

# Convention centres

## *Financing business and development programmes with other people's money*



by Edgar Hirt

At first glance, the economics of a convention centre can look a little odd: few ever recover their capital cost and many lose money on the bottom line. 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 they bring 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. Governments, typically the owners, are therefore in the best possible position to capture a portion of that resulting benefit via incremental tax revenues. Clients know this 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 what is likely the biggest benefit of all, which is seldom even understood, is the role that a centre and its events play in generating new business and investment. When viewed in this 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 and investment promotion a destination can have.

Most cities or regions that are serious about attracting new business and investment, organise programmes to promote themselves, and then work hard at getting this message out to decision makers. However, the problem is getting these decision makers to make preliminary visits to these areas.

### 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. They are primarily there to attend the event, which means that very often they are people who would not otherwise have had any reason to visit at all.

And once they are there, their event programme is typically designed in a way that will expose them to many of the attributes and opportunities of the destination over a period of several days.

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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 is often simply ignored. The value of something as obvious as the role that major events play in building a destination's profile, to the longer-term benefit of a city, seems to be well understood when it comes to a single, high-profile event. Yet they are seldom recognised in relation to the activities of a convention centre, which are doing the same job, year on year, and typically with an increasingly important audience.

In practice, most centres manage a balance of business activities that combine good revenue generators with those that, for example, create greater economic benefit. However, managers are still regularly faced with the question of "why can't you people make more money" from those who don't



### About the author

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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. **35**