

The Effectiveness of Trade Shows in Global Competition

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Abstract:

Trade shows industry has experienced a rapid growth during the last years. They are considered as a vital communication technique especially for those companies that operate in international markets and that aim to reach specific audiences. Making them an integral part of the marketing communication strategy enables companies in: developing customer relationships; offering possibilities for sales and sales promotion; undertaking and maintaining good international business relations; monitoring international competition as well as minimizing entry barriers in new markets. During the last years, many Albanian companies that operate in foreign businesses have started to engage in trade shows. Face to face meetings with their potential customers and direct competitors are among the most important reasons for investing in this marketing tool. Even though the literature regarding trade shows effectiveness is increasing constantly, research on its effectiveness is still limited.

Therefore, the aim of this paper is to study the effectiveness of trade shows as a marketing communication tool. More specifically, it is focused in studying the usage of trade shows by Albanian companies when competing on international markets.

Key words: marketing; trade show; customer relationship; market research; communication strategies

1. Introduction

For many years, different companies have integrated trade shows successfully with their other elements of the communication mix. There are many reasons behind this

strategy, but according to Hansen (1996) the most important one relates to the fact that trade shows play the role of a catalyst to economic productivity both on home markets and abroad.

In the vast literature, although academics refer to trade shows in different ways, such as exhibitions, fairs, trade fairs etc., all of them consider this technique as regularly scheduled events, where companies meet their customers and other important parties of their industry. Specifically, Kirchgeorg and Kastner (2010) define trade shows as events that are held at specific days, where a large number of companies present their new products and sell them to already existent customers and / or to potential ones. But, on the other hand, organizing trade shows is a complex issue and it requires the support of a whole industry, in order for participants to consider it as the perfect place to establish and cultivate future business relationships (Sharma and Patterson, 1999). Academics and marketing practitioners recognize trade shows as a significant marketing tool, which, compared to the other elements of the communication mix, can influence considerably one company's ability to compete on the market place and especially on the global business market (Seringhaus and Rosson, 1998).

Therefore, the aim of this paper is to study the effectiveness of trade shows as a marketing communication technique for global market competition. The study is focused on an Albania based company (Tuttomobili, a furniture production factory), which distributes and sells its products mainly in the global market. The research focuses more on exploring the reasons why this company competes mainly through trade shows, as well as understanding the ways this company uses to measure the returns from this strategy.

2. Competition through trade show

Dekimpe et al. (1997) described the consumer's purchasing process in separate phases, where potential buyers seek for certain information in order to move from one phase to another. Accordingly, consumers pass from the stage of identifying their needs and how the different products available can satisfy them, toward identifying where they can get those products, and finally purchase them and give feedback after the

purchase. Marketers have always given considerable importance to this process and Kotler and Keller (2007) have added that some of these tasks, as the creation of knowledge to customers, can be met through non personal marketing communication channels. As the consumer approaches the buying process, there is a need for more personalized communication. However, the majority of marketing managers use a mix of personal and non-personal communication techniques, in order to best achieve the marketing communication objectives. Importantly, Dekimpe et al. (1997) identifies trade shows as a perfect combination of direct sales (represented by sales agents at standing at the company's booth) and advertising (branded booths with company's logo and key message, or other information available where often it is impossible for the seller to interfere).

2.1. Trade shows' success factors

Keller (2003) refers to marketing communication as the voice through which companies can start a dialogue with their target markets and other stakeholders. Due to the severe competition in the market during the last years, the importance of marketing communication has grown significantly. As Pantano (2011) points out, the emergence of information technology and audience fragmentation have radically changed even the marketing communication environment. Moreover, in the today's market, companies have different available ways to reach consumers, such as traditional and non-traditional media, but due to the fragmentation of the audience they are moving away from mass communication toward a direct one. At the same time, marketers are exploring all the advantages of the other elements of the communication mix (Kotler 2003).

According to Gabrielli and Balboni (2010) the integrated marketing communication became important for companies due to the fact that the usage of different sources can confuse the consumer's perception. Therefore, formulating a systematic and integrated message across all communication channels has become a fundamental issue for marketers today.

As previously mentioned, trade shows are defined as organized market events, which are held at specific periods and places, where a large number of companies present their offers and consumers get informed or buy goods (Pantano 2011). The

main advantage of trade shows is that they have the ability both to involve the visitors and to interact with them (Kirchgeorg and Kastner 2010).

However, when analyzing the application of marketing theory in SME, it can be noticed that it often relies on the application of classical marketing models, compared to big businesses (Ling-yee 2008). In fact, Kotler (2003) states that small firms use more informal marketing practices, being sometimes even unstructured and spontaneous when compared to bigger businesses. This application of marketing techniques in small medium enterprises is due to their limited budgets and centralized management structure, compared to bigger companies. Considering this situation, the application of trade shows becomes an important marketing technique for these businesses and today they are considered an integral part of their marketing strategy (Yuksel dhe Voola 2010).

Important to mention is the fact that, along with the other instruments, such as events, road shows and showrooms, trade shows too belong in the two ways communication category. Kirchgeorg and Kastner (2010) point out that this form of communication is mostly focused on sharing experiences with specific target groups, giving them a personal encounter, letting them experience the brand and encouraging emotional appeals. In this context, considering the nature of the business, the industry where it operates and the target audience, the application of trade shows as a communication technique is aiming at creating a direct and personal interaction between the company and its target group, in order to create unique and lasting memories (Kirchgeorg and Kastner 2010).

Moreover, the companies that decide to use trade shows as a communication technique need to plan all the activities that should take place before, during and after the event. In fact, the need to organize all the activities at all these stages is stressed both by academics and by marketing practitioners. Accordingly, Kirchgeorg and Kastner (2010) state that in order to have successful trade shows there is a need to plan systematically all the related activities during preparatory, implementation and follow-up phases. Importantly, this process must be integrated in the company's communication mix strategy. Similar to other marketing activities, Gabrielli and Balboni (2010) state that even the trade show technique must

follow specific steps: situation analysis; definition of trade show marketing objectives; definition of the trade show marketing strategy; planning of the trade show marketing mix; implementation; control and evaluation.

2.2. Return on trade show investment

One of the most common mistakes in marketing is that marketing managers consider communication activities as expenses and, in economic turbulence times, this part of the marketing is usually cut off. But, according to Keller (2003), marketing communication activities should be considered as an investment. If the message transmitted through communication campaigns is well coordinated, in the long run, it will add value to the brand. However, even though companies invest in communication campaigns, the difficult part consists in measuring its effectiveness and understanding which element of the communication plan was the most efficient.

From all the activities of the communication campaign, trade shows returns can be evaluated in a number of ways. But on this point, as Outland et al. (2010) argue, what is lacking in the academic literature is not related to the trade show value, but to the issues surrounding how the value of information gathered is manifested and how this value should be measured. According to Outland et al (2010), trade show value is measured in tangible and intangible benefits.

For instance, tangible benefits include elements such as the acquisition of new customers, the sale of products and services, technical updates, new partners etc. On the other hand, intangible benefits from participating in a trade show are as follows: valid information to implement in the following marketing strategy, policy development, marketing communication, customer and supplier relationship, or new product idea generation. In addition, all the tangible or intangible benefits accumulated during a trade show may come from either formal or informal information. According to Pantano (2011), formal information is a one - way communication process, which is mostly gathered during a press review, product demonstration, technical update etc. Informal information, which at the same time represents an important source of information for marketing managers, is a

two - way exchange of information, and takes place in casual “hall talks” conversation or lunches and dinner discussions.

As previously discussed, when organizing a trade show, marketing managers should be careful during all its three important stages. Therefore, once they gathered all the information needed from both formal and informal sources, the next thing to do is processing this information. In fact, there is a need to evaluate all the information gathered at the trade show, and consider how that information will be disseminated within the organization, among its members. However, according to Outland et al (2010), the dissemination and use of trade show information is impacted by the perceived quality of this information.

3. Methodology

The purpose of this paper is to study the effectiveness of trade shows as a marketing technique for companies competing in international markets. To obtain answers to the research questions, we have conducted an in-depth interview with the marketing managers of *Tuttomobili*, a furniture production factory in Albania.

Tuttomobili is a leader in the quality furniture manufacturing sector. The company is situated in Tirana, where it deals with the fabrication, assemblage and management of its products. Nowadays, *Tuttomobili* possesses 31000 square feet of facilities in the same location and manages 160 people.

The furniture styles that the company produces correspond to a specific market, and not to masses. The company’s export destinations for years have been the Eastern European countries, but in recent years the company has entered the market of countries like England and France. According to the marketing manager of *Tuttomobili*, the increased demand in these countries was due to the large number of Albanian emigrants over the years.

However, for the purpose of this paper, the interview with the marketing managers was mainly focused on the following issues:

1. On what markets do you sell your products?

2. What other forms of communication techniques do you use beside trade shows?
3. How often do you participate in trade shows?
4. How do you measure the effectiveness of trade shows?
5. Is the information gathered at the trade show shared with the other departments when the trade show is over? What happens with that information?

From the interview it was concluded that the company operates mainly on the foreign markets and their communication strategy in the market where they export is based solely on participating in different trade shows held by the industries where they operate. The company first started to participate in its industry trade shows organized in Istanbul, Turkey, in 2009. After that year they have participated regularly in this country. From year to year, they have observed an increase in the number of the participants visiting the trade show and their stands. However, even though the number of people visiting the trade shows increases, only 10% of them make orders for furniture.

More than this, it has been mentioned the fact that they have a very well organized database and consequently a direct communication with their customers is more important to their business than engaging in massive communication. All the contacts generated from the trade shows are updated in the database and during the year the company's marketing staff sends updated brochures and information regarding the company.

The marketing manager of *Tuttomobili*, when asked about the reasons why competing solely through trade shows and not investing also in advertising and PR, highlighted the fact that trade shows can contribute to the creation of international business relations, which are very important on the global market in which they are operating. Consequently, these relations will contribute to minimizing future entry barriers on new foreign markets.

When asked about trade shows and how the marketing managers measure their effectiveness, they highlighted some variables based on which they usually measure its success. Therefore, the quality and use of information collected from participation and the sales / orders achieved during the fairs are the first important variables used to measure trade show

effectiveness. In addition, international market information is another consistent variable to be considered, along with the establishment of new business contacts and meetings with old partners / competitors / important local people.

During the interview, it was mentioned that the information gathered from trade shows serves as a valuable feedback for the company and it is usually reflected in the next period marketing plan. The company is mainly a family based business and, according to the interviewees, the information is disseminated and followed properly once the trade show is over and they get back to business.

4. Conclusions

During the past years, determining the effectiveness of communication activities has become increasingly important both to communication professionals and to marketing practitioners. Although having and spending large communication budgets allows a big impact in the market, scholars emphasize the importance of personal communication, stating that no other technique can overcome its effect. There are different techniques that fall under this category, and their application should be consistent to the industry where companies operate and their target market.

Academics and the case study taken into consideration in this paper emphasized the trade show potential, especially for those companies operating on international markets. Based on the case study, we can conclude that fairs offer to businesses a good and efficient way to reach current and potential customers in the industry where they belong, making trade shows a vital element to the companies' marketing mix. Many companies worldwide have understood the power of trade shows and, therefore, they are diminishing their expenses on advertising and general PR, focusing more on this personal communication strategy.

In fact, nowadays, trade shows industry comprises a multibillion dollar business. Important to mention is the fact that trade shows do not only present and sell products to customers, but in conjunction with professional industry group meetings, they give to sellers an opportunity to interact with pre-qualified prospects, important suppliers, and other industry

associates. All these groups are important actors in the international markets and they can minimize substantially the company's entry barriers there.

However, as previously mentioned while studying the advantages of trade shows, we should take into consideration the nature of the business that is operating in the international arena. The case study chosen for this paper highlighted the fact that for niche markets (or not massive ones), trade shows enable contacting customers at a lower cost, as opposed to advertising, they enable companies to test their products and at the same time market them appropriately, they give to foreign companies the possibility to understand international competitors and lastly, provide them the possibility to investigate on potential channels of distribution.

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