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香港中文大學
The Chinese University of Hong Kong

BMT Asia Pacific

Hong Kong Trade Exhibition - An Industry Review (Phase 1 Supplement)

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- An Industry Review (Phase 1 Supplement)

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1 Introduction

1.1 Background and Objectives

In light of the growing competition in the regional exhibition market, Hong Kong is continuously striving to enhance the competitiveness of the industry and considering increasing its capacity to host more large-scale international conventions and exhibitions.

The Project Team intends to examine the Hong Kong exhibition market. In particular, we will study the current market conditions, market competition and public private competition.

This Report is a supplement to the Phase 1 study, updated with most recent 2009 and 2010 data. Phase 1 was published in November 2009, and can be found at: (http://www.ccl.baf.cuhk.edu.hk/Download/HKEI_study.pdf)

1.2 The Project Team

The Project Team for this Study is led by Professor Waiman Cheung of the Department of Decision Sciences & Managerial Economics (DSE), The Chinese University of Hong Kong (CUHK). The team includes consultants from BMT Asia Pacific Ltd. Headquartered in the UK, BMT is a leading consulting consortium providing advice on strategic planning for private and public organisations. BMT includes economists, management consultants and logistics experts and is well versed in local and regional business practices and economies.

1.3 Work Scope

This is a two-phase Study. The objectives of the overall Study are to assess:

- The market demand and supply of the exhibition business in Hong Kong and their implications for the exhibition industry's development strategies;
- The historical background and current incentives for the development of Hong Kong exhibition industry, focusing on:

  - ➢ The private sector's involvement in Hong Kong's exhibition market when compared with similar Asian markets – does the Hong Kong market accommodate sufficient competition?
  - ➢ The role of Hong Kong Special Administrative Region (HKSAR) government in the Hong Kong exhibition market;
  - ➢ The role of private exhibition organisers in the long term development of the Hong Kong exhibition market;

- The relationship between the Hong Kong Convention and Exhibition Centre (HKCEC) and AsiaWorld-Expo (AWE) and current status of their cooperation or complementarities;
- The prospects for the future development of the Hong Kong exhibition industry, in particular

  - The synergy of HKCEC and AWE;
  - The synergy of HKTDC and the private exhibition organisers;

- The role for the HKSAR Government in the sustainable development of the exhibition industry, especially when it relates to private sector participation.

This Phase 1 Supplement will assess the current market; in particular, update the picture that was painted in Phase 1, now that a full year has passed since the Atrium Link Expansion at the Hong Kong Convention and Exhibition Centre.

1.4 Data Collection Methods

The majority of data collected in this report has been compiled from publicly available publications such as government statistics, industry journals and periodicals, web-base publications, etc. In some cases, key stakeholders of the exhibition industry, which includes venues, organisers and associations, were consulted. Primary sources of data provided by the stakeholders have also been included in the report. Where possible, we have taken measures to verify the data provided.

However, it is not feasible to provide an independent audit on every detail of the data due to three factors:

i. Stakeholders choose not to disclose certain event details such as revenue generated, or even exact gross meterage/space rented, due to contractual confidentiality agreements between the relevant parties;

ii. Stakeholders may tend to overstate past visitor attendance figures and exhibition space for marketing purposes in order to attract future potential exhibitors (see Box 1.1); and

iii. Detailed information regarding the old events, especially for those that occurred before 2004, is largely unavailable on the public domain.

Although it is anticipated that minor data discrepancies may be found between this study and other sources, the overall trends and conclusions made in this study is unlikely to be affected.

The industry in 2010 is included in the scope of this study. Thus we have estimated data regarding events from April-December 2010 by looking at the marketing publications of these future events, and forecasting using historic data of these recurring events.

Where applicable, we have stated the source of data for all charts and graphs in this study. Previous studies that have been conducted specifically with regards to the Hong Kong exhibition industry include BSG's "Economic Impact of Hong Kong's Exhibitions Industry" (2002) and KPMG's "Economic impact of the Hong Kong exhibition industry" (2007). Also held in high regard is the UFI Report researched, BSG's "The Trade Fair Industry in Asia" (yearly). Data has been compiled from these reports to analyse historic trends in the industry.

Box 1.1 Comments on Data from BSG

"The exhibitions industry…has had a tradition tendency towards exaggeration when reporting data particularly for visitors to trade shows … over state the space of previous trade fairs in order to make them look more attractive to potential exhibitors." – BSG Report

2 Identification of Market Trends

2.1 Overview of the Current Market

There are currently 3 major exhibition centres in Hong Kong capable of holding trade exhibitions: Hong Kong Convention and Exhibition Centre (HKCEC), AsiaWorld-Expo (AWE) and Hong Kong Exhibition Centre (HKEC). An overview of these centres can be found in Phase 1 of this study, published October 2009. The most recent change to the current market in terms of saleable exhibition space is the Atrium Link Expansion, which was completed and opened for usage at HKCEC in April 2009. This has added an additional 19,400 square metres (sq m) of saleable exhibition space.

Confusions have been caused in the past due to the different space figures published from different sources. This Study will base upon the same foundation built in the Phase 1 Study. The *available saleable exhibition space* figures will be used.

Table 2.1 is a summary of the current available exhibition space in Hong Kong

Table 2.1 Saleable Exhibition Space

Venue	Saleable Exhibition Space (sq m)
HKCEC	88,563
AWE	70,000
HKEC	2,100

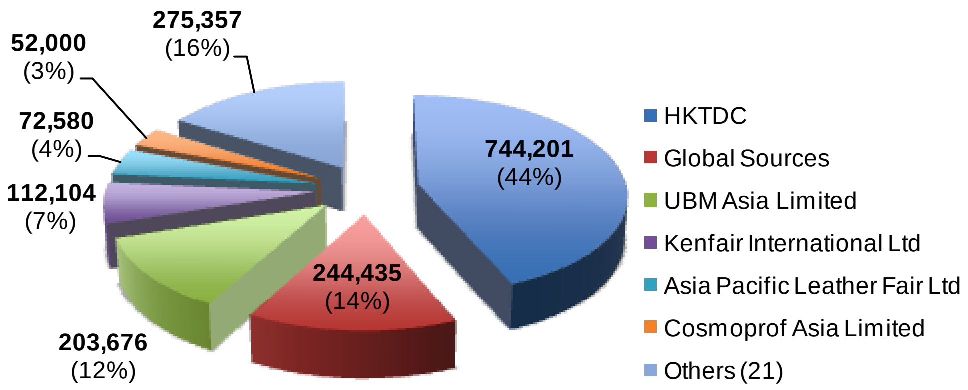
In the Phase One Study, a number of key comparables used to analyse market share were identified. These include:

- Gross exhibition space / net exhibition space sold
- Number of trade fairs organized
- Gross revenue generated by trade fairs
- Number of organizers
- Occupancy rate / Utilisation
- Number of visitors

Due to lack of (accurate) data, generated revenue and number of visitors will not be used to interpret market share.

Figure 2.1 shows the organizer market share in terms of gross meterage. The only public organiser, the Hong Kong Trade Development Council (HKTDC), holds the largest share of the market with 44% in 2009, thus having dominant market power. Significantly lagging behind at second place is Global Sources, with 14%, followed by UBM Asia Limited with 12%.

Figure 2.1 Organiser Market Share (2009)

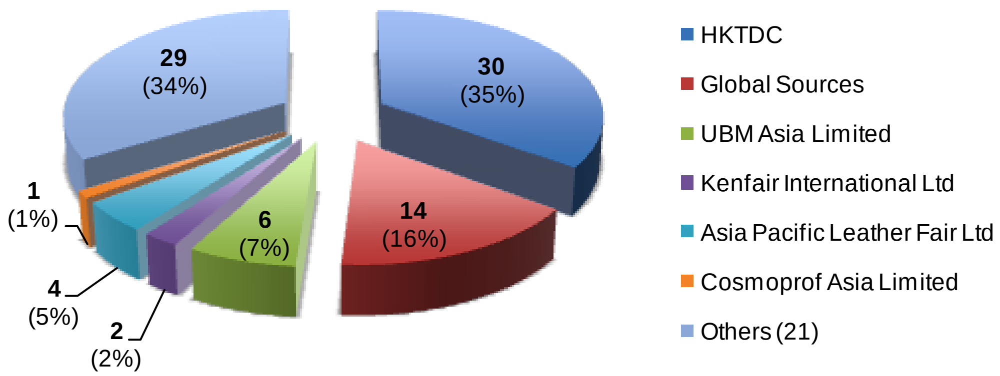


Source: Compiled from AWE, HKCEC and public domain data

Note: "Others" consist of all the firms who organise events, whereby the total gross meterage of all trade exhibitions held by each firm do not exceed 50,000 sq m.

Figure 2.2 shows the organiser market share in terms of number of events organised. Compared to the market share in terms of gross meterage, HKTDC, UBM Asia Limited and Kenfair International Limited have a smaller market share in terms of number of events organised. Intuitively, this means that the average gross meterage size of each trade exhibition held by the aforementioned organisers are larger then those by other organisers.

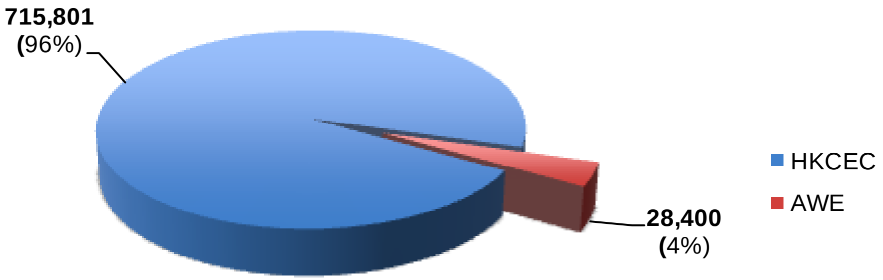
Figure 2.2 Organiser Market Share (No. of Events)



Source: Compiled from AWE, HKCEC and public domain data

Whilst HKTDC is clearly the overall market leader in terms of number of trade exhibitions organised and total gross meterage sold, their positions between HKCEC and AWE differ greatly. As shown in Figure 2.3, 96% of all shows organised by HKTDC were held in the HKCEC in 2009. Only 4 shows, accumulating to 28,400 sq m, were held in AWE during 2009 which has been on decline. In 2008, 93% of all shows organised by HKTDC were held in the HKCEC, and the remaining 7% in AWE.

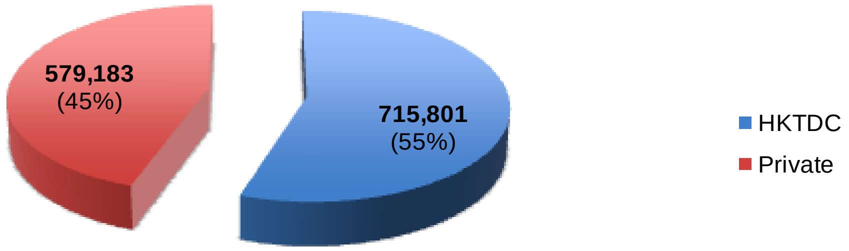
Figure 2.3 Gross Meterage Sold by HKTDC (2009)



Source: Compiled from AWE, HKCEC and public domain data

Figure 2.4 shows the commanding presence of HKTDC events at HKCEC. The accumulated gross meterage of HKTDC trade exhibitions make up 55% of total gross meterage sold for trade exhibitions at HKCEC during 2009.

Figure 2.4 HKTDC vs Private Organiser Market Share at HKCEC (2009)



Source: Compiled from AWE, HKCEC and public domain data

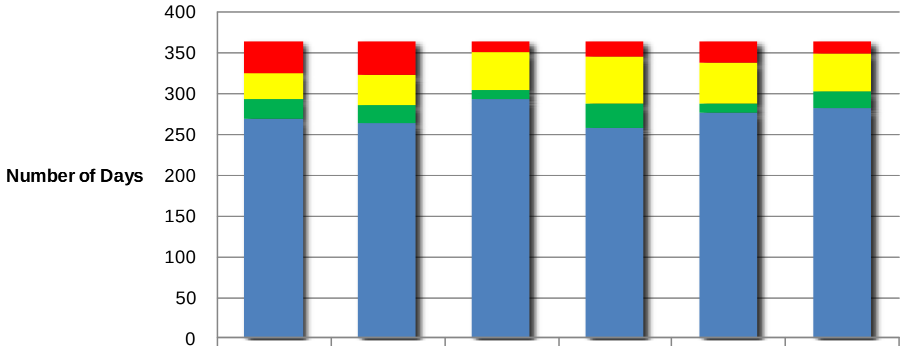
Utilisation of venue space is one of the main arguments used for the approval of an exhibition venue. As such, the utilisation of venues will be analysed in detail. In the Phase 1 Study, the notion of "capacity tension" was introduced.

Box 2.1 Capacity Tension

> "Capacity tension is when venues are operating at or close to full capacity. In other words, events, organisers and exhibitors may have to be turned away due to the venues operating at full or near to full capacity.
>
> However, the extent of capacity tension cannot be accurately estimated, as data regarding the number of organisers and exhibitors that are actually turned away is unavailable. Nonetheless, if venues were operating at full capacity, it would suggest that there is capacity tension.
>
> Note that the figure for the number of days an event occurs for at a particular venue includes the estimated move-in/set-up and move-out period.
>
> Note also that non-recurring trade shows were excluded in the analysis of utilisation.[1] The reason for this is because these shows "come and go" meaning that if they are held this year it is unlikely they will appear again next year. There is also no pattern to the scheduling of other non-recurring show(s) in similar periods each year." *- Phase 1 Study*

Based on the data available and our estimations, the number of days which the HKCEC was at full capacity peaked in 2005 at 42 days. A great decrease was noted in 2006, the cause of which is most likely due to the introduction of AWE. The HKCEC was only 100% utilised for 15 days in 2009, the most likely reason is the added space created by the Atrium Link Expansion.

Figure 2.5 HKCEC Utilisation



	2004	2005	2006	2007	2008	2009
HKCEC Utilisation=100%	39	42	14	18	26	15
70%≦HKCEC Utilisation <100%	32	36	46	59	51	47
50% ≦HKCEC Utilisation <70%	25	22	11	30	10	21
HKCEC Utilisation <50%	269	265	294	258	278	282

Source: Compiled from AWE, HKCEC and public domain data

Figure 2.6 shows the utilisation in the theoretical scenario of AWE and HKCEC being able to fully share venue space with 100% efficient allocation of events. As was in 2008, there are no days in which the overall utilisation was at 100% in 2009, and thus capacity tension did not exist.

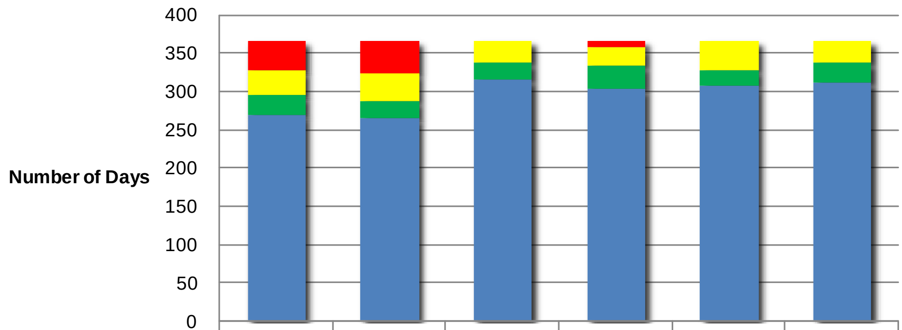
The rationale behind the creation of this theoretical scenario has been explained previously:

Box 2.3 Efficient Allocation

"100% efficient allocation of events between two venues may not be possible. However, better cooperation and event management between AWE and HKCEC can lower the number of days where the venues would be operating at full capacity, and hence it could be possible to eliminate some capacity tension.

It is noted that if a venue is not at full utilisation (i.e., 100% utilisation), it does not signify they would be capable of eliminating capacity tension. For example, if HKCEC had events taking place on a certain date that utilised 95% of the available trade exhibition space, there would be few events in such a small scale to be able to utilise the remaining 5%." – Phase 1 Study

Figure 2.6 Overall Utilisation



	2004	2005	2006	2007	2008	2009
Overall Utilisation=100%	39	42	0	8	0	0
70%≦Overall Utilisation <100%	32	36	28	24	37	28
50% ≦Overall Utilisation <70%	25	22	22	30	21	26
Overall Utilisation <50%	269	265	315	303	307	311

Source: Compiled from AWE, HKCEC and public domain data

Figure 2.7 shows the trend lines for the total gross exhibition space sold. The analysis made in the Phase 1 Study has not changed.

Box 2.4 Total Gross Exhibition Space Sold

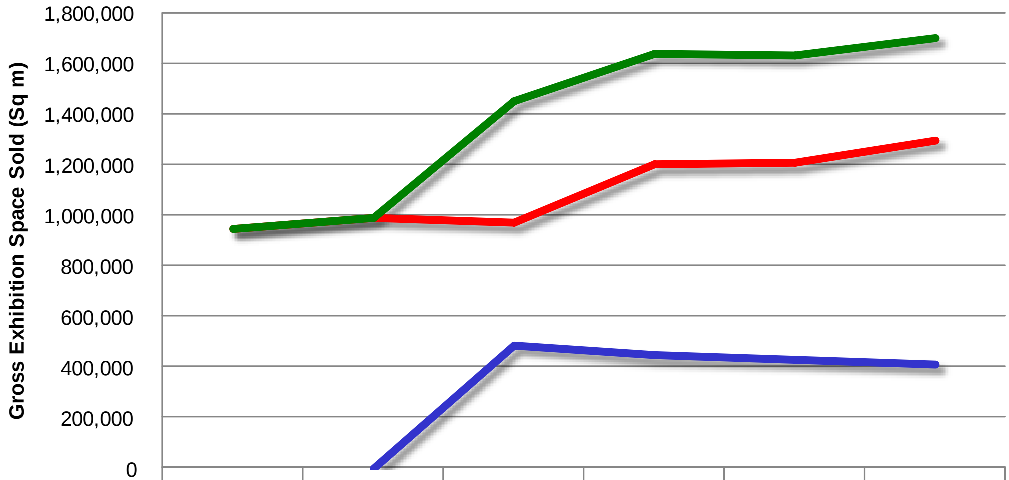
"The total gross exhibition space sold in Hong Kong's trade exhibition industry saw a significant increase in 2006. This can be directly attributed to the introduction of the AWE. From 2004-2006, prior to AWE, total gross exhibition space growth was small for HKCEC. Since 2006 however, HKCEC has experienced a steady growth, increasing from 966,865 sq m sold in 2006, to 1,202,171 sq m sold in 2008.

The AWE also experienced a generous growth from 2006-2007. For both AWE and HKCEC, growth slowed after 2007, probably due to the adjustment made due to 2006's sudden growth.

The fact that upon the introduction of a new competitor in the form of AWE it had not taken business away from HKCEC suggests that AWE had brought with it new organisers and new business into Hong Kong. The net gain on total gross exhibition space sold (green line) each year since 2006 shows a close correlation to the space sold of AWE (blue line). This implies that the introduction of AWE was a positive change to bring in new customers which helped enlarge the Hong Kong exhibition market base." – Phase 1 Study

2009 figures show that gross exhibition space sold in AWE has continued to decline, whilst HKCEC has increased. The overall combined total gross exhibition space has increased.

Figure 2.7 Total Gross Exhibition Space Sold

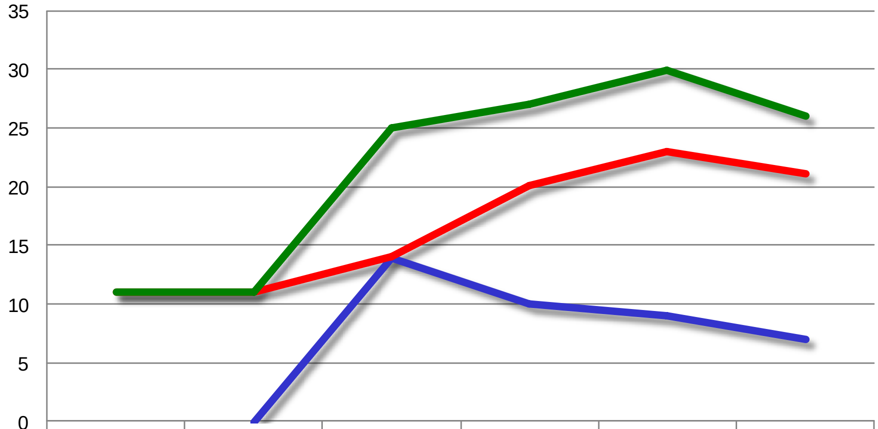


	2004	2005	2006	2007	2008	2009
AWE	0	0	485,338	442,955	428,540	409,369
HKCEC	944,271	987,827	966,865	1,195,379	1,202,171	1,294,984
Total	944,271	987,827	1,452,203	1,638,334	1,630,711	1,704,353

Source: Compiled from AWE, HKCEC and public domain data

There has been a gradual decrease in the number of the organisers over the last 3 years, which is understandable due to the maturation of the exhibition industry. A notable point drawn from Figure 2.8 is that HKCEC has enjoyed a large increase in the number of organisers that patron at HKCEC since the introduction of AWE. This suggests the introduction of AWE attracted more organisers and was beneficial not only to AWE but also HKCEC, pointing out that organisers opt for their own preference whether they would like to host at AWE or HKCEC.

Figure 2.8 Growth of Number of Organisers



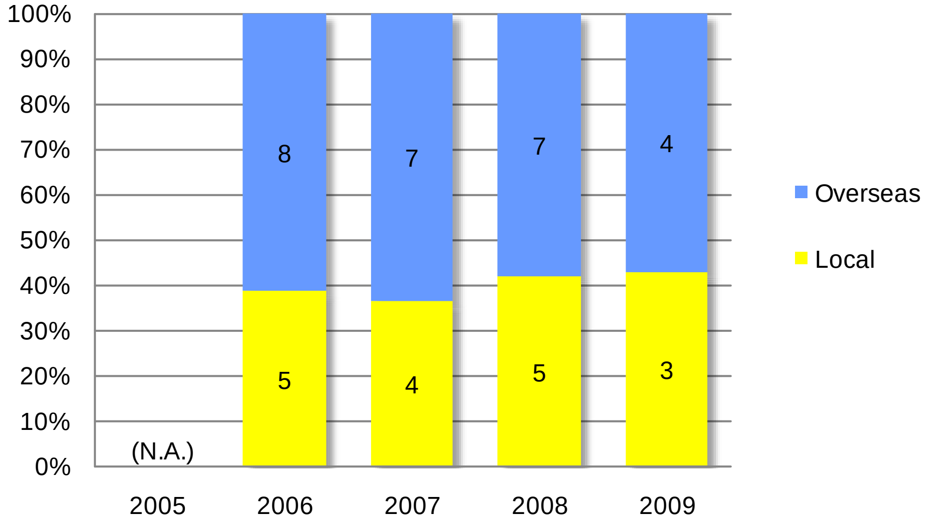
	2004	2005	2006	2007	2008	2009
AWE	0	0	14	10	9	7
HKCEC	11	11	14	20	23	21
Total	11	11	25	27	30	26

Source: Compiled from AWE, HKCEC and public domain data

Note: "Total" does not equal "AWE" + "HKCEC", as it represents the total number of unique organisers; some organisers host trade exhibitions at both AWE and HKCEC.

Following the pattern of total number of organisers, the number of new organisers attracted to the Hong Kong exhibition industry has been on the decline.

Figure 2.9 New Organisers attracted to Hong Kong Exhibition Industry



Source: Compiled from AWE, HKCEC and public domain data

2.2 Opening of HKCEC Atrium Link Expansion

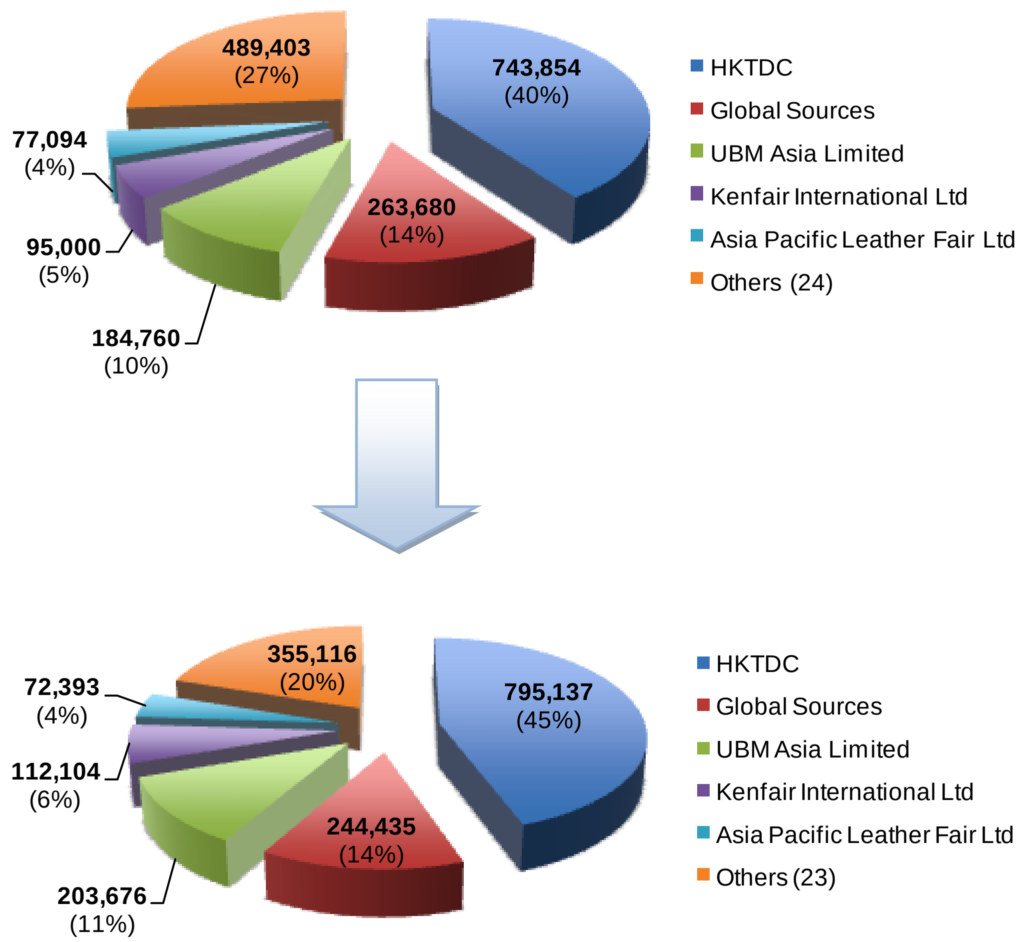
After 3 years of construction and development, the Atrium Link expansion of the HKCEC was completed and in operation in April 2009. This expansion added an additional 19,400 square metres (sq m) of saleable exhibition space.

Now a full year has passed since the completion of the expansion, the effects of the expansion on market share will be investigated.

Figure 2.10 shows the change of market share by comparing market share one year before and after the Atrium Link Expansion. For the first year after the expansion, HKTDC has been able to increase their market share from 40% to 45%. The total gross meterage of the smaller, private organisers have decreased by 7%.

Historically, HKTDC has always been the market share leader in terms of number of events organised and the total gross meterage. However, their overall market share has been declining slightly in recent years (although overall gross meterage sold by them is still increasing), thanks to growing competition in terms of exhibitors, venues (AWE) and the recent global financial crisis. The Atrium Link Expansion has enabled HKTDC to increase their market share again.

Figure 2.10 Change of Market Share (One Year Before and After Atrium Expansion)

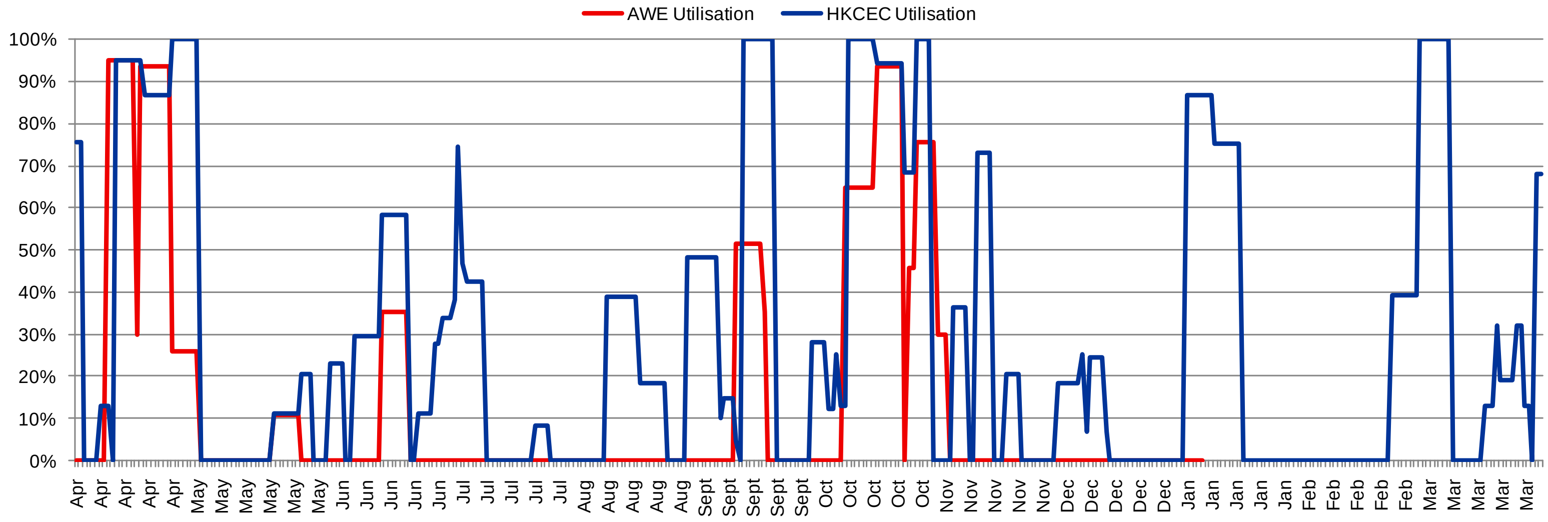


Source: Compiled from AWE, HKCEC and public domain data

Looking at Figure 2.11 and 2.12, it can be seen that there are less days at which capacity tension existed at HKCEC following the expansion. Prior to expansion, there were only a small number of days at which HKCEC were 100% utilised. The

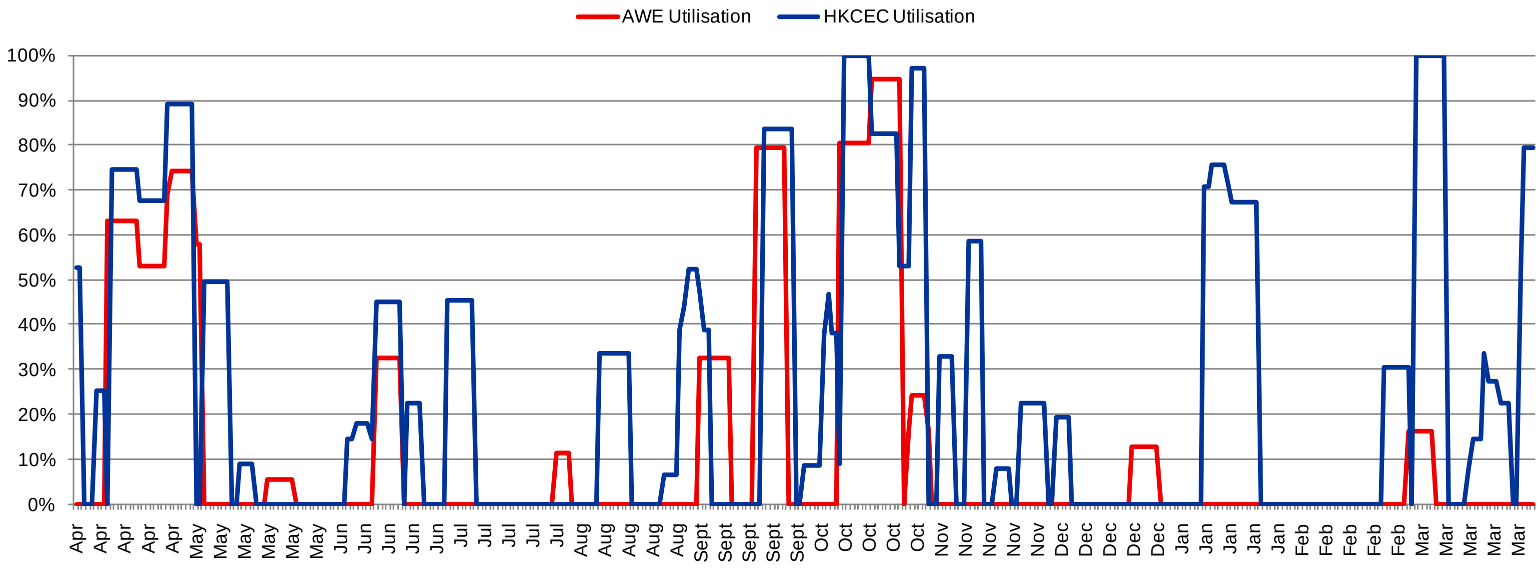
Atrium Link expansion has made this even smaller. As overall gross meterage sold has still increased year-on-year, the financial crisis is not the cause of this decreased utilisation. Rather, it implies that market supply (available exhibition space) is exceeding market demand (gross meterage sold). However, with a sudden introduction of added space to the market, it may take some time for it to be properly utilised.

Figure 2.11 Capacity Tension before Atrium Expansion (April 2008 – March 2009)



Source: Compiled from AWE, HKCEC and public domain data

Figure 2.12 Capacity Tension after Atrium Expansion (April 2009 – March 2010)



Source: Compiled from AWE, HKCEC and public domain data

3 Conclusion

In 2009, the Hong Kong trade exhibition industry on the outlook remains as strong, if not stronger, then previous years. Following a slight drop probably due to the financial crisis, the total gross meterage sold has increased in 2009, from 1,630,711 sq m in 2008 to 1,704,353 sq m. Number of trade exhibition events held has also increased from 81 in 2008 to 86 in 2009.

More exhibition space was introduced in 2009, in the form of the Atrium Link Expansion at the HKCEC. The Expansion has added an additional 19.400 sq m of saleable exhibition space.

From the data collected, the only public/government organiser, HKTDC, has benefited the most from this Expansion. By comparing total gross meterage sold one year before and after the expansion, HKTDC's market share has increased from 40% (April 2008 - March 2009) to 45% (April 2009 - March 2010), bucking their trend of decreasing market share since 2006 (whilst overall gross meterage sold by them is still increasing). In a contrast of fortunes, the market share of smaller organisers has dropped by 7% over the same period.

As expected with a sudden introduction of added space to the market, capacity tension has decreased over pre-Expansion levels. There are currently even fewer days at which AWE or HKCEC are operating at full capacity. However, it is still early and it may take some time for the increased venue size to be utilised properly.

It is evident that there are ways to improve the exhibition market, such as through better utilisation of venue space, and if they can be realised, the Hong Kong trade exhibition industry would remain strong overall with good prospects for continued growth in the future.

4 Glossary

AWE	AsiaWorld-Expo
BSG	Business Strategies Group Limited
CUHK	Chinese University of Hong Kong
Gross exhibition space	The exhibition space that is sold for exhibition to the organisers. It includes the net exhibition space and the areas for necessary traffic and services.
HKCEC	Hong Kong Convention and Exhibition Centre
HKEC	Hong Kong Exhibition Centre
HKSAR	Hong Kong Special Administrative Region
HKTDC	Hong Kong Trade Development Council
Net exhibition space	The exhibition space occupied by the exhibitors. It does not include service areas for non exhibitors e.g. authorities and general services, and areas for traffic e.g. walkways
Purposely-built exhibition space	The space that was intentionally built for exhibition use only.
Rentable space	The space that is available for exhibitions and other functions. It includes the saleable exhibition space and other space that cannot be used by exhibition.
Saleable exhibition space	All space that is available for exhibition use. This includes the purposely-built exhibition space and all other areas that were converted into exhibition areas.
UFI	Union des Foires Internationales (Global Association of the Exhibition Industry)

Utilisation	Total gross exhibition space sold divided by available saleable exhibition space