

The Impact of Economic Uncertainty on the Meetings Industry

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As an industry futurist, the biggest single issue I get asked about today is *'how might the current economic turmoil and uncertainty impact the meetings industry?* I think it's a good thing that the industry is starting to ask these questions and think about longer term strategy – that can only be positive.

To answer the question, I believe we need to separate out what's happening in the short term from the longer run forces driving the future of the economy.

Short Term Prospects

In the near term we see three things happening. Firstly many of the key economic indicators don't look that positive for major economies such as the US and parts of Europe. Growth is flatlining, unemployment is high, personal bankruptcies are up, and lending to small to medium businesses is down. As a result, many firms and individuals are cutting their spending in anticipation of further economic uncertainty and a possible new recession. This in turn is leading to weaker order books and some corporate events are being postponed or cancelled to control costs.

Secondly, we see firms responding to their weakening order books by doing internal motivational events to try and energise the organisation and creating customer events to try and generate new business. Also many firms are accelerating their overseas expansion efforts and so they are creating globalization related events at home and in key markets. Many in the events sector that we talk to are hanging on to these as the main sources of hope in the short term.

Thirdly, confidence has been eroded by a very poor response from politicians around the world. In Europe they have really failed to acknowledge that European Monetary Union may a 'fair-weather solution' that just doesn't work for such a diverse set of economies in times of economic stress. The recent debacle in the US has also had a damaging effect on global confidence. Both sides knew the likely impact on markets of delaying a decision on raising the US deficit ceiling yet still let the wrangling run close to the wire. The markets are punishing that inaction.

The Cost of Short Term Thinking

Sadly for our industry, the current uncertainty is highlighting how little genuine insight many in the industry have into what drives customer demand. People still think I'm crazy when I say that venues with occupancy of 30-40% and big public subsidies just won't survive the next five years of turbulence – we have a lot of these venues across second and third tier cities across Europe.

The Association Lag

For associations, the impacts often lag behind what's happening in the economy. Events are booked with long lead times and their commercial importance to association finances mean their owners are loathe to cancel. However, many will be forced into tough decisions as hesitant members will delay their attendance decision until the very last minute. In the longer term, the big concern for associations is the retirement of older members who have grown up with live events. The generations coming through behind them aren't so committed to the live event model and many associations are not recruiting new members at the same rate as they are retiring out.

Winning in a Downturn

The players that stand out will be those that can create additional revenue streams for their events and genuinely innovate on their event design. This means catering to increasing desire for a personalized experience. It also means capturing and communicating the value generated for delegates at their events – whether that be new business or the improvements they have implemented as a result of attending. Even in a downturn, there will be growth in certain sectors and new industries will start to emerge. The more innovative venues, destinations and service providers will focus some effort on identifying and attracting in events in these emerging growth sectors.

The Long Term Outlook

Now let's turn to the long term. Structural problems across the developed world mean the global economy is likely to remain turbulent and uncertain for a decade or two. Massive and unsustainable levels of public and consumer debt will dominate the agenda for the US and Europe in particular. The banking system remains a largely unreformed source of risk and is unsustainable as it is currently structured. For example, there are an estimated US\$700TN of derivatives contracts out there – 10 times the size of the entire global economy. S&P's downgrading of the US credit rating from AAA to AA+ will have a negative impact across the global economy and many other countries will experience similar downgrades in the next 12 months. Efforts to cut public debt are leading to austerity measures, budget cuts and rising unemployment.

Inevitable Surprises

In sectors where growth is happening (e.g. web services), the scale and pace of automation means that it is often occurring without the creation of large numbers of new jobs. An ageing society and rising life expectancy are also creating massive pensions and social care time bombs that are being addressed at a very slow pace. At the same time, the emerging economies are at a different point in the economic cycle. They are establishing their economic, social and physical infrastructures and for many there is great vibrancy and high growth. History tells us that this won't last; most of these economies will inevitably have their own problems at some point in the future. The warning signs are already evident in China.

Everyone Shares the Blame

The combination of forces driving the turmoil is pretty much unique. Governments and businesses across the developed world failed to address the issues as they built up – maybe because they hoped the worst would never happen or maybe because they just didn't want to face up to the inevitable changes required. This reluctance to act is totally understandable given the immense courage it would have taken to go against the crowd and take bold action

when 'weak signals' of the problems first started to emerge. As citizens and businesses, we must also share the blame. Many of us enjoyed the benefits of growth and wouldn't have responded well by actions to cut public or private debt, increase taxes, extend the retirement age or curb consumer borrowing.

Many of the legislative changes that allowed these problems to build up were taken during a period of sustained economic growth when it seemed as though everything we touched was turning to gold. However, we didn't reshape the economic cycle as many were suggesting at the time, and the outcomes of indecisiveness are becoming more evident. Sadly there are no quick fixes now to these deep rooted long term problems and the process of transformation will be painful.

The Path to Recovery

The good news is that many corporations are sitting on significant cash piles and at some point they will start to spend some of this money to invest in transforming their business. These investments will help reboot economies, drive the growth of new industries and hopefully stimulate job creation. We also expect to see a big rise in the number of new sole traders and small to medium enterprises as people decide they have to create their own jobs. Finally, governments will eventually have to face up to the need for real reform, investing in infrastructure, reforming the financial services sector, stimulating business creation and funding the science and technology that will create tomorrow's industries. This is not a 12-24 month process – it will take a decade or more to drive through the necessary transformations.

Driving the Future of the Meetings Industry

So what does all this mean for the meetings industry? The short answer is that we cannot rely on the economy to carry us forward. We have to take control of our own destiny. Even if there is a serious global downturn, meetings and events will still take place and businesses will still look to engage their customers and motivate their staff. The challenge will be to innovate on our offerings so we stand out, provide measurable value and deliver excellent learning and knowledge sharing experiences.

Perhaps the most critical challenge for the sector is to develop a range of creative new funding models that share the risks and rewards with our customers to help address their concerns over the cost of running events. I think there will also be big shake up in the sector and there will be casualties amongst those who are slow to respond. However, we will also see a number of players emerge who are real innovators - driving through successful new ideas that will influence and reshape the entire sector.

The role of leading industry shows such as Imex will become even more important as a platform to showcase industry innovation and encourage new thinking and transformation.

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