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revenues of
3.6 billion euros

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Messe Frankfurt events generate annual revenues of € 3.6 billion

On behalf of Messe Frankfurt GmbH, the ifo Institute – following on from its reports in 2000 and 2011 – in 2017 again measured the economic effects generated by expenditure by exhibitors and visitors to domestic trade fairs¹, congresses and other events in 2017. Based on empirical surveys of selected events, an estimation method was used to determine total expenditure and extrapolate the purchasing power, employment and fiscal effects of trade fairs and other events for the Frankfurt location, the State of Hesse and Germany in general on an annual average basis.²

DATABASE CONTAINS INFORMATION SUPPLIED BY AROUND 15,700 EVENT PARTICIPANTS

Active participation of companies as exhibitors at trade fair events is an important marketing policy instrument. It provides them with an opportunity to present their own portfolio of products and services, engage in direct dialogue with customers and closely observe the competitive environment. Conversely, trade fair events offer visitors and consumers a low-cost way to compare the prices and benefits of different products and obtain information about the latest trends shaping the range of products

and services on offer. However, the economic significance of trade fairs extends far beyond the sales-motivated considerations of exhibiting and visiting companies. Trade fair events are also of major significance to the economic area in which the trade fair is located. Exhibitors and visitors are, in turn, customers of local companies. This induces employment effects, increased tax revenues and additional purchasing power. Alongside trade fairs, however, congresses, conferences and other events (e.g. concerts, shows, company and sports events) can also make a major contribution to the economic impacts on a region.

In order to obtain statistically valid calculations, it is necessary to differentiate analyses of trade fair activities over time because some events are not held annually, but in a multi-year rhythm. Accordingly, in terms of both exhibitor and visitor figures and, consequently, the economic impact, there are »strong« and »less strong« years. For this reason,

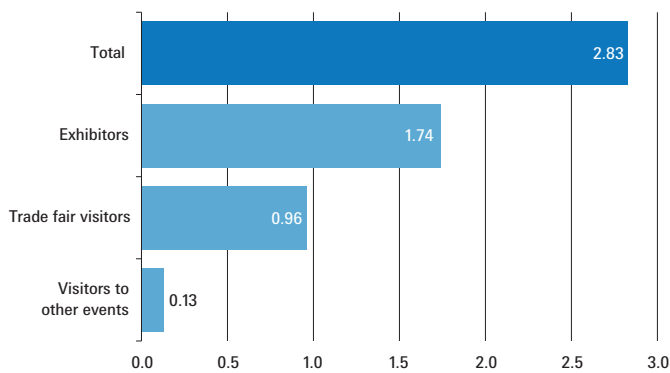
¹ Please note that the estimations do not take account of the economic effects of initiated or concluded orders.

² The quantitative assessment of the economic impacts assumes that the production and job-creation capacity utilisation arising from trade fair and event expenditure is not affected or exploited by other demand-based activities, i.e. any potential loss of the trade fair or event expenditure as a volume of demand is not compensated by expenditure by other companies or individuals. The study thus represents an impact analysis oriented towards event-induced expenditure by exhibitors and visitors.

Fig. 1

Distribution of direct expenditure

Average trade fair year of Messe Frankfurt, expenditure in billion euros



Source: calculations of the ifo Institute.

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the analysis was carried out for an average trade fair year (from 2015 to 2017)³, i.e., all trade fairs were included in the estimations on the basis of their periodicity (cf., for example, Penzkofer 2009, 12): for example, Automechanika (the world's leading trade fair for the automotive service industry) with the factor ½ and Ambiente (international consumer goods fair in Frankfurt) with the factor 1. The triennial IFFA (leading international trade fair for the meat industry) was assigned a factor of 1/3.

A key factor for the validity of the results is therefore the data used in the analysis. To calculate the economic effects of trade fairs⁴ and other events, around 6,600 trade fair visitors, 8,300 exhibitors and another 800 event participants were representatively surveyed.

Based on information from the standardised visitor and exhibitor surveys, exhibitor and visitor indicators were identified for the various trade fair types (e.g. international consumer goods or investment goods trade fairs).

These indicators form the basis for the extrapolation of the sample results that gives the overall volume of visitor and exhibitor expenditure. The model

³ The average event year (congresses, conferences and other events) also relates to the period from 2015 to 2017.

⁴ Visitor and exhibitor surveys were conducted for the following trade fairs: Automechanika, Heimtextil, Christmasworld, Creativeworld, Paperworld, Ambiente, Tendence, Prolight+Sound, IFFA, ISH, Light+Building and Texcare.

used establishes cause-and-effect relationships between the events included in the survey and those not included based on a number of attributes (cf. Täger and Penzkofer 2005). The calculation of the direct and indirect effects was based on the input-output model⁵, which maps the transactions between the different sectors.

EXHIBITORS AND VISITORS SPEND € 2.83 BILLION ON MESSE FRANKFURT EVENTS WORLDWIDE

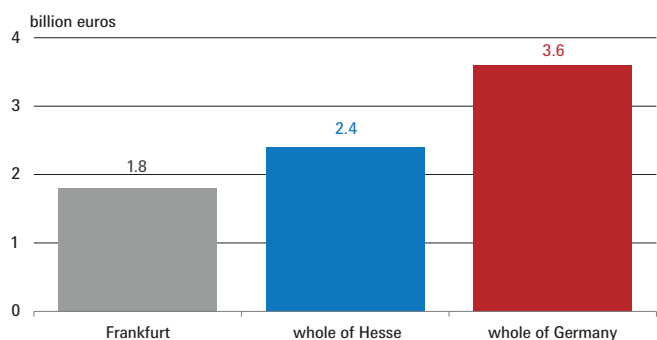
Messe Frankfurt events would appear to rate highly with exhibitors and visitors. For a representative year of events, the direct expenditure of domestic and international exhibitors and visitors attending Messe Frankfurt trade fairs, congresses and other events totals € 2.83 billion (cf. Fig. 1). On average, expenditure per visitor at trade fairs totals around € 520, per congress participant around € 570 and per event visitor around €120, for, among other things, overnight stays, restaurant visits, retail purchases and travel to and from the event. Total expenditure by visitors to trade fairs and other events is € 1.09 billion (trade fair visitors € 0.96 billion; congress participants and event visitors € 0.13 billion). Added to visitor expenditure is total expenditure by exhibiting companies: for trade fairs at the Frankfurt venue and elsewhere in Germany, they invest a total of €1.74 billion to present their products to an international public. Expenditure per exhibitor comes to around € 42,000.

Expenditure on hotels and restaurants accounts for the second greatest share of total expenditure by trade fair visitors at around 38%. Only the costs for long-haul journeys to and from the event exceed this figure slightly at 41%.

⁵ Due to time-intensive preparation work, the tables on which the input-output model is based are only available after some delay. While the input-output structures certainly change over a longer period of time, from a short-term view only slight changes occur, so that tables which go back only a few years can be drawn on as a good approximation of the current economic structure. The study covers the years 2015 to 2017; the input-output table used represents the year 2013 (cf. Federal Statistical Office 2017).

Fig. 2

Purchasing power effects
Average trade fair year of Messe Frankfurt



Source: calculations of the ifo Institute.

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Retailers also account for an appreciable share of visitor expenditure (around 7%). The trade fair admission fee (incl. catalogue purchases), on the other hand, accounts for only 4% of total expenditure by visitors. Visitor expenditure has a strong regional orientation and therefore a high local impact on production and job creation. With the exception of long-distance travel costs, expenditure by visitors is for the most part generated at the location of the trade fair.

Out of the average total expenditure of exhibiting companies, around 27% is spent on stand construction, while around 17% is spent on staff costs related to the preparation and realisation of trade fair participations. Around 25% of expenditure by exhibitors goes to trade fair organisers (stand rental incl. charges for electricity, waste disposal, etc.). Almost 13% of expenditure is generated by journeys to and from the event made by the exhibitors' staff. Expenditure on overnight accommodation and meals totals almost 14%. While expenditure by visitors is mostly incurred in Frankfurt, that generated by exhibiting companies exhibits a wider geographical distribution. One of the main reasons for this is that exhibitors have much of the preliminary work and elements for their exhibition stand produced not at the trade fair venue, but at their place of business or by specialised companies in Germany or abroad.

This expenditure induced directly by Frankfurt events is thus not generated entirely in Frankfurt. Whereas expenditure by visitors and exhibitors for overnight stays, restaurants and private consumption is, for example, mostly incurred in Frankfurt, other types of expenditure, such as the travel costs to and from the trade fair for non-local visitors and exhibitors or stand costs, are incurred in other parts of Germany or internationally. Broken down by economic area, around 41% of direct expenditure by visitors and exhibitors is generated in Frankfurt, approximately 9% in the rest of Hesse, 18% in other federal states and 32% internationally. Hesse as a whole therefore accounts for half of the direct expenditure on trade fairs and other events.

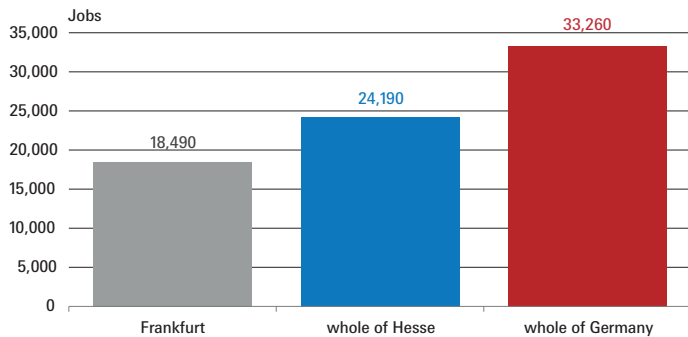
HALF OF THE ADDITIONAL PURCHASING POWER IMPACTS FRANKFURT

The direct expenditure generated by trade fairs and other events only represents part of the economic effects. Due to the distinct division of labour, a substantial volume of goods and services is purchased from companies that are not affected directly by the expenditure generated by exhibiting companies and visitors. These indirect beneficiaries in turn have a demand for intermediate input of goods and services. This gives rise to a chain of performance-related knock-on effects across all economic sectors.

The overall economic purchasing power effects for a representative year of events (direct and indirect) generated by events in Germany total around € 3.6 billion (cf. Fig. 2). Half of this additional purchasing power impacts Frankfurt (€ 1.8 billion). Taking the rest of Hesse into account, the additional purchasing power volume generated by Messe Frankfurt trade fairs and other events in the state of Hesse totals € 2.4 billion. The remaining € 1.2 billion is accounted for by the rest of Germany.

Fig. 3

Employment effects
Average trade fair year of Messe Frankfurt



Source: calculations of the ifo Institute.

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MESSE FRANKFURT EVENTS SECURE AROUND 33,260 JOBS IN GERMANY AND ...

Around 33,260 jobs⁶ are secured in Germany as a result of expenditure by visitors and exhibitors attending Frankfurt events and roughly 18,500 of these jobs are created in Frankfurt (cf. Fig. 3). This is significantly more than half of all jobs. In the whole of Hesse, the jobs of around 24,200 people are secured by Messe Frankfurt events on an annual average. However, supply interrelations mean that companies in other federal states also participate in the economic effects. The number of jobs induced beyond Hesse totals more than 9,000. Staff in the hotel and restaurant industry

particularly benefit from the Frankfurt-based events (cf. Fig. 4).

Over one third of jobs created by trade fairs in Germany are in this sector. This high figure is explained above all by the expenditure of international guests on overnight stays and in restaurants. Roughly 29% of jobs are created in skilled trades and other event-related services. The retail sector accounts for around 8% of the jobs and transport and manufacturing for 7% respectively.

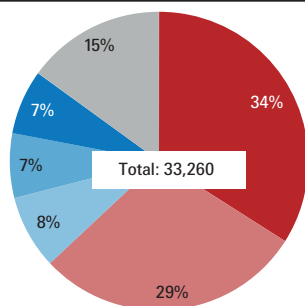
As already mentioned, the hotel and restaurant industry benefit the most from trade fair expenditure. This is backed up by the following figures for the hotel sector: around 1.82 million overnight stays, or around one fifth of all overnight stays, are booked in Frankfurt in connection with the events of Messe Frankfurt. However, Frankfurt is not the only place to benefit. Outside Frankfurt in the Rhine-Main area another 680,000 overnight stays are booked, bringing the total number of overnight stays in the Rhine-Main area to 2.5 million.

... INDUCE TAX REVENUES AMOUNTING TO € 657 MILLION

The production processes generated, the revenues and profits resulting from the events, as well as private consumption all generate tax revenues. For local authorities in the Federal Republic of Germany, a representative year of events generates tax revenues totalling € 657 million. A € 32 million share of this sum goes to Frankfurt, while the rest of Hesse receives € 176 million. The federal government collects more than half of all tax revenues (€ 330 million).

Fig. 4

Employment effects by sector
Average trade fair year of Messe Frankfurt



- Hotel and restaurant sector
- Skilled trades, event-related services
- Retail
- Transport
- Manufacturing
- Other

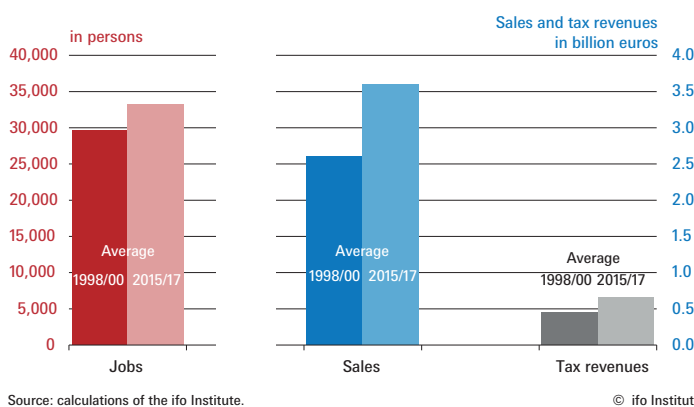
Source: calculations of the ifo Institute.

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⁶ The number of jobs linked to event-induced demand was calculated using sector-specific employment coefficients. The number of jobs determined represents full-time equivalents based on the working hours (the net output) of a sector-related representative employee.

Fig. 5

Economic effects of Frankfurt-based events
Comparison of average trade fair years 1998/2000 and 2015/2017



INCREASE IN ECONOMIC EFFECTS DUE TO HIGHER NUMBER OF INTERNATIONAL VISITORS AND EXHIBITORS

Trade fairs in Frankfurt are attracting an increasing number of international participants to Frankfurt. The higher number of international visitors and exhibitors, in conjunction with increasing congress activities, has given rise to stronger economic effects on the city of Frankfurt in recent years. More international visitors, exhibitors and congress participants mean a longer stay in Frankfurt and thus more overnight stays, as well as higher expenditure in restaurants. A comparison of the indicators for a representative year of events from the year 2000 (cf. Penzkofer 2002) with the latest study produces the following results: additional purchasing power for Frankfurt increased by around 38% (from € 1.3 billion to € 1.8 billion), tax revenues by 45% (from € 22 million to € 32 million) and the number of event-induced jobs secured by 10% (from 16,770 to 18,490). The growth rate for jobs is lower compared to the other effects because the positive employment effects arising from the growing production volume are diminished by the »negative effects« of increased labour productivity. In summary, the results of this survey show that the activities of Messe Frankfurt relating to trade fairs and other events represent a

significant economic factor for the city of Frankfurt.

However, Messe Frankfurt’s events do not only benefit the city of Frankfurt, but also the state of Hesse and Germany as a whole. Compared to the study from the year 2000, all indicators show growth for Hesse and Germany roughly on a par with or slightly above that for Frankfurt. The reason for this is that Messe Frankfurt now organises considerably more events in Germany at venues outside Frankfurt e.g. in Berlin, Hamburg and Nuremberg). Expenditure in connection with these events generates purchasing power, jobs and tax revenues almost exclusively outside Frankfurt. Fig. 5 presents the development of economic effects for Germany: the current purchasing power induced for Germany as a whole totalling € 3.6 billion for a representative trade fair year is around 38% higher than for an average year in 1998/2000. The number of jobs that directly or indirectly depend on Messe Frankfurt events grew for Germany as a whole by around 12% and the higher expenditure in connection with trade fairs compared to the 2000 study led to a roughly 48% increase in tax revenues.

MESSE FRANKFURT EVENTS GENERATE A BROAD RANGE OF ECONOMIC EFFECTS

The hotel and restaurant industry, retailers and stand construction or logistics service providers benefit the most from trade fair expenditure. However, it is not only the companies and hence the staff in these sectors that participate in the expenditure of trade fair and event participants, but the tax authorities as well. Above all, leading international trade fairs and congresses are of paramount importance for the economic effects.

When considering the results of the present study, it must also be borne in mind that the calculations of the economic effects relate exclusively to event-related expenditure by exhibitors, visitors and congress participants. The estimations do not take into account the

economic effects of initiated or concluded orders triggered in a given region. These could initiate investments, which in turn have economic knock-on effects. Furthermore, small and medium-sized local exhibitors benefit especially from the possibility to establish contacts to (inter)national customers cost-effectively at their place of business. Without a trade fair participation, they may miss the opportunity to acquire orders and regional growth potential may be lost.

Hence the present study only covers some of the economic impacts. These, however, concern the socio-economic effects, which can be measured on an empirical basis for a representative year. While other economic effects also exist (orders and international customer contacts for exhibiting companies, media interest and therefore image benefits for the respective region, etc.), these are difficult or impossible to quantify.

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