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KME Consulting Group

KRESSE MEDIA & EXHIBITION PUBLICATIONS

# THE KME VIEW: HOW FULL IS THE HALF EMPTY GLASS?

***The global economy is currently rebounding, but there are significant differences in regional developments, also effecting the exhibition industry.***

"We are not in year one after the crisis, but in the third crisis year", this was the assessment of Axel Weber, Head of the German Bundesbank at the latest World Economic Forum in Davos in January 2010.

## IMF forecast

Whereas Europe and Japan have been extremely hit by the financial and economic crisis and the recovery is expected to be only moderate in 2010, the US and especially the emerging markets China (see chart below), India (+6,4%), Brazil (+5,2%), Turkey (+3,5%) and to a lower extend Russia (+3%) will benefit from a quicker turnaround of economic figures in the running year.

| | 2009 | 2010 | 2011 |
|---|---|---|---|
| Worldwide | -0.8 | 3.9 | 4.3 |
| USA | -2.5 | 2.7 | 2.4 |
| Euro-zone | -3.9 | 1.0 | 1.6 |
| Germany | -4.8 | 1.5 | 1.9 |
| China | 8.7 | 10.0 | 9.7 |

Growth of GDP in percent
Source: IMF International Monetary Fund

## The Greek disease

Within the Euro-zone the latest disaster of the Greek national finances brought to light how volatile the total situation is, even in the "old Europe". Do we really see the light at the end of this tunnel?

## Global top management survey

Did your industry sector gain or loose faith in the public opinion since the beginning of the financial crises? This question was answered by around 1,200 top managers on a global basis. Please view the interesting results on a sector-to-sector basis on the last page of this newsletter.

Dr. Hermann Kresse
KME Consulting Group

Historical experiences appear to be reconfirmed whereby heavy financial crises do not come along with a rapid recovery. Fiscal systems remain morbid, large national debts turn out to be a horror on the markets, the economy in the industrial nations is just slowly increasing and the highly reflationary monetary policy simultaneously rises the inflationary potential in the long run.

## Germany - no longer export world champion

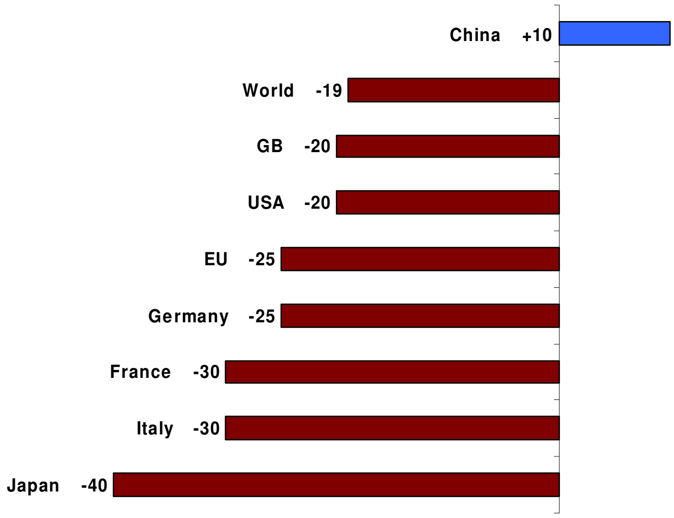
In the recession year 2009 the German exports dropped by 18.4 % to a total of 803 billion Euros (around 1.12 billion US Dollar), whereas the value of the Chinese exports amounted to 1.2 billion US Dollar. We are indeed within the Chinese decade now. From 1998 to 2008 the Chinese share of the world trade volume has risen from 3.3 % to 9.1 %, whereas the US figures went down from 12.4 % to 9.1 %. The German share of the cake was relatively stable, going down from 9.9 % (1998) to 9.1 % (2008) only.

## Stagnation of German machine building sector

But one of the German model industries, the machine building sector, has gone through a deep valley in 2009 and is expecting a stagnation in production value in 2010 on the level of 151 billion Euros. This means a zero growth compared to 2009.

## Consequences for the exhibition industry

There are two possible approaches when it comes to the consequences of the real economic scenario for the participation of companies at trade fairs. On the one hand it is a common saying that trade fairs and exhibitions are mirrors of the markets, regularly with a time lack of around 6 - 9 months. On the other hand the expert view indicates that trade fairs and exhibitions as marketing media should be used in a counter-cyclical way by interested companies. This means nothing else that the presence within the sector community is even more important for market players during difficult times.




Turnover in the international machine building sector (Change in % compared to 2008)
Source: VDMA, estimation 2009

The overall results of the international trade fairs in Germany in the first weeks of the running year 2010 are generally encouraging. There is obviously not much growth, some exhibitions are going down in figures, but we are experiencing a relative stability of the leading events. More than ever it is vital for a show not to be just a me-too product, but the number one or at least number two meeting point of an industry.

### The trust-building factor

How can trust between business partners be built? There is only one answer: They need to meet each other personally from time to time. Trade fairs and exhibitions are the optimal media of this personal encounter. This is why they can be hit by economic developments, but still keep or even increase their importance for business.



## CEBIT "SPLITTING"

***The new profile of CeBIT 2011 will feature a more user-centric approach and be built around four client group pillars.***

What does this mean? The leading IT show, just having closed its doors for the 2010 edition (4,157 exhibitors and 334,000 visitors), recognises that it has to sharpen its focus even more. The new CeBIT spotlighting the digital sector's enormous innovative speed will have four segments:

- CeBIT pro - addressing professional users
- CeBIT gov - targeting government and the public sector
- CeBIT lab - giving home to international research institutions and universities
- CeBIT life - catering to professional consumers (so called 'prosumers') and techno-savvy consumers"

"Consumers are a vital part of the value creation chain in the digital sector', Ernst Raue commentated. Raue is Mr. CeBIT, the member of Deutsche Messe's managing board in charge of CeBIT. Well, indeed, many innovations are triggered by pro- and consumers, serving as trendsetters and innovation drivers.

The Deutsche Messe management team thus follows its own trend set for the Hannover Messe some years ago: a bouquet of specialised trade fairs / trade fair segments under one umbrella brand. More to be experienced about the 'new CeBIT' from 1 to 5 March 2011.

# EXTEND YOUR LEAD THROUGH BRANDING

***Trade fair communication is a prominent means of branding for exhibiting companies, but brand building is equally important for exhibition organisers and venues.***

Especially during difficult times branded companies have to stick to the substance of their brand products or services. The good news is that a strong brand is the most important asset a company can enjoy.

Why? The reason is that a stable clientele having been built up over years can not be troubled overnight.

What is the prerequisite? The brand has to remain true to itself. There is one basic rule: Brands only destroy themselves from the inside.

Branding applies as much to products as to services. This is why brand management is not only an issue for exhibitors but also for exhibition organisers and their trade fair brands.

## The five musts for brand owners

For their branding companies currently have to pay attention to the following five aspects:

**1.** Now is the time to keep track and to stick to the route taken during the last years (if it went into the right direction).

**2.** The brand substance has to be secured; meaning that red pencil measures should never harm the attractiveness of the brand. One example: Avoid suspension of experienced staff leading to quality losses.

**3.** The trust of the clients has to be maintained by all necessary means. Any irritation weakens the loyalty of the customer towards the brand.

**4.** The main focus should be directed to the strengthening of the core business. Keep up quality and safeguard essential brand benefits.

**5.** Stop activities which are not directly contributing to the success of your company.

The result is:

Exhibition managers positioning their company and its brands well have good chances to come out of tough times in good shape and even gain additional market share.

# MIXED PERSPECTIVES FOR CENTRAL & EASTERN EUROPE

***After a massive downturn in 2009 some of the CEE countries are expecting an economic recovery in the running year 2010. Ukraine is on its way back to stability.***

Among others the Central Asian countries Kazakhstan and Uzbekistan will be on the winning side together with Russia, Poland and Ukraine.

| Country | 2009 1) | 2010 1) |
|---|---|---|
| Uzbekistan | 8.0 | 8.3 |
| Russia | -7.9 | 3.0 |
| Ukraine | -14.0 | 2 till 3 |
| Poland | 1.7 | 2.5 |
| Kazakhstan | 0.5 till 1.0 | 2.4 |
| Slovakia | -5.7 | 1.9 |
| Serbia | -3.0 | 1.5 |
| Estonia | -14.0 | 1.5 |
| Rumania | -7.0 | 1.3 |
| Slovenia | -7.4 | 1.3 |
| Czech Republic | -4.0 | 1.3 |
| Bulgaria | -4.9 | 0.6 |
| Croatia | -5.8 | 0.2 |
| Hungary | -6.7 | 0.0 |
| Lithuania | -16.0 | -2.0 |
| Latvia | -18.0 | -3.0 |

1) real change (in %); 2009 estimation, 2010 forecast
Top export markets in 2010
Source: Germany Trade & Invest

## Ukraine as a bridge between East and West

Looking at the market potential of selected sectors the Germany Trade & Invest barometer forecasts a stable development for the electrical & electronics industry as well as for the construction, chemical and machine building sector in Ukraine, whereas the automobile branch is seen to go down. The following three industry sectors are expected to show a booming trend in 2010: information technology & telecommunication, environmental technologies and medical technologies.

The new Yanukovych presidency is committed to the integration of European values in Ukraine, trying to make use of the country's geopolitical advantages to become a bridge between Russia and the West. If President Yanukovych succeeds in restoring economic vitality and calming the political turbulences the country has an excellent potential to increase its standing in the world economic community again.

## German Lounge at Bezpeka | Security

For the 15th edition of the leading security trade fair in Kyiv, the Bezpeka event from 26 - 29 October 2010, msi agency | germany, a partner company of KME Consulting Group will organise a collected German booth for the 2nd time.

msi agency | germany offers individual exhibition space and matchmaking services for an all-inclusive price (for details please view the msi webpage www.msi-agency.com).

## TRADE FAIRS & EXHIBITIONS ON THE SAFE SIDE?

***What kind of alternative marketing instruments are companies going to use in the future in addition to exhibitions or partly replacing them?***

The answer seems to be evident: Trade fairs & exhibitions will not be totally replaced by other marketing tools. But, additional marketing activities are practiced by almost half of the 500 polled German exhibiting companies. The favourites are primarily congresses (49 %), marketing events (47 %) and in-house exhibitions (45 %).

Almost one fifth of the companies interviewed (18 %) for the latest AUMA exhibition trend indicated that virtual market places will partly replace exhibition participations in the future. The same replacement trend is applicable to a lower extend to in-house exhibitions (15 %) as well as to events (13 %).

A high number of the companies did not have an opinion and therefore did not procure answers to the survey questions.

### Small and medium-sized companies remain the backbone

59,000 German companies are currently participating at b2b trade fairs in Germany. 37 % thereof have a turnover of less than 2.5 million Euros per year; three quarter of the companies do not exceed a 50 million Euro turnover per year. Less than 10 % of the companies may be classified as big players exceeding a yearly turnover of 250 million Euros.

**Future development of alternative marketing tools in Germany**

| Tools will … | In-house exhibitions | Virtual market places | Congresses | Events | Show rooms | Brand lands |
|---|---|---|---|---|---|---|
| … be used in addition to exhibitions | 45 % | 40 % | 49 % | 47 % | 37 % | 26 % |
| … partly replace exhibitions | 15 % | 18 % | 10 % | 13 % | 11 % | 10 % |
| … fully replace exhibitions | 2 % | 1 % | 2 % | 1 % | 2 % | 1 % |
| not specified | 38 % | 41 % | 39 % | 39 % | 50 % | 63 % |

n = 500 German companies, Multiple answers were permitted
Source: AUMA_MesseTrend 2010

## BERLIN CONVENTION MARKET BRAVING THE CRISIS

***Despite the economic crisis 8.26 million participants came to Berlin to attend 108,500 events in 2009.***

Thus the convention destination Berlin sustained a leading position in the global ranking.

The prevalent three sectors holding conventions and congresses in the German capital were the medical and the pharmaceutical sector as well as the communication industries. The average duration of an event amounted to 1.7 days.

## ONLINE BIBLIOTHEK FÜR MESSERECHTSPRECHUNG

***Eine umfassende Übersicht der Rechtsprechung zu Messen und Ausstellungen finden Sie jetzt in der Rubrik „Messe-Urteile" unter [www.kresse-law.com](www.kresse-law.com)***

Die Rechtsanwaltskanzlei Dr. Kresse konzentriert sich auf die Beratung im Bereich Messen, Ausstellungen, Kongresse und Events.

Die unternehmerische Tätigkeit auf diesem Sektor umfasst ganz unterschiedliche Rechtsgebiete. Dazu zählen etwa das Gewerbe-, Vertrags- und Haftungsrecht, Wettbewerbsrecht sowie gewerblicher Rechtsschutz, Vergaberecht, spezielle Themen des Arbeits- und Sozialrechts, Versammlungsstättenrecht sowie Fragen des Datenschutzes.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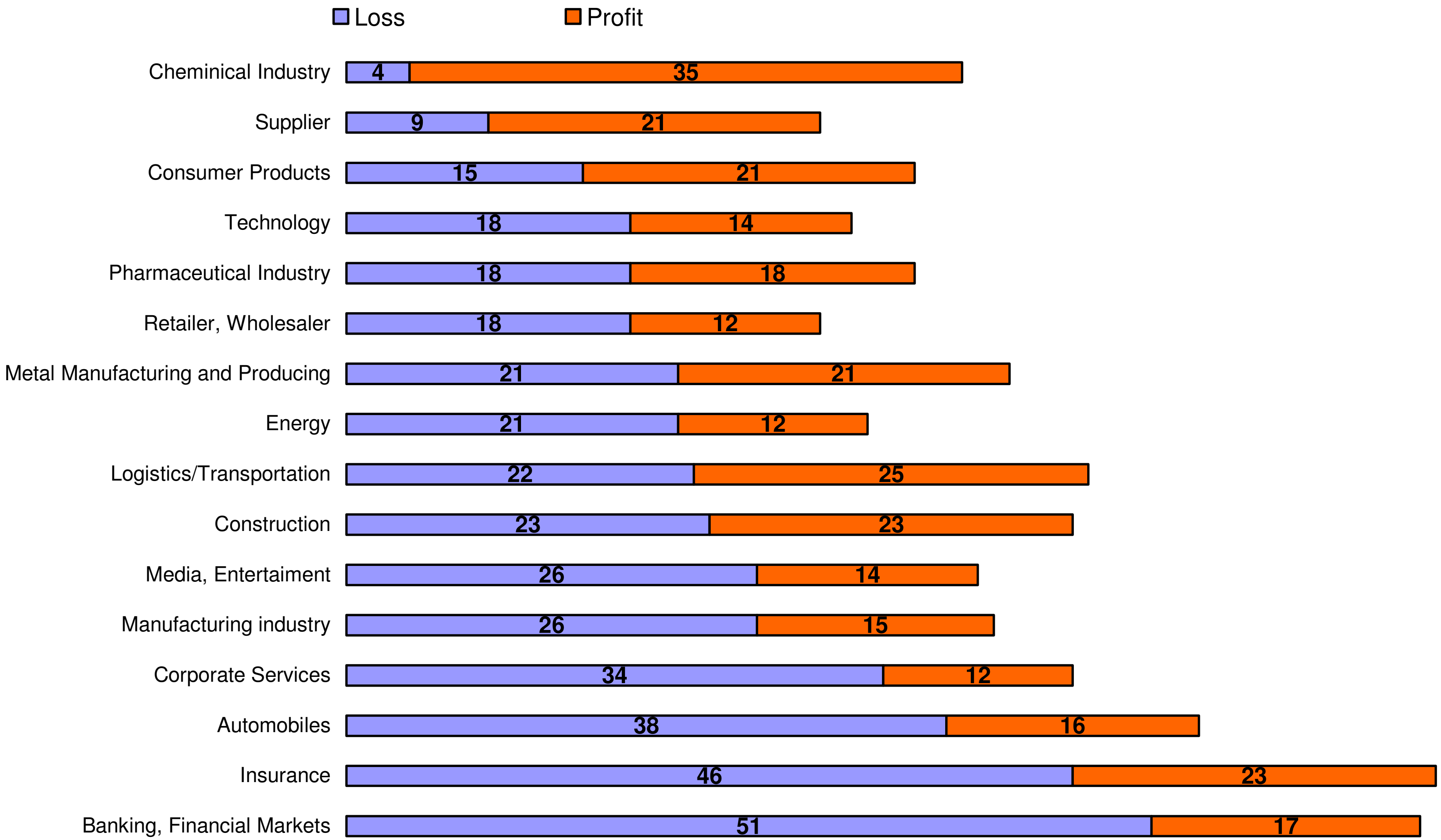
# Sector-related survey among top management on a global basis

Worldwide poll of 1,198 top managers (all figures are stated in %)

Did your industry sector gain or loose faith in the public opinion since the beginning of the financial crises?




Source: Pricewaterhouse Coopers