

CONSOLIDATION

IN BLACK & WHITE

9/4/2008

Exhibitors say there's too many home shows in Chicagoland. They want consolidation. There are four ways for the industry to consolidate: Merger, Acquisition, Attrition and Termination. Here's my opinion on each.

MERGER

Two producers would join businesses to grow and expand operations – "empire building." The question is, "Who shall be King of this newly founded "empire?" ['M&A' (Mergers and Acquisitions) is more adeptly described as "*Murders and Acquiescence*" – like porcupines having sex.]

The answer to who shall serve as 'King' is based upon experience, resources, and ego.

1. *Experience*: We've been producing The Home ShowS since 1986.
2. *Resources*: We're established and have everything we need for production.
3. *Ego*: Don't need it ... got just enough. The *Other Guys* would say, "too much." In 2002, the ego left with the then-current staff. Since that time, we've done fine without it.

None-the-less, when looking about, we see a lot of bloated egos still producing second-rate shows. So, whomever is for want of ego can certainly find it elsewhere.

The 'key' issue:

Remember, the underlying premise is reducing shows. Therefore, the new combined businesses would have to choose which shows are 'keepers' and which are 'dogs.'

We've looked over our show line-up and see our 'dog' is better than any of the *Other Guys'* keepers; certainly better than the *Other Guys'* average show. (*In the hierarchy of producing 11 shows annually, I refer to our "dog" as the show with the least traffic. That show is still more productive than competitor shows in same market.*)

Another fact is there isn't another show we want to produce. Our recent addition of the **Kane County Fairgrounds in St. Charles** will be a better show than the any other in St. Charles – Yes, in our judgment, ultimately, even better for exhibitors than Pheasant Run.

ACQUISITION

Acquisition is buying another show. That assumes the *Other Guys* have something we want. We don't see a show we need. We already dominate the markets. Would you buy something no one needs?

This isn't ego. It's our view of the conditions. Assessment requires analyzing *potential* (new shows) and *entrenchment* (existing shows). The Home ShowS has both. I view all the other shows as unessential choices in each of our markets. The use of the term "unessential" hinges upon whether the *Other Guys'* shows are better. In my opinion, they're not.

Their shows are also unessential to exhibitors and attendees in the markets they're located within because The Home ShowS are already the major player, and could replace them without hint of disruption to exhibitor marketing or service to local residents (attendees).

ATTRITION

The war of attrition is modeled after a game theory formulated by John Maynard Smith. A casual definition is "upping the ante" – gradually, aggressively, and effectively.

The Home ShowS first selects a market, and develops and applies techniques to enhance its productions and impact the market: *a little shock & awe*. That creates attrition.

As an outcome of The Home ShowS advertising dominance, other shows have cancelled / dropped / failed. Shows in adjunct markets – even though not in direct competition – also lose traffic as they compete with The Home ShowS promotion (*a slow burn*). That's 'collateral damage.'

Not unlike a game of pool, the war of attrition is as defensive as it is offensive, based upon marginal risk/benefit analysis. It can be slow and pain-staking since attrition is inflicting "death by a

thousand cuts.” Without being aware of the impact, a competitor doesn’t notice the glacial-like change as their traffic and exhibitors gradually fade until their show fails altogether.

Historically from 2007, one promoter cancelled 4 of 5 shows (80%); followed in 2008 by 1 of 4 shows (25%). Another of the *Other Guys* has gone from 15 scheduled shows to 7. A third promoter has dropped 5 facilities over 4 years. And it’s the exhibitors in these shows that were put through the meat-grinder; not the promoters. The *Other Guys* just find another hall and do it to exhibitors again.

TERMINATION

Another way for an industry consolidation to occur is termination of competition through strategic superiority. It’s a forcible process of driving the *Other Guys* out.

Personally, I find this procedure most satisfying. It’s the height of competition; establishing The Home ShowS as the superior show in every area. I base my thinking upon the belief that everyone profits in victory – that is, everyone who exhibits in The Home ShowS.

Obviously, this is to the benefit of our exhibitors, and the disadvantage of exhibitors in the *Other Guys’* shows. This may result in resentment by some exhibitors, since they get deals and special treatment from the *Other Guys* they won’t get from us. [There are other Lil’ Johnny Papers that address this subject, and I suggest reading them to understand my beliefs on fairness, stewardship, honesty.]

Nothing is more satisfying than receiving refugees from other shows when they switch over to The Home ShowS, particularly after a recommendation from exhibitors who know our production, our reputation and management style.

THE POLEMIC NATURE OF COMPETITION

What remains unanswered? I’ve had conversations with exhibitors who present two matters:

1st – “too many shows.” 2nd – “too much wrath.”

As to the latter – *too much wrath* – we have history with each and every one of the *Other Guys*. People alerted us to the depth of ire we draw from them by doing our best for our exhibitors. When they become opprobrious, rather than competitive, it demands a response. It may be years, but our response is inevitable.

As to the former – *too many shows* – we’re aggressive for good cause. Our formula: out-promote other shows to shift their attendees over to OUR exhibitors. That’s what we’re paid to do and we do just that. If it’s your business versus theirs (which distills down to *our* exhibitors versus *their* exhibitors), we’ll be planning *their* demise, not yours – and certainly not by issuing ‘make-good’ deals and discounts for failed shows because we didn’t promote the events properly.

If you’re in our shows, rest easy. We’re committed to your success. However, if you’re in the *Other Guys’* shows, you’re on notice.

CONCLUSION

Show failures are due to: mismanagement; bad market choices; inexperience; forced growth without regard for demand; poor financial decisions; lack of fiscal responsibility; false advertising about advertising; fraudulent misrepresentation; and, plainly ... too much ego.

After their shows fail, the *Other Guys* “deal” away their history of neglect with ‘make-good’ discounts on the *next* show and the *next* season. That’s not a future for this industry that promotes the success of exhibitors, nor one in which we will partake.

Continue to exhibit in and support other shows, and you support market saturation – you support shows in decline – you support dilution of leads – and ultimately, you are “the problem.”

For those who suggest, even demand “consolidation,” because there’s “too many home shows in the home show industry,” we agree.

What remains is the choice between winning or losing the ‘market wars.’ It’s YOUR choice as much as it is ours. To us, success is the only option. Recent events prove other shows faded away while The Home ShowS have remained strong and dominant.

*We stand for your success and our exhibitors as ‘partners.’
Where do you stand?*

That’s my view – Lil’ Johnny

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. . . consolidation – the right way.