SPECIAL REPORT

INTERNATIONAL PIZZA EXPO

ARE TRADE SHOWS WORTH IT?

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THE DEBATE:

Trade shows have been around for decades, and so has the debate – are they worth it? This debate is embedded in the question CFOs and/or senior executives ask **– "So what did we get for all that money we spent at the XYZ show?"** A fair question for two reasons:

1. Trade show expenses are the **largest single line item** in a B2B company's marketing budget's representing between 20-40%* of the total budget. In part, this high percentage is a result of larger B2B firms averaging 10 shows per year* (*data from CEIR – Center for Exhibition Industry Research).

2. Trade shows are one of, if not, the **hardest marketing expenditure to measure.** Very few short term result measurements are possible, as 80% of the justification to exhibit is to find new leads. With long and complex sales cycles for most B2B firms, by the time the next show is up for renewal few sales have actually resulted from the prior show, and therefore a measureable return is not yet known. The other 20% is for branding and customer relationship building – not a measureable activity.

SO WHAT'S THE ANSWER?

The Four Justifications That Make Trade Shows worth It:

There are many statistics on trade shows and they are interesting, but are focused on activities and not results. Each firm needs to asses and justify their participation in every show, and this white paper lays out a framework for this assessment. Not all shows are created equal, and the trend today is for B2B firms to eliminate the underperforming shows – the average will likely drop from 10 shows in 2015 to 8 or 9 in 2016. Organizers beware!

1. Flying the Flag or "We're not going out of business!"

All too often justification used for exhibiting at an important industry trade show is, "if we don't exhibit our competitors will say we're having financial trouble", which then implies that you're going out of business, which of course is not true. While this is not a measureable justification, it is a valid concern from the sales staff, as they're the ones who will have to field the question – "so why didn't you exhibit at XYZ show?" No matter the answer, a dark shadow is cast on the company particularly if they had prior exhibited annually at the show. **Competitors will use anything to gain an advantage, and this concern from sales is important to consider.**

2. Brand Awareness

If the exhibit is relative large and designed well advertising agencies will talk of "brand impressions" as a measure. Simply put, how many people attended the show, as each are assumed to receive a brand impression, even though they may not have stopped by the booth. Booth size, design and graphics have a lot to do with this, as the attendees do walk the show floor and will see your booth even though they don't stop by for a visit. **This impression is therefore much like a trade magazine ad.**

Select the trade magazine that aligns closest to the show, and determine the cost of a full page four-color one time insertion ad. Since this white paper is about trade shows, I'll pick Exhibitor Magazine and their Exhibitor Live trade show as the example. I'll also assume the exhibiting company sells booth design and construction services. The show draws 6,000 attendees who represent the cream of the business, and certainly the audience to reach if you are selling booth design and construction services. **Their full page ad cost is $7,146 (2015 rates) and could be equated to an advertising value the show delivers.** Magazine advertising is not really read, but rather just looked at - much like a trade show booth. Obviously, the specific ad cost for your industry magazines will be different. I'm not including company listings in the show program, websites or other promotions, even though they all support brand awareness gained from the show.

3. Customer and Prospect Relationship Building

The cost of a B2B face-to-face sales call (now estimated to be around $600/call) combined with the difficulty these days to actually see key customers and current prospects, provides another valid justification to exhibit at trade shows.

Let's use the $600/call cost as a reasonable benchmark, and multiply it by the number of meaningful customer/prospects meetings made at the show. Let's assume that 5 of your sales people are at the show, and they also know which of their customers and current leads are attending. Prior to the show they arrange meetings to see 5 good customer or leads – not an unreasonable number, and in fact it could be higher. **The field sales call cost of these calls is $15,000 (5 sales people x 5 calls x $600).**

Yes, the sales people are spending extra money to attend the show and entertain customers, but nowhere near the cost of making these calls one-by-one in their territory. To be fair, let's estimate each of the 5 sales people spends $915 for a three day show (Las Vegas per diem is $305 from Business Travel News), and $300 more for entertaining for a $1,215 per sales person extra cost or $6,075 for all five. So the sales cost savings of seeing 5 customers or prospects is **$8,925 ($15,000 - $6,075), and is a measureable value to use in justification.** Obviously, the sales call cost needs to be calculated for your company, and unfortunately most companies do not know it, as it can be scary.

4. Lead Generation

As referenced, **80% of the justification to exhibit at trade shows is to find and engage new sales leads.** Trade shows are industry or association gatherings and those individuals attending are doing so for a variety of reasons – educational seminars, seeing current suppliers, meeting with industry peers, keeping up on industry trends, and finding new suppliers or products they need to purchase. It also can be assumed that their company is healthy and has money to spend, since companies on the ropes don't send employees to trade shows!

Your mission is to find, attract and engage individuals who might need your product and/or service or in other words are targeted prospects. Obviously, not all attendees or booth visitors fit the targeted audience profile. The actual achievement of this lead generation mission tracks **to the three traditional steps of trade show marketing and needs to be combined with a lead generation plan.** Here's a brief summary of the three phases with recommendations and justifications you might not have thought of:

1. Pre-show marketing

Identification and communication to those individuals who fit your target profile of a potential customer is the core for any pre-show marketing efforts. At this stage it becomes important to profile by 4-digit SIC or 6-digit NAICS code your target audience. Pre-show registration lists are most useful for communications, but should also be combined with other marketing efforts that will include internal and external prospects lists. **Getting the right people to the booth is a critical first step in generating enough leads to justify the show.**

2. Show Floor Exhibiting

This is when the action takes place. Books have been written about this, and one of the best is The Event Marketing Handbook written by Allison Saget and published by Kaplan Publishing. I'll not go into detail on how to exhibit at the show, but rather **point up some metrics that can be used for justification.**

Since the action on the show floor is primarily focused on prospect identification and lead generation (qualification comes later), the way to view any meaningful metrics is to calculate the value of the activity that occurred at the show. Companies spend considerable amount of monies to create the time, place and media of lead generation contact, and trade shows are in this category. The two overall marketing cost benchmarks for conversations are:

• Completed B2B telemarketing call	$50
• Sales call - as referenced	$600

So what is the average value of a trade show contact and conversation as compared to these two benchmarks? It's certainly more than a telephone call since the conversation is face-to-face, but clearly less than an in-person on-site sales call that may last for an hour or more in an office setting. Splitting the difference for a $275/contact value might be an approach, but probably is too high to be accepted by that ever skeptical CFO. It's better to be conservative, so I'll use $200 as the value of a trade show conversation. Notice I'm not referring to a booth stop by, but an actual conversation with some exchange of information. Pick another value if you like to fit your cost structure and/or situation.

3. Post-show lead qualification

While it is true some lead qualification takes place in the booth, the reality is that only about 10-15% of booth visitors who might eventually buy your product or service spend enough time and/or divulge enough information in conversation to be effectively qualified. If you have ever maned a booth you know this to be true due to:

- High traffic times such as opening day, lunch time or when seminars adjourn
- Reluctance of booth staff to ask the right qualifying questions
- Impatience of the visitor to move along and cutting the conversation short
- Incomplete capture of answers to qualifying questions either electronically or manually

Therefore most lead qualification takes place after the show is over. Poor postshow lead qualification is where much of the value from trade shows is lost, and this is a white paper or e-book all by itself.

What's measureable is the number of potential leads that meet your target profile, and how to place a value on them for justification to exhibit at each show. The most active ingredient in identifying potential leads is the industry of the attendee's company (another use of the SIC/NAICS profile). Therefore, while this is only one data descriptor of a potential lead, it is a good link to potential revenue. Therefore, the booth staff needs only ask one question to classify the visitor as a potential lead or a looky-loo – "what does your company do?"

Just how rich is the target environment? Equipped with your target profile, the question is just how many of the attendees meet this industry data profile? Unfortunately, very few organizers are able to provide this information, and that may be changing. So until they do, you are responsible to gather this data. The only way is to ask all both visitors the industry question. Clearly not all attendees will be interested in visiting your booth, and those drawn to it will have a reason for stopping by. Depending on your booth promotion (please stay away from the Booth Babes) the quantity vs. quality percentage of booth visitors will vary.

Case example:

Here's a template for calculation

Number of show hours – 3 days x 8 hours or 24 in total
Number of sales people – 5
Number of visitor interactions per hour per sales person – average of 4
Interaction capacity – 480 (24 hrs. x 5 sales people x 4 interactions/hr.)
Percentage of visitors fitting profile – 30% (will vary but 30% is average)
Number of potential leads – 144 (480 interactions x 30%)

Now you have the number of 144 potential leads that can be a first level answer to the "what did we get for our money" question. But, don't stop here.

Industry rule of thumb is that for every staffer, the booth is 50 sq. ft. In our example we choose to have 5 sales people for a booth size of 250 sq. ft. Both cost averages around $30/sq. ft. or $7,500 for floor space. A factor of 4 times booth cost is the industry average for all other expenses, or in this case example another $30,000.

Total cost to exhibit at XYZ show is $37,500
Cost per potential lead is $260 ($37,500 divided by 144)

Is $260 good or bad? The answer lies, in part, in what is the cost per inquiry from all your other marketing efforts? It could be lower, but in many B2B clients I have worked with, it is higher due to so few leads being generated by other methods and campaigns. Don't forget that an inquiry is not a lead.

Another measure of acceptable value is to **assess the cost per lead vs. the revenue and margin of a sale.** In most B2B situations, the product and/or service sales revenue is in the multi thousands of dollars. So almost no matter how high the lead cost, it's profitable!

Another benefit of trade show leads is that they have been generated in a short period of time vs. other lead generation campaigns that may only generate a few each week. This feeds marketing a fresh and accurate list of potential leads to qualify assuming they have the resources to do so, and it's important that they do. This burst of fresh leads can be a boost to any sales efforts if followed up. Breakeven and will we achieve a positive Return On Expense (ROE)?

Sales results are the final measure, and at the time of the show's end no sales will have occurred. So how do you calculate an estimated breakeven and ROE that the CFO will buy before sales actually are made? Here is a method that is based on both B2B benchmarks and my experiences. These numbers continue the case above (I rounded off the numbers).

- 10% of the 144 inquiries meet the qualification criteria today or **only 14**
- 20-40% of the 144 inquiries will be leads if properly nurtured over time – let's use 30% to generate another **43 qualified leads**
- Therefore, over time, this trade show will produce 57 qualified leads (14 + 44 = 57) from the 144 inquiries generated at the show.
- The next step is to estimate the number of sales from these leads. Ask the sales manager what conversion percentage they would forecast if given a qualified lead? Typically, the number is optimistic, and will be in the range of 50% or more. Let's be conservative and say only 25% or 1 in 4 of the qualified leads will convert to a sale.
- So given 57 qualified leads the **number of sales will be 14.**
- What is the average revenue of a sale? Actually this question has three answers.

    o First sale
    o Yearly revenue
    o Lifetime revenue

  Pick the answer that is most acceptable or saleable in your company.

  For this example let's assume the following revenue from the sale of trade show booth design, construction and service is:

    o First sale $10,000 – one trade show booth
    o Yearly revenue $50,000 (5 sales per year)
    o Lifetime revenue $150,000 (3 year life span of a customer)
    o Also a 50% gross margin is assumed, which is fairly standard.

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Breakeven calculation

This is a classic direct marketing calculation, and is defined as how many sales at gross margin do we have to make to pay for the campaign or in this case the trade Nshow. Let's apply this to trade shows and this case example.

- The total cost of the show was $37,500
- The average gross margin for the first sale is $5,000
- Is it reasonable to assume the show will produce 7.5 sales to breakeven?
- Based on this case example, the answer is yes as 14 sales are forecast.

Only the margin for the first sales was used in this case not only to be conservative, but to also show the CFO a realistic analysis, as they will shoot down overly optimistic ones.

Return on Expense or ROE

Why didn't I use ROI? Actually, while ROI is universally used term by marketers, it is almost never a real ROI calculation. Just ask the CFO how the company's financial ROI calculation is constructed to see the error in using this term. As an example, it includes the calculation of discounted cash flow – something that marketers never do. Therefore a more realistic measure is ROE, and is expressed as a ratio of $1 expense to $X of margin returned.

By calculating an ROE, a comparison of all marketing efforts can also be evaluated, and that goes for comparing multiple trade shows against each other. Let's finish off this case by calculating the ROE.

- Total cost of the show - $37,500
- 14 customers with $50,000 yearly revenue each or $700,000 total revenue and a 50% gross margin equals $350,000 in margin.
- The ROE is 1 to 9.3 ($37,500 divided into $350,000 margin)

Not bad, by most any standard.

To Sum Up:

So now how do you answer the question – **"So what did we get for all than money we spent?"** Based on this case, and I realize it's a case example, here are the answers:

- We saved $8,950 in selling costs plus strengthened customer and prospect relationships (assuming the meetings and entertainment went well)
- We received $7,146 in advertising value
- We generated 144 new inquiries that produced 57 qualified leads for conversion
- With these 57 qualified leads, we are confidently forecasting 14 new customers over time with a yearly revenue of $700,000 and a gross margin of $350,000
- We achieved an ROE of 9.3 to 1

Let's total it up:

Sales cost savings	$ 8,950
Advertising value	$ 7,146
Margin from expected sales	$350,000
Total	**$366,096 vs. cost of $37,500**

Are trade shows worth it – and in this case YES!

Obviously, this case example is fictitious, and your actual expense and revenue numbers need to be used to assess participation or evaluation of a trade show. All too frequently, when asked the "worth it" question, the answers are unsatisfactory to executives, and frankly don't reflect well on your professional capabilities. Meg Whitman, while CEO of eBay, was once quoted as saying, "If we can't measure it, we don't do it". This is increasingly true for trade shows, as for far too long they have escaped the harsh light of measurement and justification. Hopefully, this approach to measure the value of trade shows provides you with a valid way to decrease the intensity of the light or better yet, make exhibiting at shows a bright light for you.

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