

Why can't you people make money?

AIPC president **Edgar Hirt** answers a question on many local government members' lips and explains how convention centres finance business and investment development programmes, with other people's money.



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 subsidised. And those that do make an operating profit may do so at the expense of the broader economic benefit they might otherwise generate!

This is all simply the result of a market that understands only too well the value it brings to a host city or region. The overall economic benefit generated by conferences, conventions and related exhibitions far exceeds any potential bottom line profit by the centre itself. And governments, which 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. That's why those who generate the largest economic benefits get the best rates, and why local events or others that generate relatively small amounts of non-resident spending pay higher rentals.

But the biggest benefit of all is seldom understood, let alone calculated, and that is the role that a centre and its events play in generating new business and investment. When viewed in that light, the modest subsidy that some owners pay in operating a centre pales in comparison to the much larger proportion paid by the planners and delegates.

Most cities or regions that are serious about attracting new business and investment to their communities organise programmes to promote them as good places to locate and invest, and then getting this message out to

decision-makers. A key part of any such promotion is encouraging potential investors to experience that city and see first hand what makes it an attractive location. The big problem is getting busy professionals and executives to find the time to visit, and creating a positive impression of the destination.

But that's exactly what convention centres do, and typically they pay for the vast majority of the process with the revenues generated from the audience themselves.

Here's how it works: convention delegates are generally a very different kind of visitor from most others. They are more likely to be senior professionals and business people, particularly when the event is a national or international corporate or association gathering. They are primarily there to attend the event and, once they are there, their event programme is typically designed in a way that will expose them to various aspects of the destination over several days. This is precisely what you'd want for an effective business and investment development programme, and ironically, it's paid for almost entirely by the delegates themselves.

Why this factor has never figured more prominently in the thinking of centre owners is a bit of a mystery, until you realise 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 is longer term benefit of a city, seems to be well understood when it comes to a single, high profile event like the Olympics or a World Exposition. Sadly, it's seldom recognised in connection with the activities of a convention centre, which, unlike a single event, is doing the same job, year after year, and typically with a more important audience.

In practice, most centres manage a balance of business activities that combine good revenue generators with those that

create greater economic benefit. They 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 asked "Why can't you people make more money?" by 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 programme to attract new business and investment to a destination. It's about time we recognised how convention centres do exactly that, often far more effectively than other kinds of investment promotional activities, and figured that into their financial equation.

AIPC is an international association of over 160 of the world's leading convention and exhibition centres. Further information please contact marianne.de.raay@aipc.org or visit www.aipc.org

