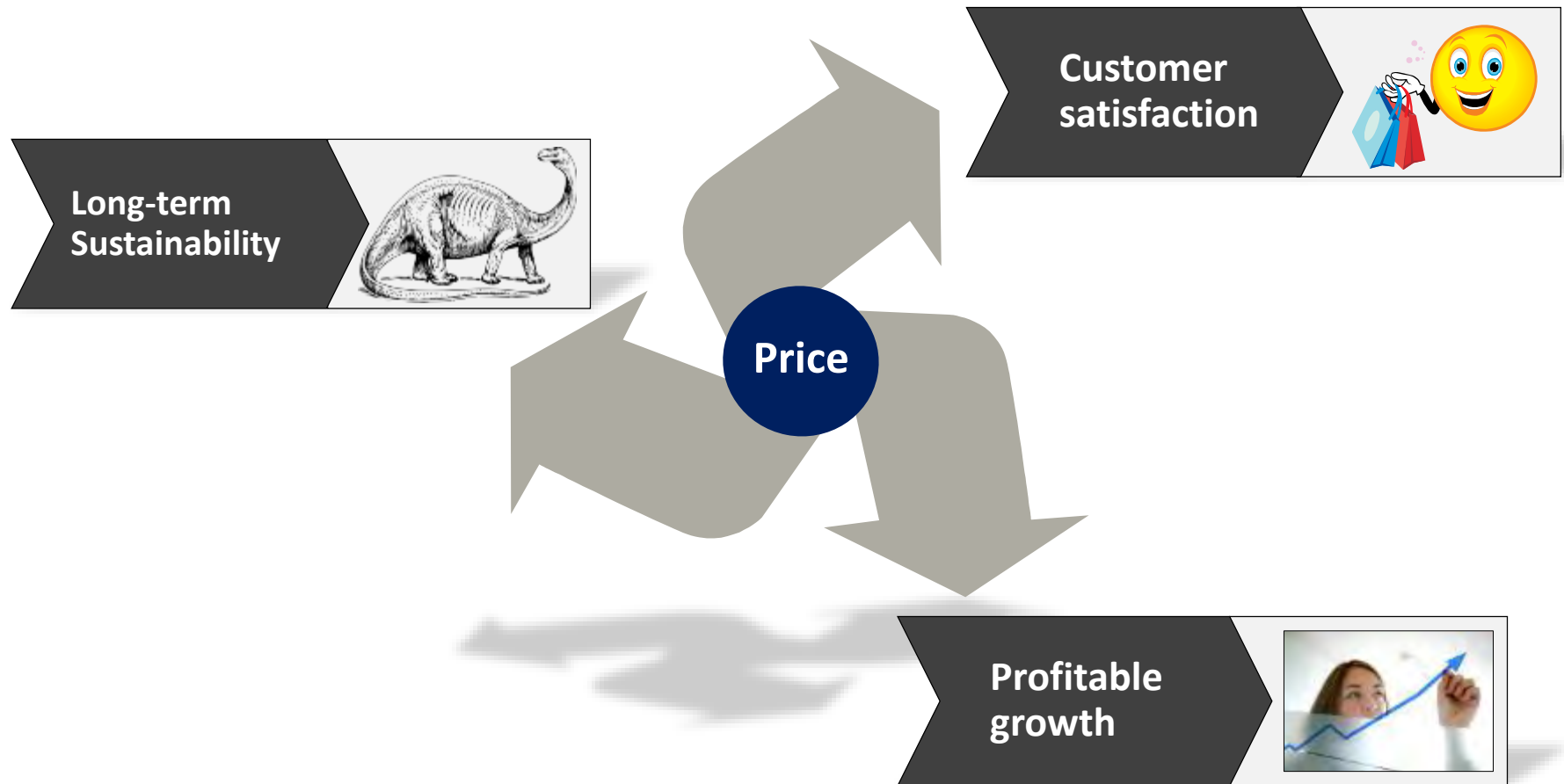
Based on...	What's in focus?	Sound bite to remember
1 Mechanics (or history)	The process	How things were always done around here...
2 Cost	Direct costs related to product, & indirect costs (overheads, etc.)	The traditional way of doing things
3 Competition	A single or multiple competitors' prices for similar products	Market based but risky



We have heard many names for new pricing approaches in our industry



A good pricing system drives three things in parallel



When customers have offerings connected to value, price is perceived as being fair

The trade fair industry is mostly faithful to conventional ways of pricing

Some of the most common price differentiation factors we see

Price differentiation based on



**Booth layout or
number of open
booth sides**



**Booking
time**



**Volume
discounts**

Main issues

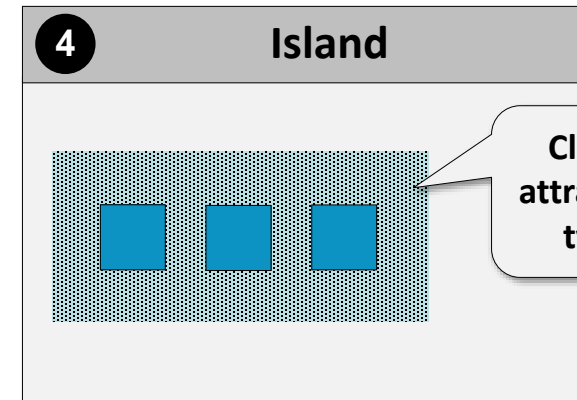
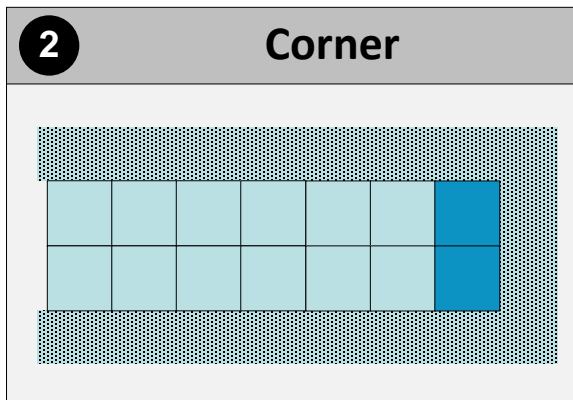
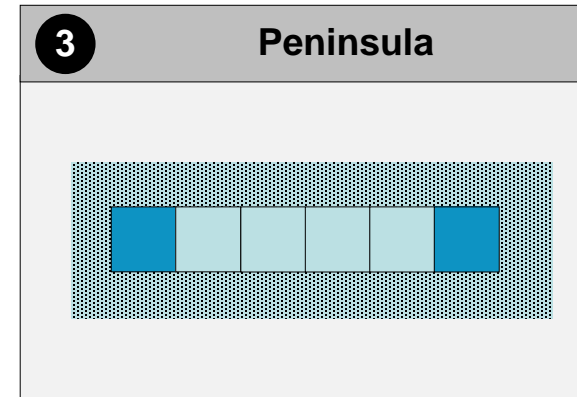
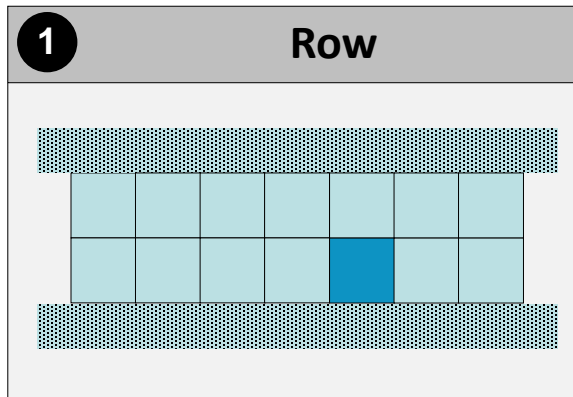
- Value for exhibitors is unknown
- Mainly cost based

- Value for exhibitors is unknown
- Discount mostly unnecessary

- Insignificant to exhibitors
- Mostly unnecessary

Charging a premium based on booth layout is common, but.....

Space can be offered with four different “booth layouts”



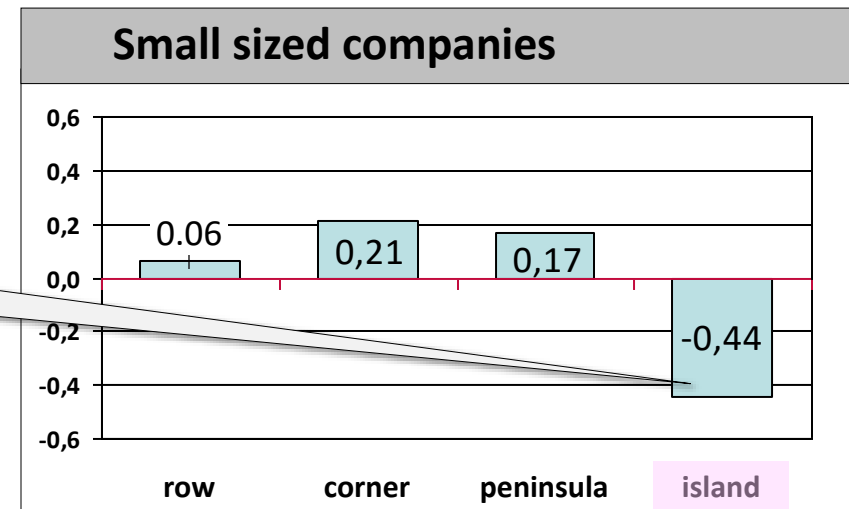
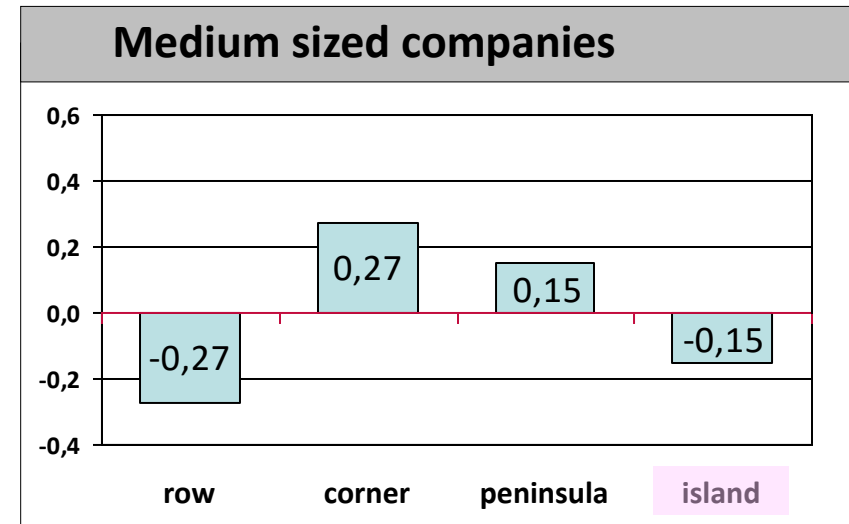
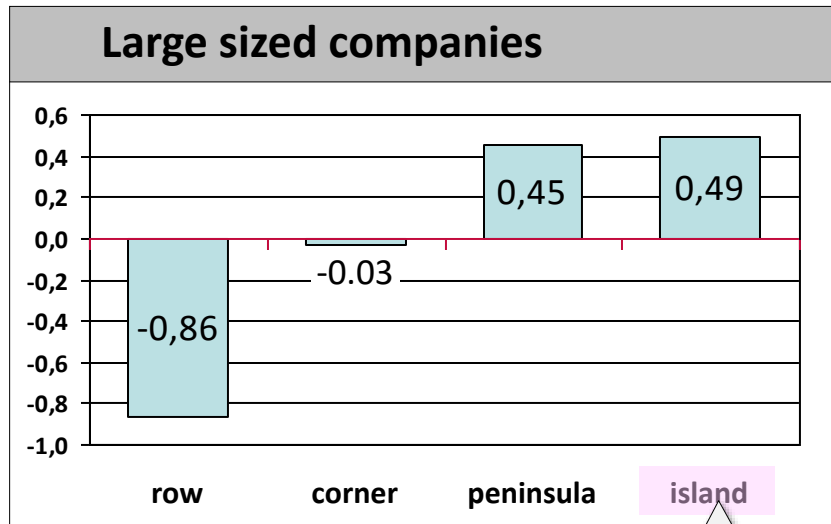
Clearly the most attractive (valuable) type of space?

Aisle

Space types paid for by exhibitor



... it not always reflects value perceptions of customers



Relative utility values

The large sized companies prefer the island space – but for the small sized companies this kind of booth provides, (relatively speaking) least value

It is key to measure the exact value of services to exhibitors and to measure their willingness to pay

Price and Value actually have the same meaning



1
What is Price in Latin?



Pretium



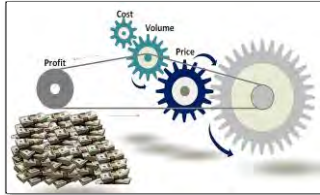
2
What is Value in Latin?



Pretium

Pretium = Price = Value

Topics I would like to cover today



Introduction: Relevance of pricing



Pricing in the trade fair industry

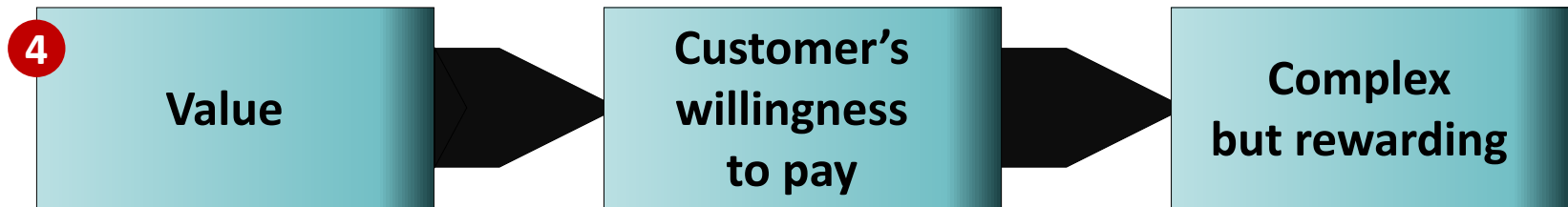


Value based pricing



Results & summary

Value based pricing takes all conventional pricing basics into account, but the decisive element is the value to customers



1

**Mechanics
(or history)**

2

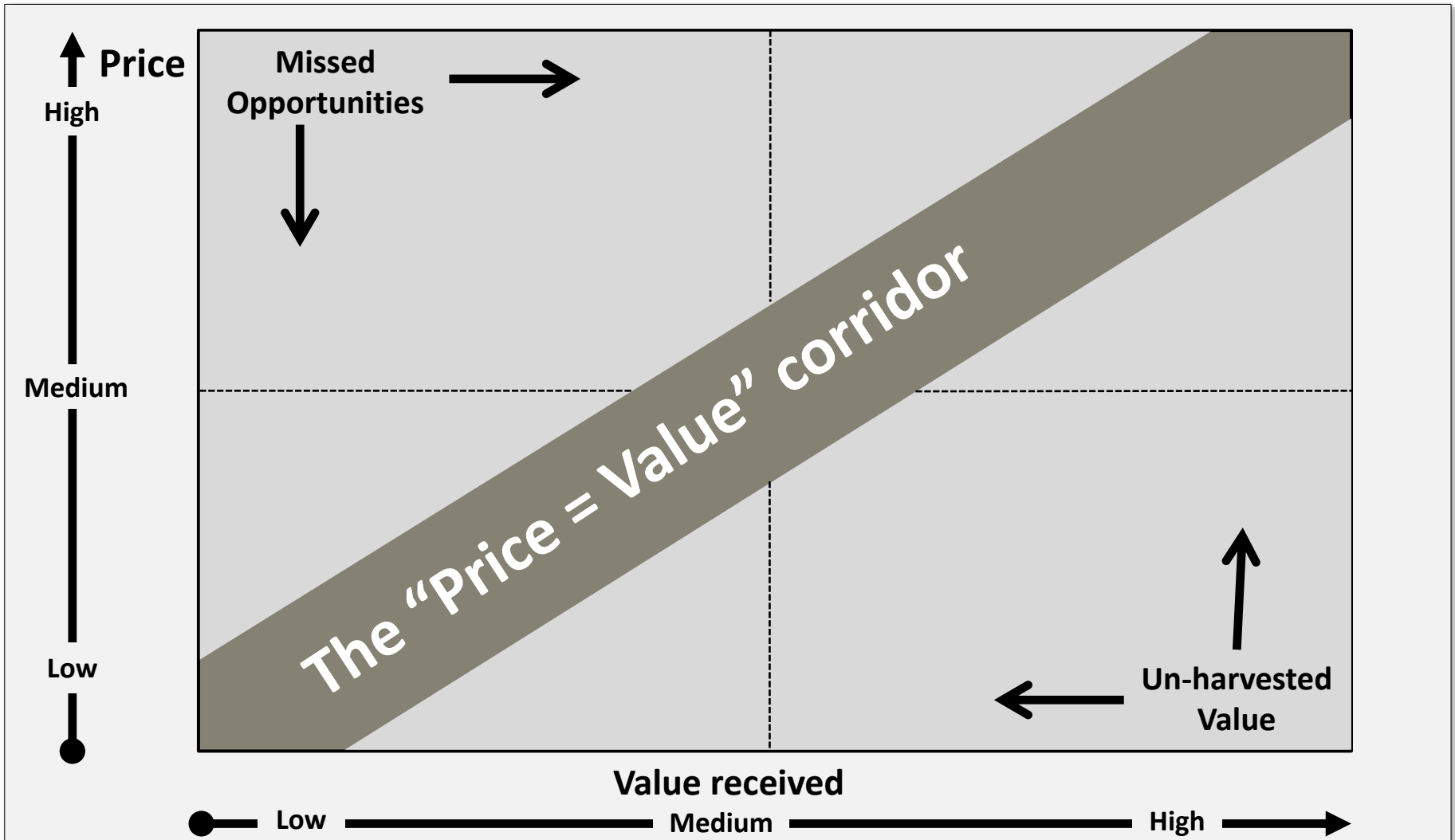
Costs

3

Competition

Value based pricing builds on the three traditional pillars

There must be a corridor of price points for which value and price are well aligned



Source: Nagle

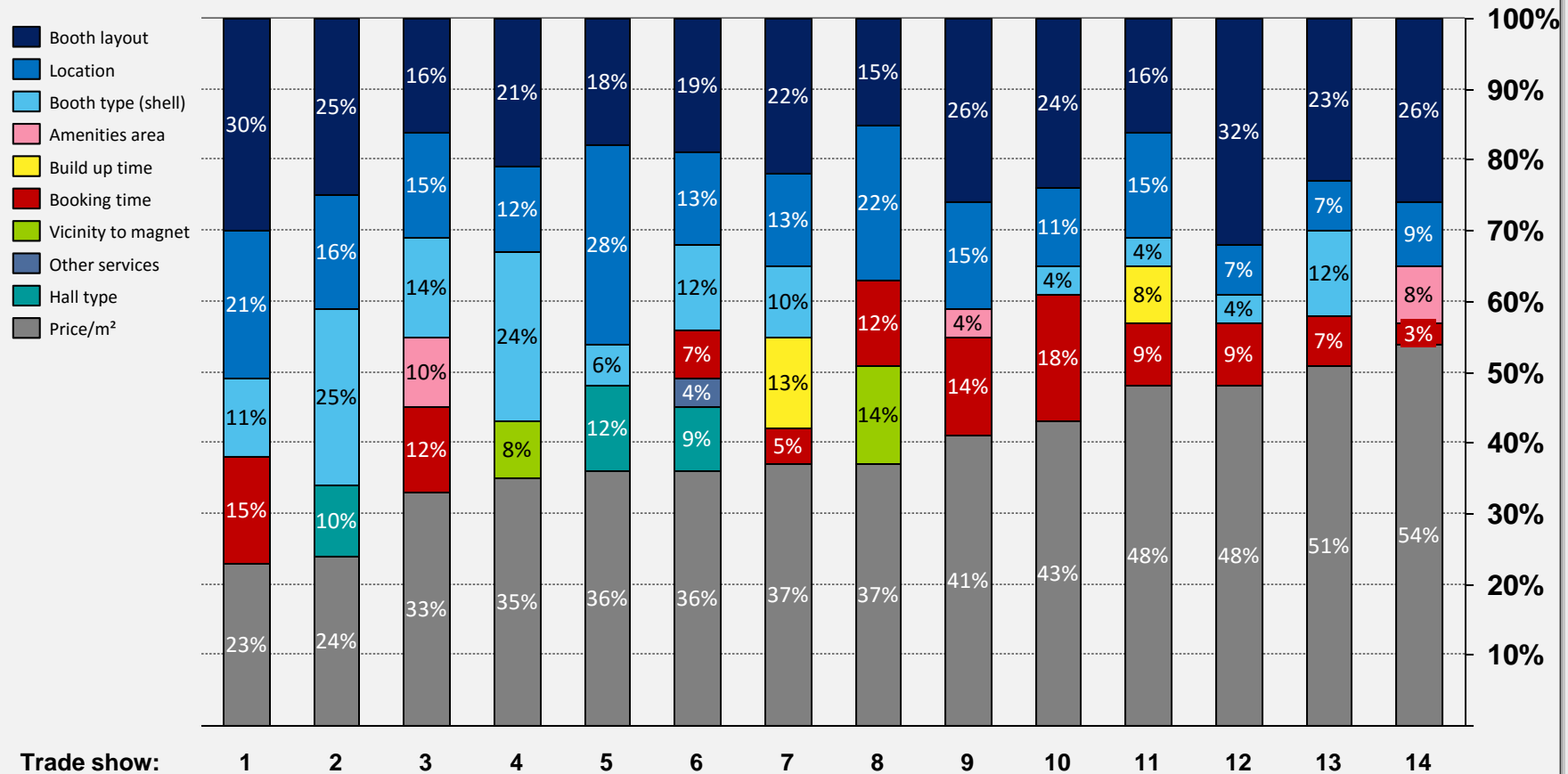
Many factors that drive value for exhibitors



The importance of the value drivers and the willingness to pay for it varies from show to show

Surveys reveal that exhibitors' value perception is different from show to show

Relative importance of product features/attributes*



*Random selection from various jwc projects, different attributes tested and survey models

Competition based

Standard seating configuration. All customers have the same options - standard across airlines.



Cost based

Add an additional row of seats to increase profits, but decrease legroom. The costs per seat decrease.



Value based

Provide value driven options, such as differing legroom to increase profits and customer satisfaction.



Shopping malls: Customer perceived value depends on the quality of a shop's infrastructure and surroundings

1

A dark location on the top floor, next to fire fighting equipment: \$75/sqft

2

A central shop near a café: \$125/sqft

3

A location next to the main entrance: \$140/sqft



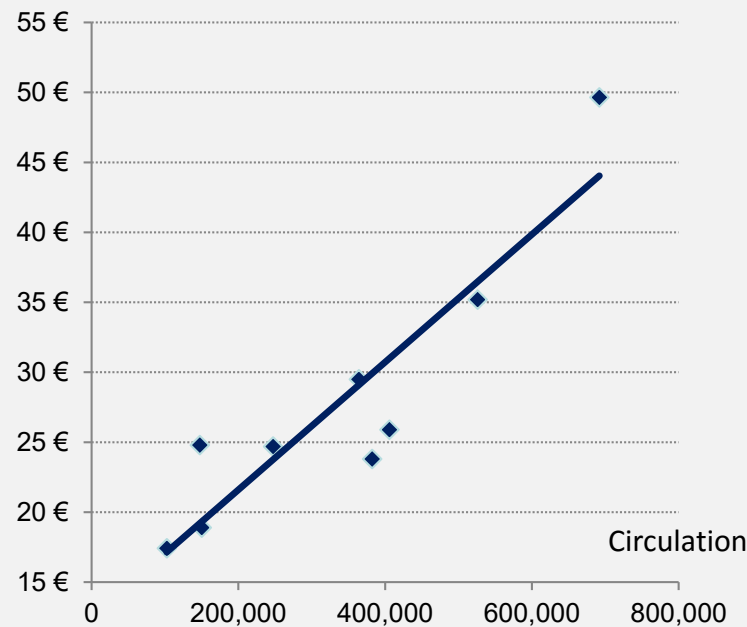
Accordingly, event organizers should link location to prices/sqft

Publishing case study 1:

The number of contacts or the proportion of target group reached determines the price for an advertisement

Price of a full-page ad for various German women's magazines

Price for a standard full-page colour ad (€'000)



Titles

VOGUE
JOY
COSMOPOLITAN
emotion
freundin
Brigitte
ELLE
GLAMOUR
AMICA
MADAME

Publishers

CONDÉ NAST
MARQUARD MEDIEN
Hubert Burda Media
GfK
MAGAZINPRESSE Verlag

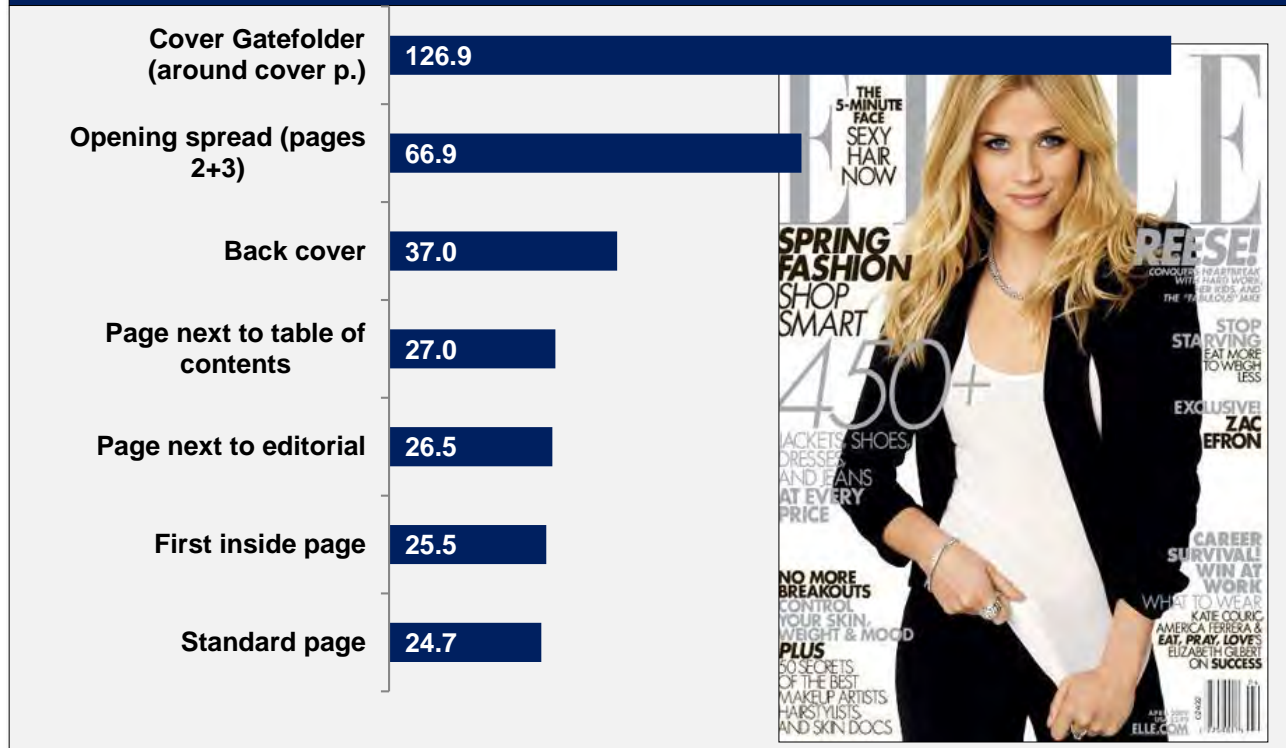
Accordingly, events organizers may make prices/m² dependent on the total number of visitors at the gate or the proportion of target group reached

Publishing: “Eyeball traffic” determines value based pricing **jwc**

Publishing case study 2:

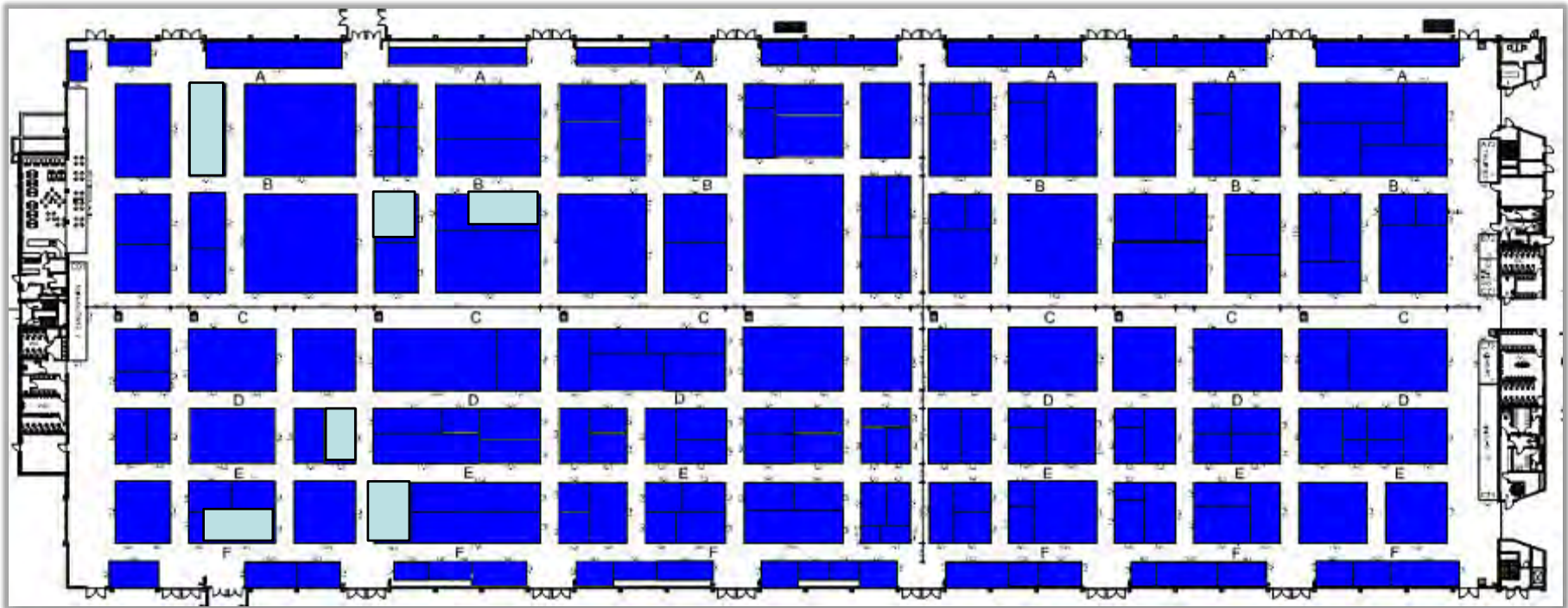
The number of contacts determines the price for an advertisement

Price of an ad varies by location (full-page colour add in €'000)



Accordingly, event organizers should make prices/m² dependent on the attractiveness of the location of each exhibition stall

Trade fairs today typically charge the same price per sqm at every location in the hall



„One price fits all“

Example: 20,500 m² hall

Utilization ratio: 60%

Price / m²: € 185

Revenue

€ 2.27m

Cost

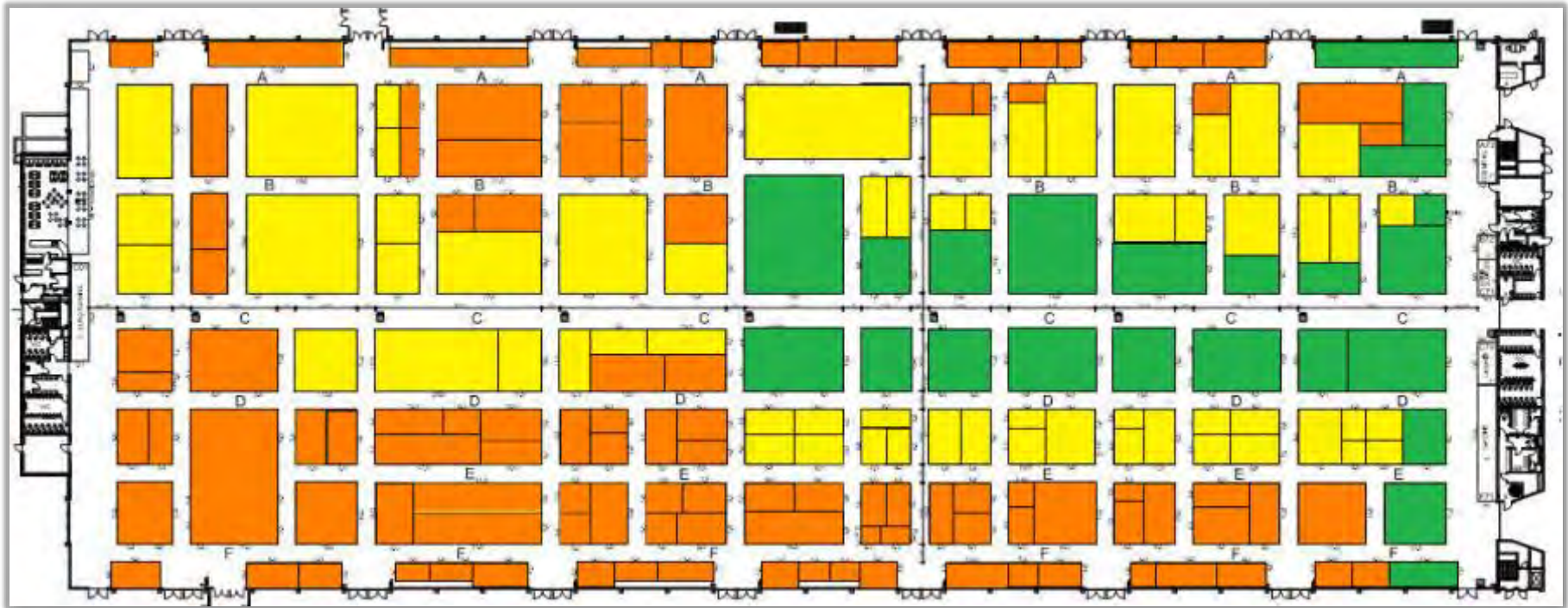
€ 2.05m

Profit

€ 220,000



Value based pricing improves revenue and margins significantly



Price structure	
■ Platinum segment:	€ 225
■ Gold segment:	€ 185
■ Silver segment:	€ 145
Utilization ratio:	64%

Revenue	€ 2.32m
Cost	€ 2.05m
Profit	€ 270,000
Profit increase	+23%
Avg price/m ²	€ 177



Value based pricing with optimized hall planning improves revenue and margins even more



Price structure	
■ Platinum segment:	€ 225
■ Gold segment:	€ 185
■ Silver segment:	€ 145
■ "Visitor magnets":	€ 50
Utilization ratio:	65%

Revenue	€ 2.40m
Cost	€ 2.05m
Profit	€ 350,000
Profit increase	+59%
Avrg price/m ²	€ 180

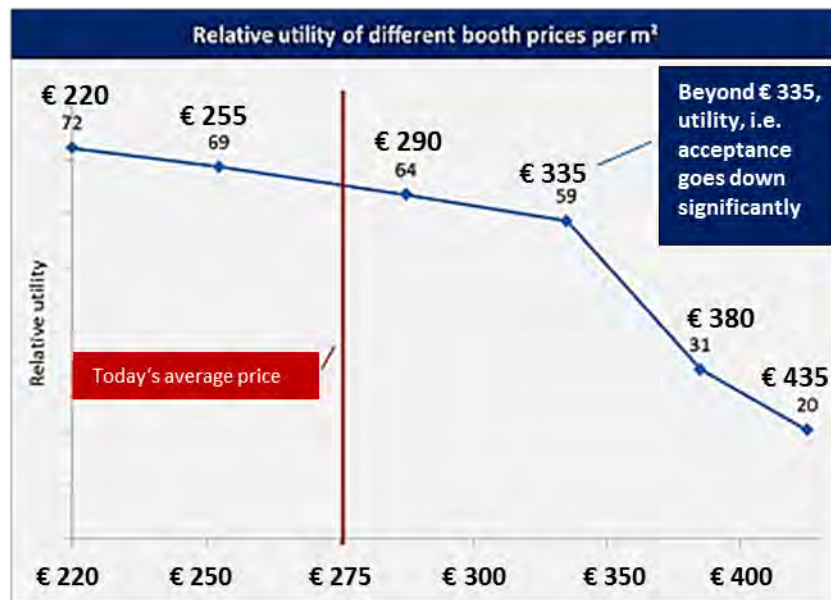


ESSENTIAL REQUIREMENT: Learn how much the customer is willing to pay for visitor frequency

Value to customers can be measured very accurately

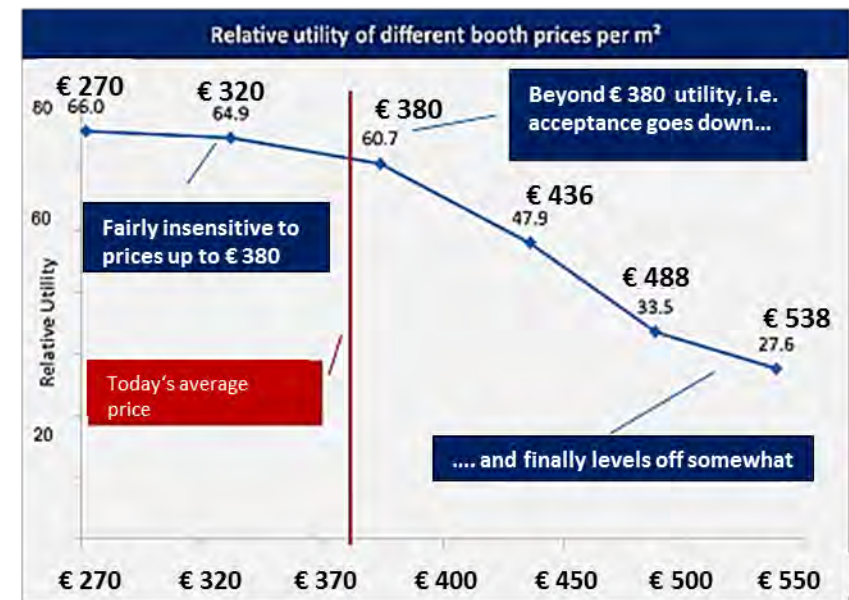
1

There is room for price increases: But price acceptance breaks down around € 335/m²



2

Today's price range and average price of € 380/m² already touch a region of significant price sensitivity



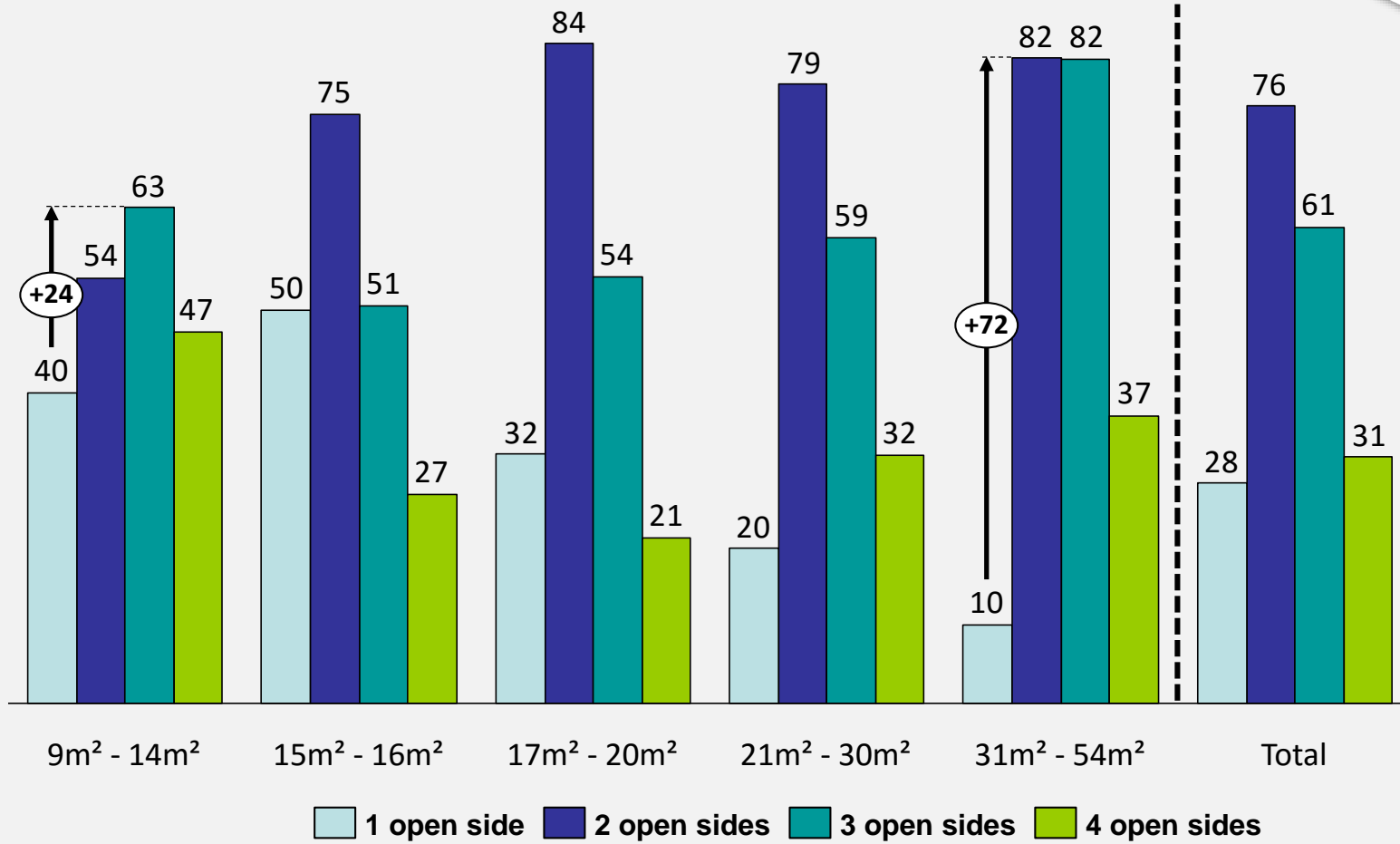
But within segments and service features, there is ample room for improved pricing in both cases

Booth layout:

Offers ample opportunity for price differentiation

Relative utility: Stand layout by stand size

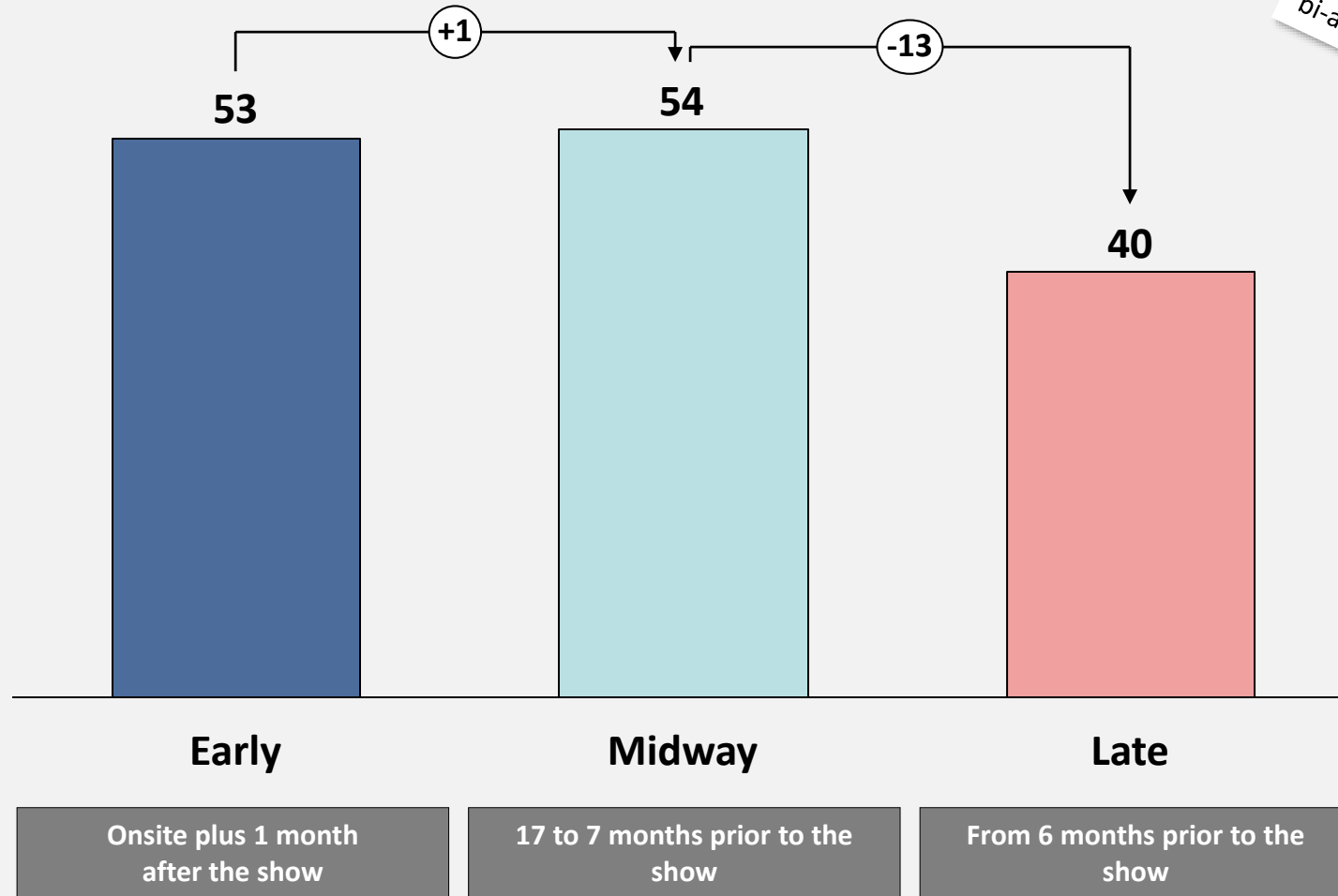
Illustrative
example



Booking time:

It is mostly unnecessary to give early bird discounts

Relative utility: Booking time

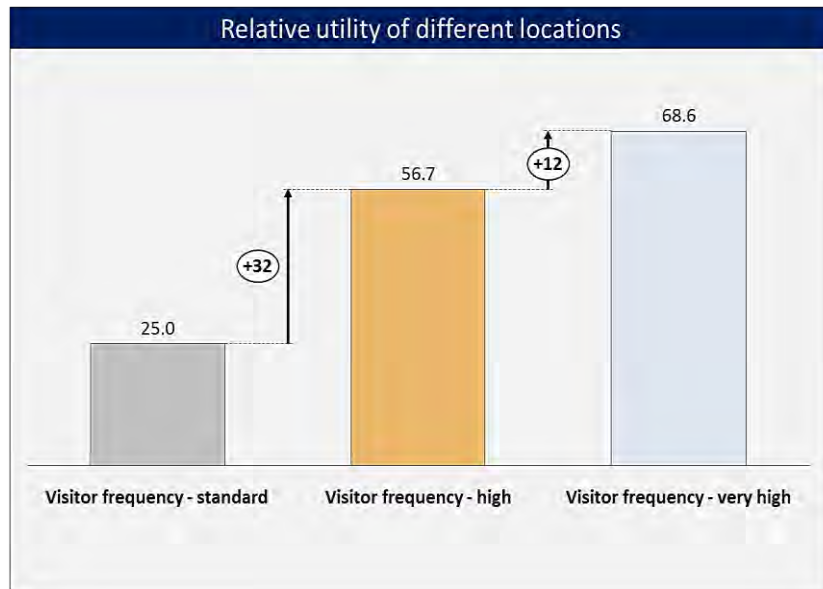


Illustrative example of a bi-annual show

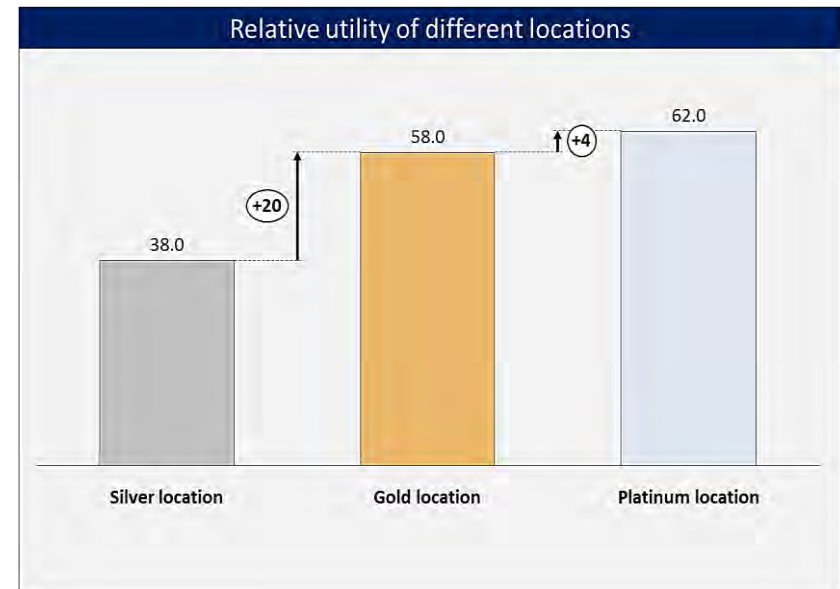
Location: In the vast majority of cases, exhibitors are prepared to pay a premium for a good booth location

Two trade fairs covered in recent studies showed different views of the customer base with regards to location

“High” visitor frequency is far better than “Standard”; “Very high” is smaller improvement



“Platinum” locations are favored slightly more than “Gold”

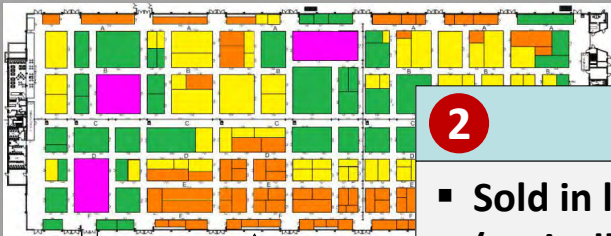


This is a high-level (non-segmented) view. 2nd level analysis looks at segment-specific data

Conferences and Confexes: Besides space revenue, typically two additional types of related revenue streams need to be aligned to value

1

Sqm revenue



2

Delegate revenue

- Sold in large numbers (typically thousands)
- Typically few parameters that affect the price (e.g., time of registration, degree of access to event, academic vs. professional, size of organization, etc.)

3

Sponsorship packages

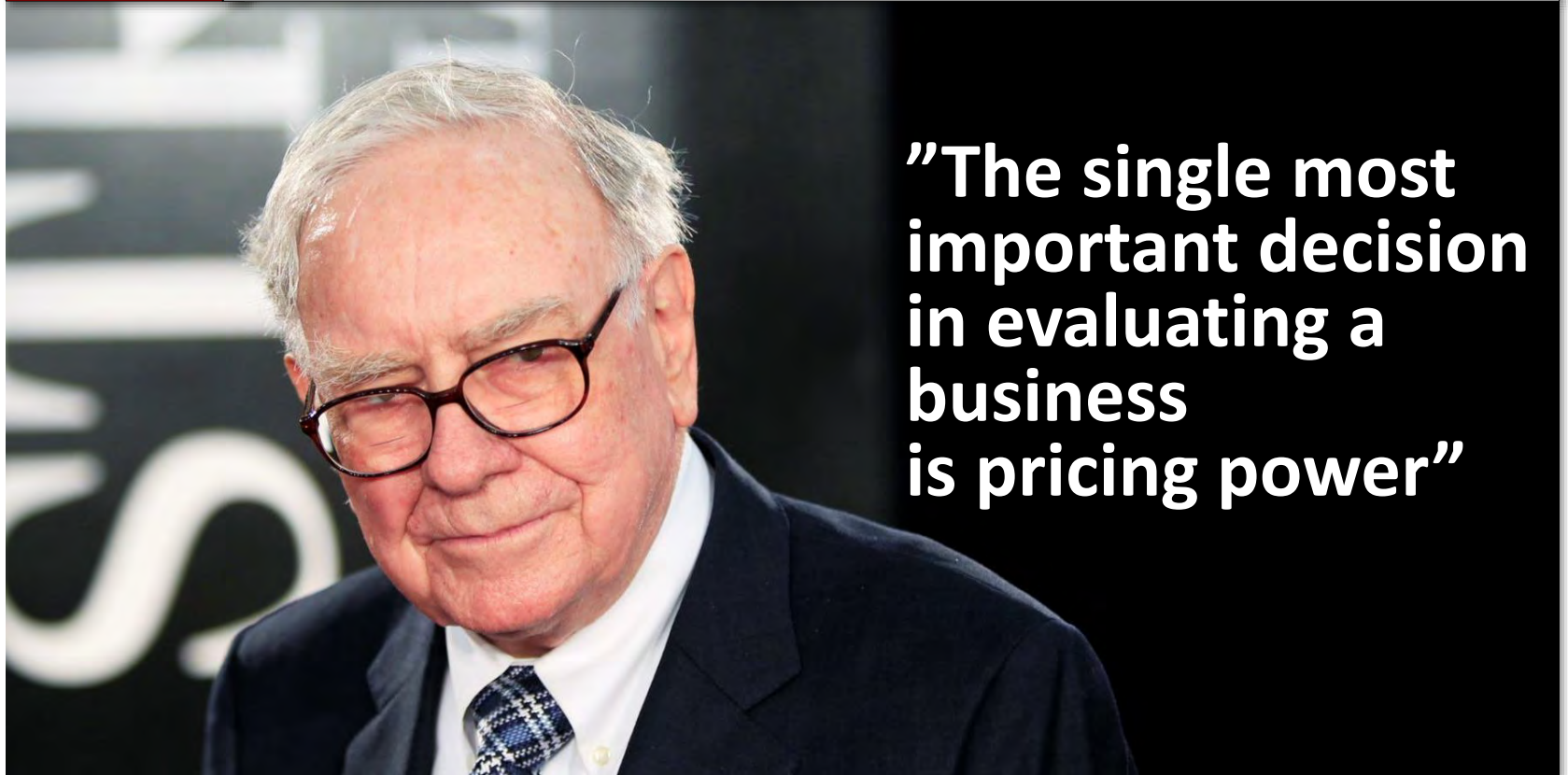
- Sold in small numbers (dozens, rarely more than a hundred)
- Typically sold as complex packages with a large number of differentiating features

Highly bundled with other offerings (i.e. delegate and sqm revenue)

Let's take a step back and consider for a moment what determines our pricing power

Definition

Pricing power is the ability to raise prices without a decrease in demand

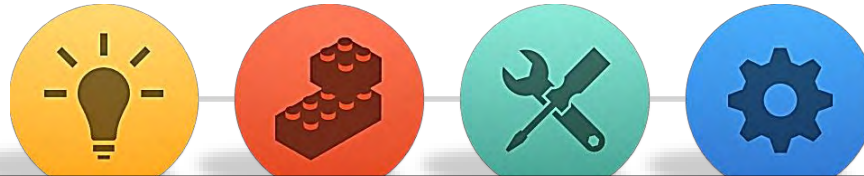


"The single most important decision in evaluating a business is pricing power"

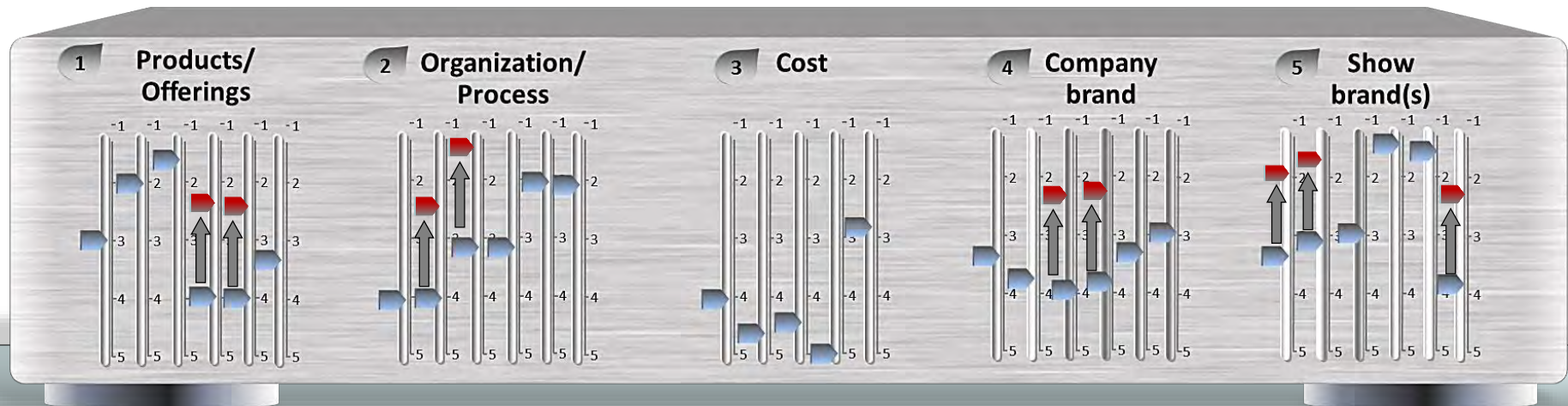
Let's take a step back and consider for a moment what determines our pricing power

Definition

Pricing power is the ability to raise prices without a decrease in demand



By choosing to improve performance in key components of our offerings, we can directly impact our pricing power



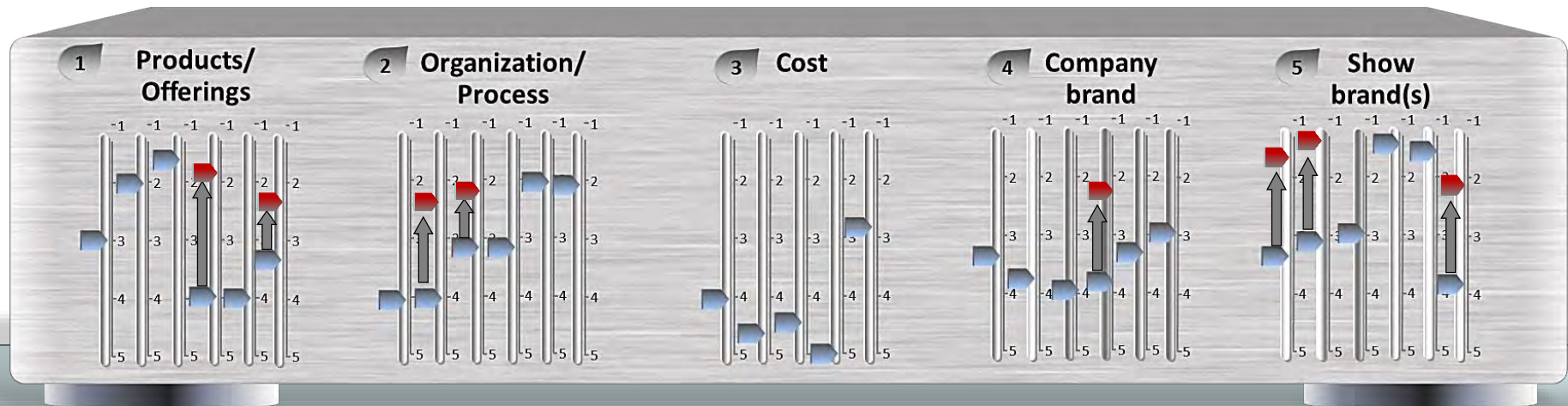
Let's take a step back and consider for a moment what determines our pricing power

**Command
the right price**

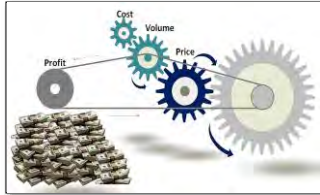
By regularly measuring your pricing power you can price your offerings according to the value they bring

As you continue push knobs up,
you create value...

... and increase your
pricing power



Topics I would like to cover today



Introduction: Relevance of pricing



Pricing in the trade fair industry



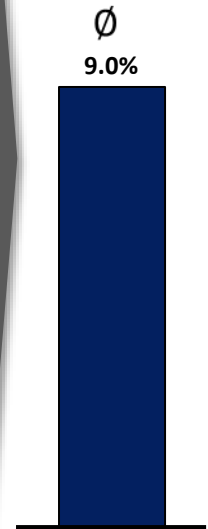
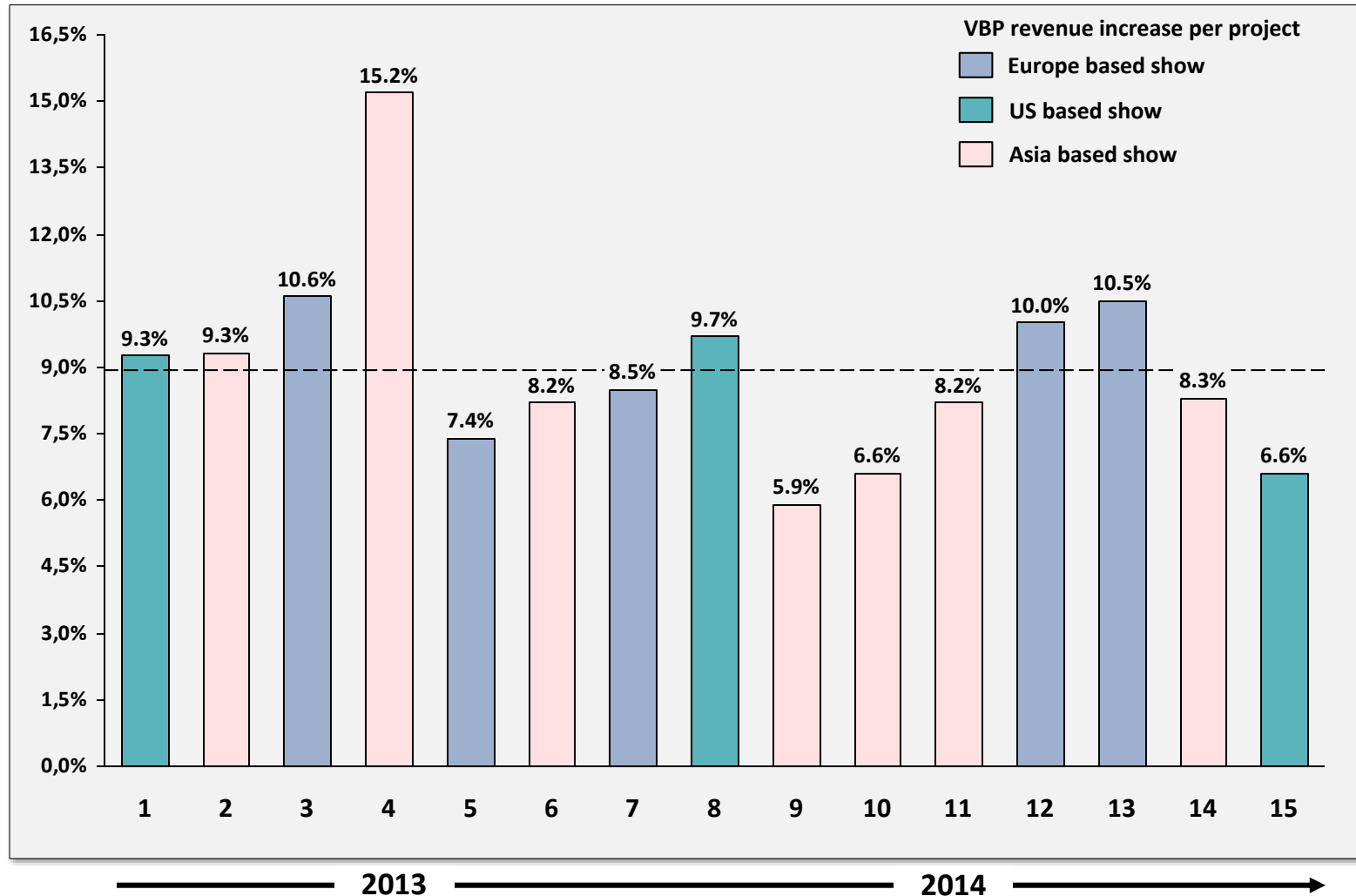
Value based pricing



Results & summary

Profitability of shows increased significantly with the introduction of value based pricing; average increase of revenue was 9% **jwc**

A selected view of 15 projects taken from various industries, different regions, show sizes and market positions (e.g. high growth, flat, poor health, recent acquisition, etc.)





“The new pricing policy is now very transparent.”



“The new system is fairer to all exhibitors.”



“Finally you have got it all right.”



If you only take four things away from this presentation today....

1

Pricing

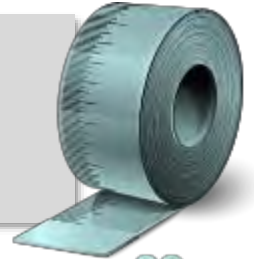
Pricing is the most powerful profit improvement lever



2

Value-based (measure it)

Value based pricing, which is measured and analyzed, enhances customer satisfaction, retention, and yield



3

Value sells

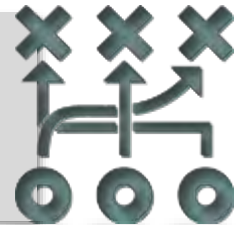
With value based pricing your sales force will be given the opportunity to talk about value instead of prices



4

Powerful insights

Survey results provide extremely valuable and powerful insights for your sales force





**jwc helps customers to grow
and increase profitability**

jwc