

A united front?

Steve Monnington looks at why some well-established companies, apparently with all the expertise and experience needed to launch, choose joint ventures instead of going it alone.

There was a time when exhibition companies were fiercely competitive, and kept their exhibition plans very much to themselves. However, over the last few years there have been an increasing number of joint ventures between exhibition organisers. Joint ventures between organisers and entrepreneurs working from their box rooms (they do still exist) are understandable as are joint ventures between organisers and associations or venues.

But why do two organisers who, on the face of it, have the resources and skill sets to produce their own events decide to form a joint venture? And do these types of joint ventures have additional challenges because of this apparent equality?

Clarion Events has a number of joint ventures including several consumer shows in the portfolio of Clarion NEC with the NEC, MPH, with Brand Events and the London International Horse Show. Although very different, each of these has one thing in common: one partner has the responsibility for running the show, and while the other takes a more passive role.

I asked regional managing director of Clarion, Kent Allen, how its involvement in MPH came about. "A few years after the

London Motor Show was cancelled, we carried out some market research to see if we could revive the event," he explains. "We decided that this wasn't possible, but the research did show that consumers would be interested in another

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form of event that could be best described as a 'motoring theatre'. Our MD, Simon Kimble, and Chris Hughes of Brand Events worked together to define the concept, and MPH was born. We felt we didn't have the right creative skill set or the contacts for sponsorship to pull this off on our own, whereas Brand Events was very skilled, and had extensive experience in this area. In addition,

there were huge set-up costs, where we could help with the funding thereby sharing the risk, so a joint venture seemed appropriate and the result is MPH."

After three years at Earls Court and last year's launch at the NEC, MPH has clearly shown why the creative element was so important to its success, but what role does Clarion now play in the joint venture given that Brand Events has taken prime responsibility for the growth of the show? Allen is clear that the joint venture functions much as it did at its inception. "There is an ongoing input and review process that we are involved in, but because we're not close to the day to day issues, it means we can step back and take an objective view of the event's development."

Brand Events' Chris Hughes also believes the arrangement has been a great success. "Joint ventures need to be entered into cautiously, but our relationship with Clarion has been fantastic," he says. "We both bring something to the party, and we let each other do the thing the other is good at."

Hughes believes joint ventures can be at risk because of ego getting in the way, with one partner wanting to show the other how great they



Racing ahead: Clarion and Brand Events' MPH



Tim Etchells: "split responsibilities don't work"

are. However, this has never been an issue with Clarion, he says.

"Without doubt, Clarion still bring an enormous amount to the table. They give us the balls to go for it, the money to pay for the balls and also all-important strategic input," says Hughes. "We can sometimes be a bit manic, whereas Clarion is a calming influence and Simon Kimble is very supportive."

Clarion's most recent joint venture saw them buy into the NEC's consumer shows, previously organised by Centre Events, the in-house organiser for the NEC, and here, Clarion is the active partner. The NEC wanted stronger resources and structure applied to developing its exhibition arm further, so it was a logical move to team up with Clarion.

"It works for both of us," explains Allen. "The NEC respects Clarion's ability to develop exhibitions and it wants to increase the venue's occupancy. This arrangement gives them a level of confidence that Clarion will continue to create shows that will be held at the NEC and it still has a stake in the organising company itself." Clarion also benefits from securing a portfolio of shows with scalability and can use the best practice processes in place in their businesses in London and Glasgow to maximise margins and keep overheads under control, thereby boosting profits to the benefit of both partners. The joint venture is not exclusive and the NEC is able to have other relationships in place.

Allen is clear on the dynamics required for a

successful joint venture. "The purpose of a joint venture is to gain access to something, where you believe significant barriers exist in doing it on your own, in order to achieve results more quickly and with less risk. But it only works if both parties have the same or compatible outcomes in mind and this means the goals need to be well defined."

So what is Allen's advice to companies thinking of going down the joint venture route? "The relationship with the joint venture partner should be open and transparent with the roles and responsibilities clear, particularly the decision making," he says. "It's important that the partners agree both the goals and the desired end result before signing the agreement."

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One other issue that is pertinent in the current, fast moving market is change of control. Allen explains. "In today's acquisitive climate, the partner you sign with isn't necessarily the one you will have in the future, and it may be that your joint venture partner is acquired by one of your competitors. It's vital that there is a change of control clause in the joint venture agreement that allows you to exit, and which governs such crucial issues as who owns and controls the customer relationships and intellectual property rights. Always prepare for the outcome options at the beginning and incorporate these into the initial formal agreement," he says.

Last month the Surface Design Show was acquired by Expomedia Exhibitions and Conferences. The show was owned by Surfaces Show London Ltd, a 50/50 joint venture between Single Market Events and Upper Street Events, two organisations known for their skills in both launching and running a wide variety of both trade and consumer shows. So why did they decide to work together on this show?

Managing director of Single Market Events, Tim Etchells recalls how the show was conceived. "We have had a number of successful joint ventures over the years, but the genesis of The Surfaces Design Show was a little different. We came up with the concept and launched the show, but the show director, Geoff Soppett, didn't want to work in Richmond, where we are based, anymore. The commute was too long from North London and his wife didn't like him travelling that much. I told him to divorce the wife, but he didn't think that was a good idea. I then thought that we should partner with Upper Street Events based at the Business Design Centre, 10 minutes from his home, so we retained an interest in the show and he retained his wife."

Apart from playing marriage guidance counsellor, SME's role was essentially a strategic one, with USE running the show day to day. Now the JV has come to an end with the sale of the show and there's money in the bank, how does Etchells view the success of this particular venture? "Given that our choice was to

let the show go, or retain 50 per cent, I think the end result was fair. We had the original idea, USE developed the show with our strategic input and we shared in the rewards," he says.

SME had a similar success with the launch of the Good Food Show in Australia, in partnership with Australian Exhibition



Kent Allen: "goals need to be well-defined"

Services. "This was a great example of how to accelerate a launch by using a joint venture," Etchells explains. "Australian Exhibiton Services knew the food trade sector, but had no experience of the consumer market. We took the concept from the UK and it used its resources to run the show."

So does Etchells subscribe to the Clarion view of one active and one passive partner?

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"Absolutely right," agrees Etchells. "In my view split responsibilities don't work, it's like oil and water. One party should run and the other helps with strategic input."

If this separation of roles is an important factor in the success of the relationship between two partners, it does raise another issue. Surely, after some time, the active partner who is building the brand must become resentful of the more passive partner? Etchells agrees. "After three years the reason for the joint venture has gone. One partner is doing all the work but, both are getting the value. It's important to create a trigger for exit by

one or both parties after three years and we build this into all our joint venture agreements."

In the case of the Good Food Show, AES bought out Single Market Event's share but with The Surface Design Show, the three year trigger resulted in the decision for a sale on the open market. Head of events at USE, Paul Byrom, explains how this worked from their side. "Although we had a mechanism built into the

agreement for a buyout by either partner from the other, this simply acted as a catalyst to ignore the whole formula and we both opted to sell to a third party instead," he says. "Part of the reason to sell was predicated by the fact that the joint venture had run its course. Selling suited both parties and we were also happy to crystallise the value we'd both built up."

So what advice does Etchells have for others looking to achieve the same results? "Firstly respect your partner and be proud to be associated with them. Also, good communication is essential, it's important to be able to have a

beer and relax together as well as reviewing monthly show reports," he says. "Finally you must have an understanding of your partner's attitude to risk." Etchells is advocating a long term view. "If sales are slow it may be necessary to increase the marketing budget, particularly with consumer shows. I wouldn't want to be working with a partner whose immediate reaction in this situation is to cut costs."

Will Single Market Events be creating more joint ventures? Etchells says yes. "We tend to look at joint ventures as the engine behind replicating our shows abroad. Our RSVP show has been very successful in Australia, and we have just agreed the launch of London Fashion Weekend in New York partnering with IMG."

And USE? Byrom also says yes but for different reasons. "We are more comfortable being the active partner. Being owned by a venue isn't enough to merit being a passive partner, when we have the full range of resources and very strong databases. Therefore our target joint venture partner is the entrepreneur whose ideas we can turn into shows."

So, some invaluable advice from those who have successfully been through the joint ventures process. The key to this success seems to be to plan your exit before you make your entrance. It will save so much time and heartache later on.



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