CEIR: Navigating the COVID-19 Crisis Landscape

April 22, 2020
Cathy Breden, CMP, CAE, CEM
CEO
Center for Exhibition Industry Research
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GES
Today’s Agenda

• Our industry during COVID-19 crisis
  • Impact
  • Outlook
• Update on state of economy, outlook for industry per CEIR’s economist
• Perspective from an organizer
• Q&A
Today’s Webinar Presenters

Nancy Drapeau, PRC VP, Research CEIR

Jennifer Heinold, CEM SVP, Events Access Intelligence, LLC

Allen Shaw, Ph.D. President & Chief Economist Global Economic Consulting Associates
A series of Cholera outbreaks spread around the world in the 1800s killing millions of people. There is no solid consensus on death tolls.

- **25-35M** HIV/AIDS
  - **1981-PRESENT**

- **12M** The Third Plague
  - **1855**

- **5M** Antonine Plague
  - **165-180**

- **3M** 17th Century Great Plagues
  - **1600**

- **1.1M** Asian Flu
  - **1957-1958**

- **1M** Russian Flu
  - **1889-1890**

- **1M** Hong Kong Flu
  - **1968-1970**

- **1M** Cholera 6 outbreak
  - **1817-1923**

- **1M** Japanese Smallpox Epidemic
  - **735-737**

- **600K** 18th Century Great Plagues
  - **1700**

- **200K** Swine Flu
  - **2009-2010**

- **100-150K** Yellow Fever
  - **LATE 1800s**

- **11.3K** Ebola
  - **2014-2016**

- **850** MERS
  - **2012-PRESENT**

- **770** SARS
  - **2002-2003**

**COVID-19**

- **2019-7:31AM PT, APR 13, 2020 [ONGOING]**

*Johns Hopkins University estimates*
This too shall pass

8 IN 10 WHO ARE WORKING FROM HOME SAY THEY MISS IN-PERSON EVENTS

8 IN 10 WHO ARE WORKING FROM HOME SAY THEY ARE JUST AS LIKELY OR MORE LIKELY to attend in-person events after the threat is over
About the Survey

• Fielded April 2 through April 12
• Target audience: executives with oversight of US-B2B exhibitions
• 201 responded of which 164 qualified executives completed the survey
• Thank you to IAEE and TSNN for their support for this study
Actions Impacting Staff

- Working remotely: 77%
- Froze hiring: 43%
- Reduced pay: 16%
- Furlough: 8%
- Lay off: 7%
B2B Exhibition Organizer Staff Profile

- **No change, working full-time or part-time as before**: 86.6%
- **Sustained a pay cut**: 10.3%
- **Furloughed**: 1.7%
- **Laid off**: 0.6%
- **Other, e.g. altered vacation pay, sabbaticals, etc.**: 0.8%

Average Pay Cut: 25%
Staffing Outlook for Next 3 to 6 Months if COVID-19 Persists

- 52% No change, will maintain staff and pay levels
- 23% Start or continue pay cuts
- 23% Start or continue staff cuts

54% anticipate bringing back furloughed staff in 2 to 3 months
Pay cuts will likely persist, lifting 3 months or later at best, 46%
Biggest Focus is on Managing Other Costs, Minimizing Revenue Losses

- Ongoing budget revisions - cost cuts, lower revenue projections: 86%
- Retain exhibitors - to postponed or other F2F events, next edition: 74%
- Renegotiate contracts with suppliers: 61%
- Retain attendees - for postponed or other events: 60%
- Cancel contracts with suppliers: 55%
Impact on 2020 US B2B Exhibitions

Most Anticipate COVID-19 Will Impact Their Events

Impact or Extreme Impact (4/5)

80%

CEIR Tracking of Cancelled/Postponed Events from March thru June 2020
N=490

Cancelled
58%

Postponed
42%
## Impact on 2020 US B2B Exhibitions

### Actions Taken Since Early March Relating to Scheduled 2020 US B2B Exhibitions Organized or Managed

<table>
<thead>
<tr>
<th>Action</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cancelled 1 or more B2B Exhibitions</td>
<td>34%</td>
</tr>
<tr>
<td>Cancelled and Postponed B2B Exhibitions</td>
<td>27%</td>
</tr>
<tr>
<td>Postponed 1 or more B2B Exhibitions</td>
<td>14%</td>
</tr>
<tr>
<td>No action, happened or still scheduled</td>
<td>24%</td>
</tr>
</tbody>
</table>

### Average Gross Revenue Loss due to Postponements/Cancellations

39%

### Among Those That Have Cancelled or Postponed

- 49% of their 2020 events were cancelled
- 48% of their 2020 events were postponed
Postponed B2B Exhibitions

Mid-Sized Events Make Up Bulk of Postponed Events
NSF of Paid Space

Most Expect Lower Results for Performance Metrics

31% 28% 21%
10,000 to 49,999 50,000 to 99,999 100,000 to 249,999

66% 65% 63%
# of attendees # of exhibitors NSF
Postponed B2B Exhibitions

Will Be a Busy Late Summer and Fall When Postponed Events Will Take Place

- August: 32%
- September: 34%
- October: 29%
- November: 28%
- December: 22%
- Sometime in 2021: 34%

Most Will Occur in Same City and Location

Different city and location: 28%
Same city and location: 78%
Cancelled B2B Exhibitions

Mid-Sized to Smaller Events Make Up Bulk of Cancelled Events
NSF of Paid Space

- 20% of cancelled exhibitions
  - 3,000 to 9,999
- 33% of cancelled exhibitions
  - 10,000 to 49,999
- 22% of cancelled exhibitions
  - 50,000 to 99,999
- 24% of cancelled exhibitions
  - 100,000 to 249,999
Cancelled B2B Exhibition Organizers Shifting to Delivering Content to Communities via Other Outlets

Virtual Offerings

- One or more virtual offerings: 69%
- Education sessions, online: 62%
- Exhibitor promotional content: 35%
- General session content: 24%
- Full virtual trade show: 15%

In-person/F2F Offerings

- One or more F2F offerings: 34%
- Another 2020 edition or other B2B exhibition: 24%
- Another 2020 F2F event other than a B2B exhibition: 19%

Average % of Gross Revenue Gained or Retained: 13%
Events will not be judged on y-o-y attendance gains, but on qualitative measures and on innovative safety tactics...Face masks, controlled patterns in the exhibit hall to allow for more social distancing - one-way aisles, more wellness stations

A few of us are researching hybrid events to make content beneficial to attendees and a return on investment for exhibitors. Our previous virtual attempts were unsuccessful, as it was one day, six hour event... Addition of virtual events and/or hybrid events..... Adding virtual content to the physical

For the most part, B2B in person events will be critical to our business, but my concern focuses on WHEN our attendee and exhibitor base will be allowed/feel comfortable to travel once the bans are lifted. This is the question on everyone's mind as we evaluate our late summer event portfolio. Also, some industries have been more critically impacted. Events focused on these industries - aviation, dental - will obviously take longer to recover.

Initially I had thought this would be the push the world needed to embrace the virtual world in medical education, but honestly, what I am hearing from people is they just want things "back to normal". I think after this, there will be live events but the "communal" aspects will be different (how close people sit, how many people in networking events)... or at least people will feel differently about them for a while. And while I think live events will come back, people will not have an expectation that ALL events need virtual aspects, and they will pick and choose. Pharmaceutical companies rely on a 70 year old sales model of live people to people sales.... B2B tradeshows are a big part of that. 2021 will be formative for the future. 2020 is kind of "disrupted."
Financial Vulnerability

Whether Have Insurance to Cover Financial Losses due to COVID-19

- Yes for all our B2B exhibitions, including communicable disease rider prior to COVID-19: 16%
- Yes, for some, which includes the communicable disease rider prior to COVID-19: 9%
- No, purchased event cancellation coverage but did not purchase communicable disease rider or not before COVID-19: 35%
- No, we did not purchase any cancellation coverage: 12%
- Not sure/ no answer: 26%
Financial Relief

Whether Seeking Federal Assistance via CARES Act

- Pursuing one or more options: 44%
- Loans and loan forgiveness for small businesses: 23%
- Federally backed financial assistance for impacted businesses: 19%
- Grants for impacted businesses: 15%
- Tax relief to mitigate loss: 12%
- No, no plans to apply: 35%
Post COVID-19 – Tactics and Strategies

Event Content and Model, 71%

- Contingency plan - ability to pivot, offer programming virtually if the F2F event cannot take place as planned, 46%
- Adding a virtual component to our B2B exhibition, adopting a hybrid model, 41%
- Contingency plan - ability to pivot, shift to other F2F events run or managed by our organization if an event cannot run as planned, 30%
- Collocating with another B2B exhibition or F2F event, 12%
- Abandoning F2F model entirely, moving to virtual only model, 3%

Organizational, 68%

- Enhance or create crisis plan(s) to protect:
  - Employees, 43%
  - Attendees, 39%
  - Exhibitors, 39%
  - Partners or suppliers, 30%
- Insurance investment that includes riders available at that time, 41%
- Assures financial solvency of the organization for at least one year, 34%
- Consider entering a relationship with an equity partner to share, minimize our financial risk, 3%
The Impact of COVID-19 on the Economy

Allen Shaw, Ph.D.
Global Economic Consulting Associates, Inc.
President and Chief Economist
GROWTH PROJECTIONS
Global economy in a synchronized slowdown

2018 2019 2020
Global Economy: 3.6 3.0 3.4
Advanced Economies: 2.3 1.7 1.7
Emerging Markets & Developing Economies: 4.5 3.9 4.6

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GROWTH PROJECTIONS
The COVID-19 health crisis will have a severe impact on economic activity in 2020

GLOBAL ECONOMY
2019: 2.9 2020: -3.0 2021: 5.8

ADVANCED ECONOMIES
2019: 1.7 2020: -6.1 2021: 4.5

EMERGING MARKETS & DEVELOPING ECONOMIES
2019: 3.7 2020: -1.0 2021: 6.6

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What I will discuss

• COVID-19 – have new confirmed cases passed the peak?
• Economic indicators - how bad are they?
• Fiscal and monetary policies – are they big enough?
• Economic recovery – what will the recovery curve be?
New confirmed COVID-19 cases in the U.S. appear to have passed the peak.
However, the path differs by state and county.

![Chart: New Confirmed COVID-19 Cases, 4/19/2020](image_url)

Source: JHU & CEIR

Day 1: 2/24/2020

- New York, Left
- New York 7-day Moving Av.
- Florida, Right
- Florida 7-day Moving Av.

4/19/2020
New Confirmed COVID-19 Cases, 4/19/2020

Day 1: 2/24/2020

Source: JHU & CEIR
In part because of the difference, Trump leaves reopening to governors in recommended 3-phases.

- **Gating criteria** (must satisfy before proceeding to phased opening)
  - **Symptoms** - Downward trajectory of influenza-like illnesses (ILI) and COVID-like syndromic cases reported within a 14-day period
  - **Cases** - Downward trajectory of documented or positive tests as a percent of total tests cases within a 14-day period
  - **Hospitals** - Able to treat all patients without crisis care and have robust testing program in place for at-risk healthcare workers, including emerging antibody testing

As of April 16, 2020, Source: https://www.whitehouse.gov/openingamerica/
• Phase 1
  ➢ Reopening of some businesses, including gyms, restaurants, movie theaters and places of worship “if they adhere to strict physical distancing and sanitation protocols.”
  ➢ Avoid SOCIALIZING in groups of more than 10 people in circumstances that do not readily allow for appropriate physical distancing, e.g., trade shows.
  ➢ Schools should remain closed
  ➢ Telework when possible and minimize nonessential travel

• Phase 2
  ➢ Proceed to Phase 2 when no evidence of a rebound in coronavirus cases over another 14-day period.
  ➢ Schools and youth activities can resume
  ➢ Large venues can operate under “moderate physical distancing protocols”
  ➢ Non-essential travel can resume

• Phase 3
  ➢ Proceed to Phase 3 after a third 14-day period without a COVID-19 resurgence
  ➢ Large venues (such as restaurants, bars, movie theaters, sporting venues, places of worship and trade shows) could operate under “limited physical distancing protocols.”
As of April 7, 94.5% of the US population is under some kind of stay-at-home order
As a result of lockdown, many activities have paused.
Two timely leading indicators point to a recession:

- Stock prices
- Average weekly initial claims for unemployment insurance
The stock market points to a recession, with S&P 500 dropping 34% in 24 days.
Ditto for initial claims for unemployment insurance. Recent claims are historic.
The sum of last 4-week initial claims jumped to 20 million.
March payroll employment dropped by 701,000. April will be much worse.

Table 1: Employees on nonfarm payrolls by industry sector and selected industry, Thousands

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<tr>
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<tbody>
<tr>
<td>Total private</td>
<td>129,740</td>
<td>129,027</td>
<td>-713</td>
<td>-0.5</td>
</tr>
<tr>
<td>Leisure and hospitality</td>
<td>16,852</td>
<td>16,393</td>
<td>-459</td>
<td>-2.7</td>
</tr>
<tr>
<td>Retail trade</td>
<td>15,670</td>
<td>15,624</td>
<td>-46</td>
<td>-0.3</td>
</tr>
<tr>
<td>Food and beverage stores</td>
<td>3,091</td>
<td>3,092</td>
<td>1</td>
<td>0.0</td>
</tr>
<tr>
<td>Gasoline stations</td>
<td>949</td>
<td>949</td>
<td>-1</td>
<td>-0.1</td>
</tr>
<tr>
<td>Other</td>
<td>11,630</td>
<td>11,583</td>
<td>-47</td>
<td>-0.4</td>
</tr>
<tr>
<td>Construction</td>
<td>7,634</td>
<td>7,605</td>
<td>-29</td>
<td>-0.4</td>
</tr>
<tr>
<td>Health care and social assistance</td>
<td>20,761</td>
<td>20,700</td>
<td>-61</td>
<td>-0.3</td>
</tr>
<tr>
<td>Professional and business services</td>
<td>21,559</td>
<td>21,507</td>
<td>-52</td>
<td>-0.2</td>
</tr>
</tbody>
</table>

Source: BLS
But, the official unemployment rate may not be much higher than 10% which will underestimate the stress of the labor market.

- Persons who were laid off, not expecting recall but not looking for work are not counted as unemployed.

- The stress in labor market will show up in:
  - Labor force participation rate
  - Employment to population ratio
  - Average weekly hours
  - Wages & salaries per worker
Monetary policies: unprecedented easing measures to assure ample liquidity (credit & cash) in the economy

- **March 2**: Cut interest rates by 50 basis points
- **March 5**: Slashed rates by 100 basis points to near zero, restarts large-scale asset purchases
- **March 16 to 31**: range of measures launched to increase liquidity in financial markets and promises unlimited, open-ended large-scale asset purchases, including purchases of corporate and municipal bonds.
- **April 9**: provides **unprecedented** $2.3 trillion in emergency loans to small and midsize businesses, as well as U.S. cities and states.
Three phases of fiscal “rescue” programs: are big, but not big enough.

- **Phase One** - $8.3 billion for health agencies and initial small business loans
- **Phase Two** - paid sick leave ($100 billion in tax credits), unemployment benefits and food assistance
- **Phase Three** - $2 trillion via The CARES Act
- **Phase Four**: ???
This act includes a wide range of rescue programs across sectors and categories.

Source: USA Facts
The COVID-19 Economic Downturn is Unique

Great Depression Triggered by Demand Shock

- Stock market crash (10/29/1929) lead to a loss of business and consumer confidence which resulted in a protracted decline in investment and consumption expenditures
- Liquidity crisis caused by bank failures and bank runs
- Limited fiscal stimulus spending as the government trying to balance the budget

2008 Great Recession Triggered by Demand Shock

- Bursting of the housing bubble that started in 2004 resulted in severe contraction of liquidity
- Collapse in car sales and housing construction

2020 Recession Triggered by Supply Shock

- Stay at Home Orders, Lockdown – has temporarily shuttered non-essential businesses
- Lower productivity of working employees
- Mortality
When are stay-at-home orders ending?

*as of April 16, 2020

- Week of Apr 13
- Week of Apr 20
- Week of Apr 27
- Week of May 4
- Week of May 11
- Week of May 18
- Week of May 25
- Week of June 1
- Week of June 8

States with stay-at-home orders due to end
The shape of economic recovery will be determined by the shape of new confirmed COVID-19 cases and timing of reopening of the economy.

- Opening too soon risks second wave of outbreaks.
- Opening too late risks demand shock in the recovery process.
- GDP forecasts vary substantially contingent on timing of re-opening:
  - Lockdown in April reduces real GDP by about 22% SAAR (Seasonally Adjusted Annual Rate) in Q2
  - Lockdown in April and May reduces real GDP by about 50% SAAR in Q2.
Most likely, it will be a V-shape recovery.

### 2020 Real GDP Growth, %, SAAR

<table>
<thead>
<tr>
<th></th>
<th>Median ¹/</th>
<th>Average ²/</th>
</tr>
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<tbody>
<tr>
<td>Q1</td>
<td>-2.4</td>
<td>-3.8</td>
</tr>
<tr>
<td>Q2</td>
<td>-26.5</td>
<td>-24.5</td>
</tr>
<tr>
<td>Q3</td>
<td>2.0</td>
<td>7.4</td>
</tr>
<tr>
<td>Q4</td>
<td>5.8</td>
<td>7.9</td>
</tr>
</tbody>
</table>

Source: ¹/ NABE Survey, April 10, 2020
        ²/ Blue Chip Consensus, April 10, 2020
## Scenario Analysis

<table>
<thead>
<tr>
<th>Scenario</th>
<th>New COVID-19 Confirmed Cases</th>
<th>Reopening of the Economy</th>
<th>Real GDP Growth</th>
<th>B2B Exhibitions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Best Case</td>
<td>Reach a peak in mid-April</td>
<td>From late April</td>
<td>-0.7 3.0</td>
<td>Partially resume in July</td>
</tr>
<tr>
<td>Base Case</td>
<td>Reach a peak in mid-April</td>
<td>Mostly from early May</td>
<td>-4.5 4.3</td>
<td>Partially resume in August</td>
</tr>
<tr>
<td>Stress Case</td>
<td>Reach a peak in mid-April</td>
<td>Mostly from early June</td>
<td>-8.3 3.1</td>
<td>Partially resume in September</td>
</tr>
<tr>
<td>Worst Case</td>
<td>Reach a peak in mid-April but second wave starts in September</td>
<td>From early May but lockdown again in September</td>
<td>-10.0 2.0</td>
<td>Resume in April-June 2021</td>
</tr>
</tbody>
</table>
Sharp & deep decline followed by a quick recovery

Real GDP Growth, SAAR

Source: BEA & CEIR
CEIR expects a full recovery in 8 quarters (2021Q4)
Organizer’s Perspective

Jennifer Heinold, CEM
SVP, Events
Access Intelligence, LLC
Reactions to-date and plans moving forward

• Our brands are strong, as are the communities we serve
• Take necessary steps to ensure our in-person audiences feel safe
• Hybrid/Virtual components are a must for Fall 2020 events in order to capitalize on prospective audience unable/unwilling to travel
Wrap Up
Wrap Up

• COVID-19 has negatively impacted the industry:
  • In short-term, organizers are striving to contain costs and retain income
  • Impact, as of the time of the survey, on staff is minimal though could increase 3 to 6 months out if pandemic persists
  • Organizers forced to cancel are experimenting with virtual to maintain engagement with their customers in the short-term
  • Late summer, fall 2020 will be busy with postponed events
  • Financial impacts are substantial to organizers:
    • Average gross revenue loss of 39% due to cancelled/postponed events
    • Inadequate insurance coverage has exposed organizers to the full brunt of losses due to COVID-19
  • The CARES Act is helpful for financial relief. More is needed.
Wrap Up

• Exhibition organizers are entrepreneurial and actively exploring practices that protect and retain the viability of the US B2B Exhibition industry:
  • Experiment with digital, e.g., hybrid moving forward
  • Safety procedures to assure health of participants that makes them feel safe and builds the recovery

• Recovery of the US trade show industry is tied to when Phase 3 of the President’s plan ends

• The B2B exhibition industry will rebound as it has following past economic and health crises
QUESTIONS?

ANSWERS!
To access go HERE: COVID-19 https://www.iaee.com/covid19/
https://www.ceir.org/2020-Predict/
How to Reach Panelists

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