



The issue of how to foster and maintain entrepreneurialism in large exhibition organising companies is not a new one. Mayfield Media Strategies' **Steve Monnington** looks at what the corporates are doing to encourage creativity, and some successful examples of those who 'go it alone'.

For many years the larger exhibition organisers have struggled to create an environment conducive to show launches, as well as one which sits comfortably alongside the acquisitions they are often better known for.

Blenheim was criticised as a company that bought shows rather than launched them. With a constant eye on the share price and the profit line, it became risk averse. In hindsight, the show launch procedure seemed designed to stifle creative ideas – all the reasons not to try something new rather than focusing and supporting an opportunity. This inevitably results in a portfolio that is only freshened up by acquisition, and a team of people who wonder if there is any point in bringing new ideas to the table.

So has anything changed in the last 10 years? The problem still exists for the big guys but there has been a fundamental change in the creative talent that once worked in those organisations. I say 'once worked', because several people have left the larger companies and launched their

own events, realising the following:

- The show launch procedure most companies have is extremely arduous
- The upside for the employees if the show finally passes the test is a small financial bonus. The downside in the event of failure is an abrupt halt in career progression or, even worse, the possibility of finding themselves free to run their own business
- People now realise they could make more money by establishing an event themselves, before selling it to a larger organiser, preferably their previous employer

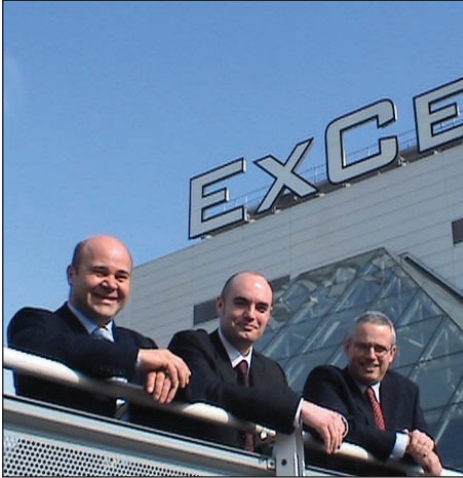
Clive Ellings left CMP two years ago to set up IMP Events with Graeme Howe and Justin Opie who had both previously left CMP to join Imark Communications. Ellings had become frustrated with the launch process. "The large corporates are so risk averse that 80 to 90 per cent of the proposals are vetoed

and after a while you feel you're just going through the motions," he says. "We set up IMP so that we could start with a clean sheet rather than trying to make old events fit the future."

Was the decision to leave the security of a senior position at CMP for the uncertainty of life in a small start-up a difficult one? "We looked at what others, like Hugh Keeble, had done. He launched Softworld, sold it to Imark and launched Storage Expo and sold it to Reed," Ellings explains. "We decided as long as we were careful, the upside meant the risks were worth taking." It looks like a sound decision as IMP has created the successful Business Continuity Expo which also now incorporates Technology for Compliance Expo. They have also launched AD:TECH, run under licence from DMG.

So do big organisers see this issue as a problem?

Chief executive of Reed Exhibitions UK, Alastair Gornall, certainly does. "We are tackling this in two ways," he explains. "We have recently dramatically enhanced the

**Howe, Opie and Ellings**

internal reward structure to encourage employees with new ideas. If they can demonstrate launch potential, we will give them an incentive when the show is launched, plus a percentage of contribution. We are also encouraging entrepreneurs with ideas to approach us and to launch shows through 'hot-housing/partnering' arrangements."

Gornall believes the industry faces a challenge in keeping talented people, people who see others making millions and who want to do it for themselves. "Under a hot-housing arrangement we can help these people make a lot of money without them taking unnecessary risk." He says Reed will provide initial funding and expertise ranging from back office support, through to onsite operations if required. "Our financial involvement can also help facilitate a

**Alastair Gornall**

financial exit and give credibility when negotiating tenancies."

International Luxury Travel Market is a good example of the type of arrangement Gornall wants to replicate, and of what can be achieved when a group of entrepreneurs, in this case Serge Dive, David Hammond and Ronan McCarthy, launch their own show and approach their former employer as a partner. This has progressed to its intended conclusion as Reed Travel invested in the launch, and has acquired the show only three years after its launch.

Gornall believes Reed's size and access to funds gives it an advantage over other organisers who might adopt the hot-housing concept. "There is the best of all worlds - they are left alone to run the event, if that's what they want, and there is the exit strategy as an integrated part of the arrangement."

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Reed is not alone in addressing these issues. Paul Byrom, who heads up the Business Design Centre-based Upper Street Events, has also created a strategy to freshen up the portfolio. "We have a number of mature events such as Country Living and the London Art Fair, and it is essential we continue to balance the portfolio with new events. We've had a number of successful launches over the last couple of years: Cycle Surfaces (a joint venture with Single Market Events), and most recently, Caffe Culture"

Byrom is aware the ideas for these shows came from outside the company and is keen to create an environment for new internal ideas. "We have worked hard ensuring our launch process covers the essentials in terms of market research and business plan, but isn't so demanding it becomes counter-productive," he says.

He has also set up a system of rewards for employees whose ideas become reality, but is going one stage further than Reed. As well as paying a bonus on launch and a significant annual commission based on show profits, USE is also promising a percentage of the sale proceeds if the show is sold while

**Paul Byrom**

they are still with company. "It is important to us that staff feel properly rewarded for innovation," Byrom explains. He also embraces the hot housing concept Reed is pushing.

"We are actively positioning ourselves as an events incubator for small entrepreneurial organisers who don't have the infrastructure or finance to pull off a successful launch. We have a young focused team with flair and experience and we feel we work well with outside entrepreneurial people."

They also have something that most other organisers don't have - a venue. "Although we have a separate identity from the Business Design Centre, we are part of the same group, and the BDC has proved itself a great venue for show launches," he explains.

So do the entrepreneurs see value in the hot-housing strategy? Ellings does. "It's an interesting and practical recognition of the problem, as to be entrepreneurial while having the controls big companies have, is hard. From the entrepreneur's point of view, the key is autonomy. It is essential not to get sucked in to the environment we left. The corporates will get value from people like us if there is trust and an arms length relationship."

So it seems innovators have more options than ever, and can avoid financial risk by agreeing a deal with the logical purchaser of their event even before its launch. The larger organisers are now finding a way to harness the talent that doesn't want to work in a corporate environment. It seems that everyone wins.

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Hothousing case study - ILTM

International Luxury Travel Market is an international trade event for suppliers and buyers at the top end of the luxury travel market.

The concept was the brainchild of Serge Dive and David Hammond. Both had previously worked for Reed Travel but had left to pursue other avenues. Hammond attributes the original impetus for ILTM to two main factors. "We both had experience of the sector, knew it was growing rapidly but also that there was no real forum for buyers and sellers. We also had time on our hands and were able to research the idea properly."

"We were missing two main ingredients: funding, and the corporate credibility needed to deal with blue chip organisations."

In November 2001, having decided to proceed with the launch, Dive and Hammond decided a prestigious event needed a top notch location – Cannes. The duo then brought in Ronan McCarthy, also a former employee of Reed Travel, to run sales.

They had a concept, a tenancy and a brochure. "However, we were missing two main ingredients: funding to do this properly, and the corporate credibility needed to deal with blue chip organisations," says Hammond.

The decision was made to approach Reed. "We felt our historical relationship and its standing in the travel sector were crucial to success. We had all worked with the chairman

of Reed Travel, Tom Nutley, and we knew he would respect our role as entrepreneurs."

Nutley agrees. "I felt immediately comfortable in discussing a deal, we all knew each other well and there was great respect on both sides. In hindsight, this was crucial."

An agreement was reached. Reed invested some capital in return for 25 per cent of the business, giving each of the three founders and Reed an equal stake. The exit route was dealt with by giving Reed an option to acquire the balance of the business after the third edition for a pre-agreed multiple of pre-tax profits.

The ILTM team moved into separate offices. No-one thought it was a good idea to move into Reed's premises despite the potential cost-savings. This brought the best of both worlds. "We were operating independently, but there were many benefits from our association," explains Hammond. These included better negotiating power with suppliers (due to the strength of Reed's Midem event in Cannes), use of databases, media deals and sales agents and a strong marketing message because of Reed's ownership of the World Travel Market show.

Reed tracked progress through a formal board meeting and informal meetings each month. Did Nutley, as the representative of Reed's minority stake, ever feel the need to redirect the focus of the event? "Our meetings are always very vocal and everyone is on an equal footing when discussing strategic issues," explains Nutley.

In December 2004, immediately after the third edition of ILTM, Reed exercised its option and bought out the remaining 75 per cent for an unspecified sum, but one generally agreed to be 'a lot of money'.

How did Reed handle the transition of the event from a small independent organiser to the company's more process-orientated



Taste for the high life brought ILTM towards Reed

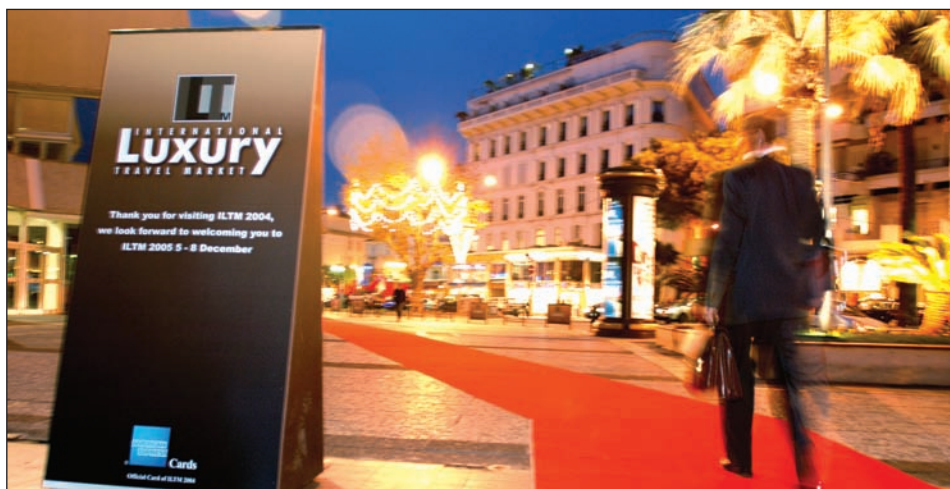
culture? According to Nutley, the transition was planned well in advance. "It was always part of the plan that Serge, David and Ronan would become consultants after the sale, and that we would take over their team as full time employees. This meant the transition was seamless," he explains.

It certainly seems to be a text book case of how a hot-housing project should work, and Hammond points to a likely 15 per cent increase in revenue for the first edition fully owned by Reed, which runs at the end of this year.

Looking back, what were the key reasons for success? Was there anything either party would have done differently?

Hammond believes the two key ingredients were a successful show, and an existing relationship. "Problems inevitably occur when an event is performing less successfully than expected, but we had a sound concept from the start," he says. Does he have any advice for other companies contemplating a hot-housing arrangement? "Approach your potential partner as early in the process as possible. When we were launching the show, cash flow was of paramount importance, and we did have some financial concerns early on because of the time it takes to negotiate this type of agreement, and to get the funds in place," he says.

Nutley agrees with the reasons for success. "It worked well because of our past history," he says. "Things start to go wrong when there are clashes in culture, however, we understood each other's working methods from the start. There is nothing fundamental I would handle differently. The success of the project has meant we are now actively searching out this type of arrangement across the company."



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