

Looking good - but looking out



Members of the International Association of Congress Centres (AIPC) are reporting high levels of business performance and a positive sense of continuing growth going into 2008. The question is now how to make sure the positive trends continue amid a bleaker general economic outlook, says AIPC president Edgar Hirt.

The strong sense of growth is based partly on strong advance bookings. However, recent industry performance is also driving owner expectations to levels that will be hard to maintain should the global economy falter, and at the same time stimulating new facility development that will result in increased overall competition.

An AIPC survey of congress centre business performance last year identified considerable strength in performance and future business prospects:

The vast majority of members (86 per cent) saw business increase over the past year, with only 14 per cent seeing a decrease.

Fifty-five per cent stated that they were even more confident in their business prospects as opposed to only five per cent who indicated they were less confident and 40 per cent who expected business to remain the same. Those who indicated greater confidence based this on an improving economy, increased bookings and the prospect of more short-term business. Those who had less confidence referenced either local political or logistical reasons unrelated to the overall industry or not being sure they could exceed high levels of performance.

The type of business that respondents expected to drive the increase was heavily corporate, followed by conventions. There was less expectation of increased business in the areas of trade exhibitions, consumer events or entertainment/sports events.

However, accompanying this success were concerns that factors that drove business growth could also contain the seeds of future challenges. These challenges fell into three groups:

From an owner perspective, the primary challenges members anticipated were: changing revenue expectations (29 per cent), management reviews (25 per cent), financing reviews (also 25 per cent) and governance reviews (21 per cent). Additional challenges identified in this area included skills and labour shortages, the impact of emerging competition, the need for some form of certification and political changes.

From a market perspective, top challenges were identified as competition from other centres (22 per cent), pressure on rental rates (20 per cent), client reluctance to pay for extra services (16 per cent), environmental concerns (15 per cent), greater influence by intermediaries (also 15 per cent) and reduced event attendance (12 per cent).

Key internal or operating challenges were seen as increased operating costs (35 per cent), labour shortages (26 per cent), increasing government regulation (22 per cent) and labour disruptions (18 per cent).

AIPC members reported a variety of strategies for maintaining revenues and responding to the inevitable downturns which occur in a cyclical business. Key factors included:

The best opportunities for revenue growth were identified in the traditional areas of event services at 27 per cent, space at 26 per cent and food and beverage, also at 26 per cent. Other potential revenue opportunities were seen as the packaging of products and services, re-thinking or renegotiating government subsidies, attaching hotels or developing event partnerships.

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The more traditional responses to these challenges seemed to take precedence, with new sales and marketing initiatives and enhanced service leading at 37 per cent and 25 per cent respectively, followed by staff training at 14 per cent and facility upgrades at 12 per cent.

While these results indicate an overall picture of good business and high levels of confidence, this is driven largely by external factors such as the strength of the overall global economy, however concerns are looming on global financial markets. Centres will be to some extent protected by longer term bookings, but decreasing participation and the cancellation of short-term business could take a toll should the economy falter.

Other issues include the fact that many supplier/partners in the industry are experiencing unprecedented levels of demand and are unable or unwilling to supply product at attractive rates, as well as ongoing labour shortages.

AIPC members think now is a good time to prepare for addressing some of the factors that could become more of an issue if revenues drop as the business cycle moves on. They identify the needs to promote a better understanding of industry economics, particularly in terms of documenting benefits, and to explore alternate markets and revenue sources. There needs also to be a greater attention to staff training, recruitment and retention.

Times of business strength inevitably lead to declines. In developing strategies to address the issues, AIPC members are taking the necessary steps to prepare for the next stage of the business cycle.

Further information, contact marianne.de.raay@aipc.org

Edgar Hirt is president of the International Association of Congress Centres (AIPC) and managing director of CCH, Congress Center Hamburg
secretariat@aipc.org www.aipc.org

