

The economics of a trade fair

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A fair company sells space, attention and time. Its principal revenue comes from exhibitors, who rent floor space by the square metre and pay additional charges for services such as electricity, cleaning, internet, catering, stand construction and advertising in the catalogue. Visitors pay entrance fees, although at many trade fairs a large part of the visitors are invited by exhibitors and enter without charge. Sponsors pay for visibility and hospitality. The costs of the fair company consist of the maintenance and depreciation of the halls, staff, marketing and the organisation of the event itself. Since the halls stand empty for most of the year, the profitability of a fairground depends on the number of events it can host and on the price that the most important events can command.¹

The economic benefit of a fair, however, accrues mainly outside the fairground. Exhibitors and visitors fill the hotels, eat in restaurants, take taxis and buy goods in the city's shops. Studies commissioned by fair organisers and cantons regularly estimate these indirect effects at several times the revenue of the fair company itself. Such studies are not neutral, since their purpose is often to justify public support, and their methods differ. They nonetheless capture something real. During Art Basel, hotel rooms in Basel and the surrounding region are booked out months in advance and prices rise to a multiple of the usual rates. Many visitors stay in Alsace or in Baden, which spreads the effect across the Dreiland that the second chapter of this Part examined.²

These indirect effects explain why the cantons have long been shareholders and creditors of the fair company. A canton that holds a stake in the organiser and finances its halls is betting that the tax revenue and employment generated by hotel nights, restaurant visits and business contacts will exceed the cost of its support. It is also protecting the city's image. A fair that bears the name of the city, such as Baselworld or Art Basel, carries that name around the world in a way that no tourism

campaign could achieve. When such a fair leaves or collapses, the damage is reputational as well as financial. Basel experienced both outcomes in the space of a few years, as the following sections show.³

1 Notes

1. On the revenue model of trade fair organisers (space rental, services, visitor admissions, sponsorship) and the importance of capacity utilisation, see the annual reports of MCH Group and comparable organisers such as Messe Frankfurt and Messe München, and the statistics of AUMA and UFI. To be verified. ↩
2. On the regional economic effects of the Basel fairs, in particular Art Basel and formerly Baselworld, see the economic impact studies commissioned by MCH Group and the canton of Basel-Stadt, for example from BAK Economics. Figures and methodology to be verified. ↩
3. On the public interest of the cantons of Basel-Stadt and Basel-Landschaft and of the canton and city of Zurich in the fair company, and the justification of public shareholdings, see the reports of the cantonal governments on their participations (Beteiligungsberichte). To be verified. ↩

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