Anything to sell?

Can the exhibition model of buy, build and sell be replicated in the live events sector? Steve Monnington of Mayfield Media Strategies, ponders the question

My mother doesn't understand the business I run and this bothers her. She wants to be able to tell her friends what each of her children do. My brother is a doctor and my sister, a legal executive, so this presents no problem, but I sell exhibition organising companies and she can't get her head around this. In fact my mother isn't alone as almost everyone I know outside the industry thinks that I either sell exhibition space or that I "do something with international companies".

The problem stems from the intangible nature of an exhibition. There's no land and buildings, no production plant, no finished goods. The most frequent question I am asked is – why anyone would buy an exhibition if it's all over after three days? We see large amounts of money spent on acquiring something that may run for two years or for 22 years depending on... lots of different things. So what are we buying and selling and how can sellers maximise what they own when in fact it appears to my mother that they own very little.

When we sell an exhibition we are selling a number of things. Firstly we are selling a brand and a habit. Everyone knows the Ideal Home Show, it started well before we were all born and, as Media 10 proved this year despite being disappointed for a number of years, visitors will still come. When DMG asked us to handle the sale of the show last year, there were many sceptics who wondered who might buy it and then they wondered why Media 10 bought it. Now they wonder no longer – with visitor numbers at a 10-year high and a massive amount of media coverage behind them there is no looking back. The strength of the brand enabled them to relaunch the show far quicker than they could have created a new event.

A strong brand also guarantees loyalty to trade shows and creates a high barrier to entry to would-be competitors. Reed Exhibition's World Travel Market is a great example of this but there can only be one World and in this case it's London. Labelexpo run by Tarsus is another great example of a meeting place that became a brand but in this case a truly global one with the event now held in USA, Europe and Asia (China) with several smaller shows filling in the gaps in places such as Brazil and India. The name Labelexpo is synonymous in the industry with a quality event and it has enabled Tarsus to win market share from smaller local shows.

Asset management

The main things we are selling are a habit and a reputation – and if at all possible the owner should trademark the name and logo design in order to protect it from potential predators. However, there are a number of other key assets that we need to consider in the sale that support the value of the brand.

The first of these supporting assets is the exhibitor and visitor databases and ownership of these is paramount. Comprehensive, demographically defined visitor databases that are regularly cleaned and which produce high levels of visitor pre-registrations are crucial in underpinning the value of an exhibition. When it comes to exhibitors, anyone can visit your exhibition, take your show guide and create a database of your exhibitors. They can do this before you've even returned to the office after the show – so extensive, sectorised prospective exhibitor databases are also vitally important.

Next we have the venue slot, although with more and more large venues coming on stream it is harder to keep competitors at bay – just look at the recent history of the Boat Show. Forward dates and profile protection in the right venue, one that is synonymous with the show, are crucial.

Pictured: Steve Monnington

However, forward dates shouldn't mean forward commitments – in fact purchasers will be put off by long-term commitments. Ironically, they want to have the freedom to move halls within a venue, to downsize or upgrade or even to move venue if necessary. A firm option over future dates is the best balance here.

Underpinning value

To my mind, the most powerful asset after the brand itself is the contracted sales for the next event and it never ceases to amaze me how many organisers still don't re-book on-site, losing the sales benefit of having all their clients in the same place at the same time. The two most important pieces of information that a purchaser looks at when assessing the acquisition of an exhibition are the historic financial trend and the

forward contracted sales. They want to be confident that the forecast for next year is underpinned by the booked revenue.

The visual impact of a sales graph that plots the value of contracted sales week by week compared to previous editions of the show is worth much more than 10 pages of detailed explanations. It tells the story of the development of the show, and the starting point for revenue – the re-sign demonstrates how successful the previous year's event was for the exhibitors.

So there it is – habit, reputation, brand value, databases, venue slot and forward contracted sales. Some people reading this may tell me that I've missed out sector knowledge, relationship with exhibitors and quality of staff but we often over-estimate how key to the business they really are. In fact over-dependence on one person can be seen as a negative by potential purchasers. No one should be indispensable and the exhibition should be able to speak for itself even if its position is a result of these managerial qualities.

Buy, build and sell

The unique combination of these assets helps to explain why there are so many acquisitions in the exhibition sector, but it wasn't always like this. The Blenheim Group, who I worked for in the early 1990's, were the pioneers of the acquisition strategy. Before this a buy and build strategy was pretty much unheard of. It took the foresight of Blenheims' chairman Neville Buch, a rising stock market and a large number of independently-owned exhibition organisers across the UK, mainland Europe, and the USA to kick-start the biggest acquisition programme ever undertaken by an exhibition organiser.

It culminated in the sale of the business in 1996 for a little short of £700 million to United News and Media. Many of these exhibitions were sold on to Reed and VNU. A large number of the world's leading exhibitions were originally acquired by Blenheim and many are still market leaders today. International Confex is a great example of this and demonstrates how the combination of these intangible assets continue to generate strong profits year after year.

It was Blenheim that first bought the buy/build/sell opportunity to the attention of the financial players – private equity and venture capital companies. Many companies have tried to emulate Blenheim but the opportunities for acquiring independently-owned shows with scale are more limited today. Some have been successful and have resulted in companies such as Clarion Events being able to finance a Management Buy Out from Earls Court and Olympia and grow quickly by acquisition. Others, notably in the USA have found themselves too highly geared and have ended up in Chapter 11.

Pictured: Reed's World Travel Market is a meeting place for industry

So can this buy and build model be replicated in the live events sector? My view is no. Most events companies are engaged by corporate companies to manage their events. There is little loyalty in the sector, very few events that are owned by those who run them and management contracts have little value to an acquirer. This explains why we haven't seen the same level of acquisition activity.

The one exception could be music festivals. These are becoming more and more like exhibitions in terms of the intangible assets. They have become strong brands; they take place at the same time every year and tickets sell out as soon as they go on sale. This is the area where I predict increasing acquisition activity and I don't relish the idea of trying to explain this to my mother.