

COMING TOGETHER IN THE 21ST CENTURY

INTERNATIONAL FAIRS AND EXHIBITIONS IN A WIRED WORLD

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by

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To the extent that trade exhibitions are a direct function of international economic activity, the future of this industry could scarcely look better.

Global Economic Outlook – 2000 to 2100

	<u>2000</u>	<u>2100</u>	<u>% Change</u>
Global Economic Output	US\$32.7 Trillion	US\$286.7 Trillion	+ 775%
World Population	6.2 Billion	10.0 Billion	+ 60%
Per Cap Income	US\$5.3 Thousand	US\$28.9 Thousand	+ 445%
Hi/Lo Per Cap Income Ratio	30:1	5:1	

Sources: Data from the U.S. Census Bureau, the United Nations, the World Energy Council and the International Institute for the Advancement of Systems Analysis (Vienna), 1998.

Calculations by the Academy for Advanced and Strategic Studies, Washington, D.C., 1999.

These robust projections derive not only from the stimulus provided by free-trade and deregulation, but from the beneficial effects of “frictionless transactions” made possible by the Internet. Earlier this year, Goldman Sachs projected that the collective transactional efficiencies of the Internet will, by themselves, boost the economic output of the world’s five largest economies by an additional 5% per year “from the year 2000 onwards.”

In their recent books – published this year in the U.S. – Donald Tapscott, *Digital Capital*, and Grady Means, *MetaCapitalism*, both lay out carefully crafted scenarios suggesting that, with the maturing of computer technology and the completion of the global information “info-structure” – the Internet – all of the world’s peoples will benefit economically from the “info-mation” of global enterprise. The rising high-tech tide will lift up the great majority of the world’s peoples everywhere. Indeed, there is considerable statistical evidence to suggest that this process is well under way, and that we are rapidly becoming the long-prophesied “Global Village.”

The volume and value of international trade is at an all-time high. In industry after industry, the rate of new technology introduction is unprecedented. Prosperity, in general, is rising world wide. Global economic output is growing at more than twice the average annual rate of the 1980’s and early 1990’s. So, why have there been disappointing turnouts for a number of major international fairs and trade exhibitions in the past thirty-six months?

Some observers have concluded that the increasingly sophisticated capacity of the Internet to link producers and consumers at all levels of the marketplace is beginning to supplant many of the primary functions of international gatherings. Such adaptive behavior, travel experts say, is already evident in ordinary business travel in the U.S., where video-conferencing over the internet is now so cheap and so good that American Express estimates the number of air trips avoided in favor of video-conferencing is growing at 1% per year. An influential factor in this equation has been airline deregulation, which has lowered average air fares around the world by 10% to 15%, but which has also led to significant degradation in the quality of air travel in many parts of the world.

Published reports by regulators, airline passengers and the airlines themselves all reflect an air travel industry that seems nearly overwhelmed by its own success. Crowded airports preclude scheduling more flights, and most airport neighbors seek to preclude the local airport from getting any bigger. The next generation of commercial aircraft will accommodate more passengers, but at slightly slower speeds. Meanwhile, the long-term outlook for petroleum prices in an expanding global economy threatens to offset the savings generated by airline deregulation. What’s more, increases in violent weather associated with global warming can be expected to make air travel more problematic in the foreseeable future.

Getting from the airport to the venue doesn't seem likely to get much easier any time soon, either. Today, one-half the world's population lives in cities; by 2025, it will be two-thirds. Urban sprawl and traffic gridlock have become universal problems, and it's going to get worse, since the world's motor vehicle population is projected to grow 50% faster than the human population during the next 25 years.

To maintain the viability of inter-city/international air travel, essentially all large cities that have not already done so will feel compelled to establish dedicated rail links between their airports and their commercial centers as a competitive necessity. Alternative approaches to this problem have involved putting exhibition facilities **either** at the airport (as in Cleveland, Ohio) **or** in the suburbs between the airport and center city (as Copenhagen and Damascus have done). But such arrangements necessarily draw business away from the central city, and they generate transportation problems of their own.

High speed trains also promise to shorten some important inter-city travel times around the world by 25% to 35% over the next fifty years. But overall, there seems little in the near-term future that is likely to make international business travel much cheaper, faster or easier than it is today.

So, the question remains, has the cost/utility ratio for air travel today fallen so much since deregulation that it would actually account for diminished attendance at international exhibitions? As a professional traveler with over thirty years on the road, I would assert that international travel today is almost certainly as cheap, as reliable, and as easy as it has ever been in history. Now, to be fair, that may not be saying much.

By its very nature, life on the road is always riskier, less predictable, and often more physically challenging than routine daily existence at home. On the other hand, compared to times past, travel today is much less onerous. Before the advent of the railroad, passengers on the London-Bristol stage coach, on more than one occasion, froze to death while making the journey in winter. Prior to taking long sea trips, prudent travelers in the days of sailing ships routinely put their affairs in order and reviewed their wills before leaving home.

In fact, the root of the modern English word, "travel," is the old French word, "travail," which my dictionary defines as meaning:

verb "TO LABOR, TO TOIL, TO MAKE A PAINFUL EFFORT OR EXERTION, AS IN THE LABOR OF CHILD-BEARING; HENCE, TO EXPERIENCE SEVERE PHYSICAL STRESS, RACKINGS, PAIN, OR AN AGONY OF SPIRIT."

There is also a noun form of the word "travail" whose meanings seem pertinent to the modern word "travel" as well:

- [1] “A FRAME FOR CONFINING A HORSE OR OTHER DOMESTIC ANIMAL; AND
[2] “AN INSTRUMENT OF TORTURE.”

So, let's be clear on one point: travel has always been difficult. Modern transportation technology – AND modern information technology, with its e-tickets, self-booking and on-line discounts, etc – have combined to make travel much cheaper, easier, safer and more reliable, if not entirely trouble-free. In the long-term scheme of things, therefore, recently reported problems in international travel can scarcely be regarded as sufficient, by themselves, to have significantly affected attendance at international exhibitions, especially when general levels of inter-city travel, both domestically and internationally, have grown robustly over the past five years.

Thus, we can only assume that trade fairs and similar events may be losing relative marketplace value as a business service. Such a loss of value, in turn, would suggest that **either** the economic function performed by trade fairs is less useful than it once was, **or** that the means by which trade fairs perform that function is less effective or efficient than other means of performing that function now available in the marketplace.

The primary function of international exhibitions – the introduction/demonstration/promotion/sale of new products and services, etc. – clearly remains very much a high value-adding economic activity in our rapidly innovating, globalizing marketplace. Lowered attendance at trade fairs would therefore suggest that the means by which trade fairs and exhibitions perform their still-valuable functions may have literally “lost currency” in the marketplace. In fact, I believe that recent developments in trade publishing – another industry involved in part with the distribution of information promoting new products and services – offers an instructive parallel to trade shows.

Every year, fewer manufacturers are publishing printed catalogues, brochures, parts lists and repair manuals. These materials are increasingly being published electronically, either as CD's or on line. In every industry, trade and profession, the rate of innovation is so high that a catalogue printed once a year is always out of date. Meanwhile, modifications are increasingly being made to parts and materials in response to an on-going stream of performance feedback, product recalls and service advisories, parts lists and repair manuals must be updated not annually, but continuously; costly and cumbersome on paper, but quick and easy on-line.

In much the same way, the annual trade fair or industrial exhibition typically reflects a momentary “slice” of “the state of the art” for any given field or economic sector. But, at today's rates of change, the current “state of the art” might, in a matter of weeks, be rendered obsolete or irrelevant by an innovative competitive material or an unexpected marketplace development. What's more, economic historians assure us that the world has now entered the “transformational” stage of the Information

Revolution, and that the current rate of techno-economic innovation can be expected to continue – and accelerate –for at least another twenty years.

In the U.S. and in a growing number of European countries, managerial, professional and entrepreneurial members of the workforce report feeling compelled to devote increased amounts of time simply to keep up-to-date in their field of employment. In such a time-short marketplace, the nominal clientele for international trade shows may find the combined time and “travail” of attending an annual international event – or even a national one – simply too high, especially when everybody has ever-easier on-line access to state of the art developments in any industry or profession, plus the ability to reach more producers on the Internet than are ever likely to be represented at any individual trade show.

Moreover, a growing body of survey data indicates that, in the U.S., people are routinely using the Internet to develop collaborative workplace relationships with peers whom they have only met in cyber-space, and never in actual “real time.” Research sponsored by the American Society of Association Executives (ASAE), has repeatedly shown that these sorts of collegial, inter-personal interchanges are perceived by attendees as the *most valuable feature* of conventions and trade shows.

Now, it is entirely plausible that the current frantic pace of technologic innovation and marketplace realignment will begin to slow down in twenty years or so, as the world completes the final, “high-impact,” phase of the Information Revolution. As change becomes more coherent and predictable, and as people begin to have more discretionary time in their lives, it might be reasonable to assume that the traditional international exhibition – after having temporarily fallen out of fashion – would once again become the premier means of introducing new products and promoting sales and commerce. But, the final maturation of applied information technologies’ promises, during the next twenty years, to completely alter the global marketplace and marketing itself.

IT’S AN AVALANCHE! A TSUNAMI! A CORNUCOPIA!

Although it may seem hard to believe, the on-rushing changes of the past ten years have merely been a prelude; an overture to a quarter-century grand opera of innovation and transformation that will dramatically alter the ways most people work and live around the globe.

You have already heard from other speakers at this meeting the truly startling projections for the expansion of the Internet and its penetration into every aspect of human enterprise. In the U.S., Internet-generated revenue, just US\$2.9 billion p/a in 1996, is expected to reach US\$1.234 trillion p/a by 2002 (ActiveMedia/NUA, 5 July

00), making it America's largest industry, the source of over one-eighth of the nation's annual GDP. More importantly, the Boston Consulting Group recently forecast that B2B transactions on-line would grow from 12% of all inter-business transactions today (US\$1.2 trillion p/a) to 40% by 2004 (US\$4.8 trillion p/a).

At that conversion rate, it is reasonable to assume that essentially **all** B2B and Business-to-Government transactions in the U.S. will be executed over the Internet by 2010. And there is no reason to believe that the international business community will not follow closely, especially as export-import and customs documentation are already being infomated and product terminology will be standardized worldwide in less than five years.

The United Nations estimates that transactional paperwork costs swallow up 7% of the value of the world's annual international trade: US\$420 Billion out of US\$6 Trillion per year. What's worse, a huge percentage of these paper documents – e.g. bills of lading, customs forms, letters of credit, insurance certificates, etc. – contain flaws sufficient to hold up transactions even further. The International Chamber of Commerce in Paris estimates, for example, that 2/3 of the millions of international letters of credit drawn up each year are rejected when first presented due to drafting errors.

A number of the world's major marketplace cultures – notably in Asia – have been unexpectedly slower than Europe, or North and South America, at making transactional uses of the Internet. Explanations for this disparity, including a January, 2000, Japanese government study, have concluded that strong traditional systems of commercial relationships are preventing these marketplace cultures from fully exploiting the potential efficiencies of doing business on-line. While this is an entirely likely explanation for the past behavior of these markets, I do not believe that such historically pragmatic cultures will be willing to concede to their competitors in the free-trade future a 7% to 10% cost advantage simply to preserve the comfort of commercial traditions.

So, each in its own way, all of the world's marketplace cultures will almost certainly have assimilated the Internet within ten years. But, it will be the powerful *personal information technologies* with which essentially every participant in every modern workplace in the world will be equipped by the end of this decade that will pose the most dramatic challenges to the future of international trade fairs and expositions.

SMART PHONES AND PRECOCIOUS “PALMS”

In Europe and Japan, cell phones are getting “smart,” and this means that the computer is about to become truly “personal.” From now on, a “personal digital appliance” (PDA) will be the constant companion to growing millions around the

world. The typical PDA combines the functions of a cell-phone, an inter-active pager and a wireless Internet terminal, like a Palm Pilot. Among other things, this single device makes practical the long-promised “cashless” society. Smart phones can be used to make purchases from Internet-connected vending machines, parking meters and toll booths – all to be paid with your phone bill.

In other common applications, students and trainees will routinely use PDA’s to do research on the Internet and to carry out classroom assignments. Employees in every activity – from paramedics to pastry chefs – will use PDA’s to access expert systems and simulations to guide their on-the-job decisions. Of course, the viewing screens on hand-held devices are too small to convey detailed data and graphics, but PDA’s will simply tap into the large, flat, high-resolution color display screens that will be commonplace on the walls of most offices and homes by the end of the decade. It is also true that the tiny keyboards on hand-held devices do not facilitate efficient interface, but within ten years, most of our routine workplace interactions with computers will be by voice rather than by keyboard.

By 2010, we will all be “chatting” with our computers. We will ask them questions, they will give us answers. We will give them instructions, and they will explain why there is a better alternative to what we have proposed. These cyber-assistants will be programmed to be cheerful, resourceful, honest and loyal. Most important of all, our cyber-associates will serve as our principal interface with the Internet. On our verbal command, they will search the Web for suppliers, gather and prepare comparisons of competing products, and arrange on-line conversations with sales engineers and customers.

While most of **today’s** mature professional and managerial personnel are likely to view the foregoing scenario with considerable skepticism, **tomorrow’s** managerial and professional personnel are growing up in a world in which the foregoing scenario is an eagerly anticipated, and entirely realizable future. Starting with the remarkable array of conversational toys arriving in stores for the 2000 gift-giving season, young people from now on will grow up talking with machines. And, according to Ray Kurzweil, America’s pioneer in speech replication and voice recognition, in less than twenty years, artificial personalities will have become so realistic that “people will begin to develop full, rewarding interpersonal relationships with their computers.”

What’s more, by the end of this decade, our resourceful cyber-assistants will be able to access three-dimensional – or virtual – object-oriented images of products that can be minutely examined while their performance characteristics are explored with expert sales engineers on-line. By the middle of the next decade, “data caves” – specially equipped rooms – will permit people to walk into optically created spaces in which the projected components – furniture, displays, people, etc. – will feel as if they have physical reality and mass. In a very real sense, by 2020, people in Detroit will literally be able to “kick the tires” of the concept cars at the Shanghai Auto

Show. And, while conversing on the Internet in 2020, a potential Chinese buyer of injection-molding equipment and a Czech manufacturer of injection-molding equipment will have their questions and answers simultaneously translated, both audibly and on-screen.

This vision of convergent info-com technologies more or less reflects the commonly held expectations of the world's technology forecasters. In the quarter-century ahead, where international travelers are projected to increase nearly three-fold – from 579 million to 1.7 billion – while our plans to expand international travel capacity envision **no major breakthrough improvements**, the impending dramatic increases in our capacity to “tele-communicate” makes the future of international fairs and exhibitions distinctly problematic. In particular, I do not believe that the industry should casually assume that the surging global economy will, by itself, sustain their fortunes.

WELCOME TO REVOLUTIONARY TIMES

Humankind and the global economy are currently passing through a period of historic revolutionary change, during which whole industries can be expected to disappear and traditional institutions will be re-invented. In order to survive and prosper in revolutionary times, institutions – and individuals – must undertake revolutionary changes. In fact, I believe there are four initiatives which the promoters of international trade fairs and the operators of exhibition facilities must undertake in order to assure that they will remain successful in the wired world of the 21st Century.

1. CREATE EXHIBITION WEBSITES

There should be a permanent website on line for every recurring trade show and exhibition, promoting upcoming events and soliciting feedback regarding recently completed programs. Over the past decade, economists have identified two-way interaction between buyers and sellers as one of the principal productivity-enhancing benefits of the wired marketplace. In fact, James Mirlees and William Vickery won the 1996 Nobel Prize in Economics for demonstrating the efficiency of “symmetrically-informed transactions.” Successful enterprises in the Information Age will work closely with their customers to design products and services that most efficiently serve those customers. To achieve this, exhibition websites should be set up to capture separate streams of input from exhibitors and from attendees.

2. CREATE WEBSITES FOR INDIVIDUAL EXHIBITORS

While most large corporations – and high-tech firms of all sizes – have established websites, most intermediate and small sized enterprises do not yet have an identity on the Internet. And a substantial number of corporate websites are commonly criticized as poorly organized and uninformative. In the U.S., the owners of shopping centers today are not only establishing websites to promote themselves on-line, but they are also creating individual websites for their tenants as a part of their lease agreements. Many retail firms, with little knowledge of the Internet or of HTML/XML programming languages, are pleased to turn over responsibility for their virtual presence in the electronic marketplace to someone with whom they already have a long-term service relationship – their landlord – rather than having to hire a high-tech job-shop with whom they have no experience. Not only does this service provide the landlords with a new profit center, it also enhances the marketplace successes of their tenants.

It would be entirely reasonable for the producers of trade fairs and for the operators of exhibition halls to provide such services both to their individual exhibitors, and to the industries with whom they have collaborative relationships. An April, 2000, Towers Perrin survey of three hundred firms worldwide found that over half of companies polled intended to “make e-commerce central to increasing their brand equity.” But, 87% of the firms responding said they had no in-house capacity to achieve this goal, and 67% said they did not know how to go about acquiring such capacity. Towers Perrin concluded that most organizations will end up outsourcing their entire Web presence to an “info-mediary.” In some instances, trade associations are performing this function for their member firms, but the producers of trade exhibitions would almost certainly be better suited to do this task.

3. INFO-MATE EXHIBITION FACILITIES AND THEIR OPERATIONS

While the meeting and convention industry has made extensive use of information technology in its registration and administrative operations, few facilities have made use of local area networks (LANs) to provide attendees with the capacity to interact with each other electronically while they are at an exhibition. LANs would make it easy for attendees to use their Palm computers and smart phones to link up with other attendees or with exhibitors, to send them messages and to set up meetings with colleagues.

Even more useful would be “personal area networks” (PANs), recently developed by IBM and MIT Media Lab in Cambridge, Massachusetts. The heart of a PAN is a micro-processor that can be embedded in a credit card or a conference registration badge. The chip emits a continuous stream of data that runs through the wearer’s body, and is transmitted – simply by shaking hands – to any other person wearing a matching badge. This enables exhibitors and registrants to efficiently share selected data about each other, their firms, products, organizational interests, etc. The

badges can be subsequently downloaded to Palm or desk top computers for future reference.

Other whiz-bang high-tech services currently entering the marketplace include customized publishing, digital imaging, instant translation of printed materials, and a fascinating mix of remarkable security technologies. To the same extent that trade fairs and international expositions provide their exhibitors with the opportunity to display the latest designs and the best technologies, the fairs themselves – and their facilities – must make use of such state-of-the-art technology – including high-tech events lighting and sound effects – that will make the fair experience itself so exciting that both the memory and anticipation of the annual event will transcend any negative or competitive considerations.

FINALLY, the exhibition industry must

4. EXPLOIT THE DISAGGREGATION OF ENTERPRISE

The Information Revolution has produced an avalanche of data – reports, studies, analyses, research, surveys, etc – about, not only every industry and every market, but also about every component of every industry, every segment of every market and every function of every organization. By the early 1990's, large corporations were hiring “knowledge managers” to help them make orderly use of the maelstrom of newly available information. Most knowledge managers, in their turn, quickly concluded that this was not possible. There was simply too much data to be considered in the prudent management of large, vertically-integrated, multi-functional enterprises. Thus, they recommended that the strategic imperative posed by the informed workplace is to retain only those value-adding functions at which an enterprise is uniquely good, and to outsource to other producers/suppliers those tasks at which others are better.

Disaggregation, also called dis-intermediation – or out-sourcing – has now become a strategic necessity for the age of information overload. In the U.S., over one-half of the value of all manufactured goods is already produced by subcontractors. But now, firms in all sectors are outsourcing all of their administrative and support services as well, from recruitment, training and benefits management to computer services and facilities management. BP-Amoco just announced that it is contracting out its entire human resource function.

In response to the sharp increase in outsourcing, over 2,000 electronic B2B “exchanges” have been established on the Internet. Most of these Websites function as buyer or seller co-operatives, in which combinations of firms collaboratively purchase – or sell – products or services for their members. Other exchanges function much more like genuine free marketplaces, in which the exchange operator undertakes to facilitate efficient transactions.

While most Web exchanges have only been announced in press releases, and fewer than 5% are in actual operation, these exchanges – when fairly and professionally managed – have a proven potential to reduce costs and increase competition throughout an industry’s supply chains. In the U.S., Alan Greenspan has devoted entire speeches to the potential supply-chain efficiencies of on-line exchanges. And, on September 12th, the U.S. Federal Trade Commission, while expressing concern for the potential abuse of such collective marketplace arrangements, gave approval for the establishment of one such major e-Exchange run by the GM, Ford, Daimler/Chrysler, Renault and Nissan motor car companies.

There is every reason to believe that such electronic marketplaces will be where most B2B transactions in the world will take place within ten to fifteen years – by which time, astonishingly vivid, life-size, high-resolution, three-dimensional graphics will be available over the Internet in any office or commercial setting. It is entirely plausible to me, both as an historian of change and as a student of the future, that a generation of managers and buyers, having grown up in a wired world, will find virtual exchanges an entirely satisfactory medium through which to purchase most of the goods and services they need to do business.

On the other hand, the lessons now being learned about retailing on-line give vital strategic guidance to the exhibition industry at this critical moment. Brick and mortar establishments that augment their physical operations with an Internet presence have done much better than either the Net-only vendors or established firms who have refused to go on-line. The logical course of action for the producers of trade fairs and the owners of exhibition facilities, in order to cross the threshold of the Information Age, would be either to establish their own online exchanges to serve their exhibitors, or to ally themselves with exchanges that have already been established by the industries with which they work.

If they do not put one foot firmly in cyberspace, brick and mortar trade shows will have one foot in the grave. But, by wedding their traditional functions and facilities with the market-building efficiencies of the Internet, trade fairs, a time-honored creation of the Mercantile Age, will not only survive and prosper in the informed marketplace, they will also remain hubs of international enterprise in the 21st Century.

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