



HOW CONVENTION CENTRES FINANCE BUSINESS DEVELOPMENT PROGRAMS - WITH OTHER PEOPLE'S MONEY



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At first glance, the economics of a convention centre can look a little odd. Few ever recover their capital cost. Many lose money on the bottom line and need to be subsidized. And those that do make an operating profit may do so at the expense of broader economic benefits they might otherwise generate!

This is all simply the result of a market that understands only too well the value they bring to a host city or region. The overall economic benefit generated by conferences far exceeds any potential bottom line profit by the centre itself. Governments, who are typically the owner, are in the best possible position to capture a portion of that resulting benefit via incremental tax revenues. Clients know that, and negotiate accordingly.

But what is likely the biggest benefit of all is seldom even understood - and that is the role that a centre and the kinds of events it hosts play in generating new economic activity. When viewed in that light, the modest subsidy that some owners have to pay in operating a centre pales in comparison with the much larger proportion that is paid for by the very planners and delegates whose presence provides what is typically the most effective business promotion a destination can have.

Most cities or regions that are serious about attracting new business to their communities organize programs to promote what makes them a good place to locate and invest. A key part of any such promotion is encouraging potential investors to come and experience that city, and to see what makes it an attractive location. And that's exactly what convention centres also do.



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Here's how it works: convention delegates are generally no 'regular' visitors. They are much likely to be senior professionals and business people, and primarily there to attend an event. Very often, they are people who would not otherwise have had any reason to visit at all. And once they are there, their event program is designed in a way that will expose them to the attributes of the destination. This is precisely what you'd want for an effective business development program - and ironically, it's paid for by the delegates themselves almost entirely.

Why this factor has never figured more prominently in the thinking of centre owners is a bit of a mystery, until you realize that it has one problem: it doesn't lend itself to direct measurement. As a result, it's often simply ignored. The value of something as obvious as the role that major events play in building destination profile, to the longer term benefit of a city, seems to be well understood when it comes to a single, high profile event - like the Olympics - but seldom recognized in connection with the activities of a convention centre.

In practice, most centres manage a balance of business activities that combine good revenue generators with those that create greater economic benefit, and manage to achieve both an acceptable operating bottom line and the broader economic generation that is often the more important objective. However, managers are still regularly faced with the question 'Why can't you people make more money?' from those who don't understand the full range of potential benefits that are available from different strategies for centre operation.

Few would question the wisdom of committing money to a program to attract new business to a destination. It's about time we recognized how convention centres do exactly that.

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