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Column by AIPC President, Edgar Hirt

How Convention Centres Finance Business and Investment Development Programs - with Other People's Money



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AIPC is the pre-eminent international association of convention centres, with a mission of encouraging, supporting and recognizing excellence in centre management. Its programs are directed toward enhancing the profile and performance of its members, who are purpose built facilities whose primary purpose is to accommodate and service meetings, conventions, congresses and exhibitions. The AIPC is a global network of over 165 leading centres in 53 countries, with the active involvement of more than 650 centre management professionals.

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 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 – and 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. 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 is seldom even understood, let alone calculated – and that is the role that a centre and the kinds of events it hosts play in generating new business and investment. 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 and investment promotion a destination can have.

Most cities or regions that are serious about attracting new business and investment to their communities organize programs to promote what makes them a good place to locate and invest, and then work hard at getting this message out to decision makers. A key part of any such promotion is encouraging potential investors to come and experience that city, and to see firsthand what makes it an attractive location. The big problem is how to get busy professionals and executives to find the time for a visit – and how to create a positive impression of the destination in the first place.

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 much likely to be senior professionals and business people, particularly when the event they are attending is a national or international corporate or association gathering. 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 program 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. This is precisely what you'd want for an effective business and investment development program – 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 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 or a World Exposition – but seldom recognized in connection with the activities of a convention centre, who unlike a single event, are doing the same job, year after year, and typically with a much 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, 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 and investment to a destination. It's about time we recognized how convention centres do exactly that, often far more effectively than other kinds of investment promotional activities, and figured that into their financial equation.

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