

Asian Destinations Bounce Back

Hong Kong's robust exhibition industry fended off the global economic downturn, while Macau took some hits, but is regaining lost ground.

By Lisa Plummer -- Tradeshow Week, 3/1/2010

Situated in the Pearl River Delta separated by water approximately 37 miles apart, Hong Kong and Macau, China's two former European colonies – now semi-autonomous, special administrative regions – are very different destinations when it comes to tradeshow. Hong Kong is a well-established tradeshow city, while Macau is a tradeshow destination in its infancy.

But, besides differing in the maturity and strength of their convention industries, the regions also differ in how they have weathered and are recovering from the global recession. With 2009 in the rearview mirror, Hong Kong is making a swift recovery and watching its convention business surge forward. On the other hand, Macau is working to establish its exhibition market, while looking into the future.

Here's a look at the two Asia-Pacific regions, their respective convention industries, how they are recovering from the global downturn and what's on the horizon for them.

Hong Kong – Surging Ahead

The worst appears to be over for Asia's tradeshow capital. Far from recession-proof because of its heavy dependence on external trade and financial services, the city of 7 million people felt the impact of the global recession primarily between the last half of 2008 and the first quarter of 2009, with trade volumes falling 21 percent, according to news reports. But, thanks to a speedy \$576 billion economic stimulus initiative enacted in late 2008 by the Chinese government, economic signs appear positive for the country and the region. As China's premier tradeshow hub, Hong Kong appears to be recovering quickly, with economic reports predicting the country's GDP will return to double-digit growth in 2010.

On the exhibition front, the city's tradeshow are rebounding after slight drop-offs in participation, especially from the United States and Europe. According to Jime Essink,

president and CEO of UBM Asia, since the second half of 2009, major shows in Hong Kong have been growing in participation, a trend he said he expects will continue. As one of Asia's leading tradeshow organizers, UBM produces approximately 10 tradeshows in Hong Kong, including the world's largest jewelry tradeshow, the **Hong Kong Jewellery & Gem Fair**.

“Provided that there is no big, bad news, the exhibition industry in Hong Kong will maintain moderate growth this year,” Essink said. “Consumption in China remains strong, the Chinese government is taking care of the economy and Asian countries are recovering from the economic crisis as well. In Hong Kong, there are already signs of improvement in trade.”

Famous for its product sourcing fairs for consumer goods and merchandise, including jewelry, cosmetics, electronics, raw materials and manufacturing of fashion products and accessories, Hong Kong also is known for its massive convention venues. The two largest are the Hong Kong Convention and Exhibition Centre and AsiaWorld-Expo, which boast 984,540 and 700,000 net square feet of space, respectively.

As the host of more than 100 exhibitions annually and some of the largest in Asia, including the **Hong Kong Toys & Games Fair**, **Cosmoprof Asia** and **APLF–Materials Manufacturing and Technology**, the HKCEC has stayed busy, despite the global downturn, according to Cliff Wallace, managing director of the facility. Although shows may not be growing as fast as they have in recent years, Wallace said the exhibition industry in Hong Kong has remained healthy and suffered no major decline, with the HKCEC experiencing only a 10 to 15-percent drop in U.S. presence.

“The recession has not had a great impact on the exhibition industry in Hong Kong,” he added. “There were some slight decreases in attendance for some exhibitions. ... However, the quality of exhibitions in Hong Kong continues to draw the most active buyers and exhibitors to the extent that shows continue (to be successful).”

The HKCEC itself also has grown within the past year. Formally bursting at the seams, with long exhibitor waiting lists for shows held there, the venue's 320,000 sq. ft. expansion project, completed in April, has helped meet the pressing demand for

space, Wallace said. As a result, the last half of last year was better for the HKCEC, compared with the same period in 2008, with an almost 27-percent increase in rented space and venue revenues, he added.

As the managing director of Messe Frankfurt Asia, Stephan Buurma also has been keeping a close eye on participation levels at the events he oversees. Of the 30 tradeshows the company produces throughout Asia, four of them are based in Hong Kong: **Eco Expo Asia**, **Interstoff Asia Essential Spring** and Autumn and the **Hong Kong Intl. Stationary Fair**.

Although participation dropped off slightly at the Interstoff spring event last year, Buurma said the company's other Hong Kong events showed positive growth, with Eco Expo increasing its exhibitor and attendee presence more than 60 percent. Despite the global economic pressures, the city continues to draw solid convention business because of a host of built-in advantages, Buurma said.

“Hong Kong continues to attract large-scale exhibitions due to its favorable location – next to China and in the heart of Asia,” he added. “Hong Kong’s rich experience in finance, quality control, procurement and logistics, plus comprehensive transportation and exhibition infrastructures, also help give the city an extra edge in this dynamic tradeshow sector.”

Macau – A Fledgling Show Destination

Comprising a peninsula and two islands in the Pearl River Delta, Macau is a densely populated city, with approximately 540,000 people inhabiting 11 square miles of land. As the only place in China where casino gambling is legal, Macau’s economy primarily is dependent on gaming and tourism, with 26 hotels and casino properties occupying its famed Cotai Strip district, once predicted to eclipse Las Vegas as the richest gaming destination in the world.

However, because of the global financial crisis, combined with government-imposed travel restrictions on mainland visitors to Macau in the second half of 2008, the region experienced its first economic contraction since the gaming sector was opened to foreign investment in 2002. With China’s accelerating economic growth, along with the

loosening of the visa restrictions, Macau began to show signs of growth in the third and fourth quarters of last year.

Although the government's visa limitations had more of an effect on gambling visitation than on conventions, according to Kenny Lo, CEO of Hong Kong-based Vertical Expo Services, Macau's exhibition industry demonstrated little growth last year. Bucking that trend, Vertical Expo's 3-year-old **Asia Adult Expo**, annually held at The Venetian Macao-Resort-Hotel, has been growing in participation, but other events in the region haven't fared as well, Lo said.

"Within the last year, the growth of the expo industry in Macau was not so strong," he added. "We saw some withdrawal of big trade fairs from Macau. The most important reason (for this) is professional traders and buyers find it difficult to travel to Macau from overseas. There are not enough direct flights to Macau as to Hong Kong."

To help support the region's tourism during the challenging climate, the Macau Government Tourist Office initiated a \$22 million travel incentive program last May that included the "Strategic MICE Market Stimulation Program" focused on encouraging business tourism. However, according to Lo, the program's tight restrictions and qualifications made it difficult for many of his show's buyers to access.

"The effect of the program was not so significant, as it was very difficult to (attain) successfully," Lo said. "Less than 5 percent of our overseas buyers managed to get such subsidies last year for our Adult Expo. If the requirements and procedures can be simple and flexible, we expect more buyers (will be) willing to come to Macau."

Despite the challenges and complexities of doing business in the region, Lo said he sees great potential for Macau's exhibition industry, especially as more U.S. companies begin to look long-term at Asia's market potential.

Also hopeful about Macau's exhibition future is Paul Woodward, chairman of Business Strategies Group, who said he believes one of the key ingredients to the region's success will be to establish its own, distinct tradeshow identity.

"As the local market is very small, it has been challenging for Macau to build up a

critical mass of visitors and buyers to most exhibitions,” he added. “Organizers are still fine-tuning their approach to (determine) the themes and event style that will work well in this market. Attempts simply to copy formats that have worked previously in Hong Kong or Las Vegas haven’t been so successful.”

Along the Cotai Strip, there also are positive indicators for its stalled construction projects. Last November, Las Vegas Sands announced it had secured financing to resume construction on its \$12 billion Cotai Strip multiresort project, mothballed in late 2008 because of the credit crunch. According to a Sands press release, construction cranes could be swinging again by spring, with the first two phases of the project to be completed by the end of next year and the entire development within five years.

According to Wolfram Diener, vice president of conventions and exhibitions at The Venetian Macao, the new Sands project, which will include approximately 6,000 hotel rooms and a convention center, will be an important next step in Macau’s growth. Although The Venetian experienced drop-offs in events focused on banking and finance in 2009, this year is looking up for its 1.2 million sq. ft. Cotai Strip Convention and Exhibition Center, he added.

“In 2010 alone, we’ll host close to 30 tradeshow from key industries, including automotive, hospitality, jewelry, manufacturing, telecommunications and many others,” Diener said. “Numerous exhibition organizers from China are already hosting events in Macau in order to expand their international and domestic business.”