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Trade shows: A strategic marketing tool for global vompetition

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Abstract

Markets and business relationships today have become global. In the meantime, it is noticed that the trade shows and exhibition industry has experienced a rapid growth. Trade shows are considered as a vital communication technique for those companies that operate in international markets. Making them an integral part of the marketing communication strategy in turbulence periods 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 5 years, trade shows usage has increased considerably even in Albania. Companies operating in different industries meet their competitors and their target markets in specific trade shows every year. But, it is important to mention the fact that even though trade shows usage is increasing constantly, research on its effectiveness is still limited.

The aim of this paper is to study the effectiveness of marketing communication techniques. More specifically, it is focused in studying the usage of trade shows as a strategic marketing tool in competing in international markets. For this reason there were chosen two Albanian based companies that operate solely in foreign markets: FPM Albania and Henry ltd. Both companies focus their communication strategies in international markets solely on trade shows, which facilitated the process of evaluating the effectiveness of this marketing technique on variables such as sales, international business contacts, market research, etc.

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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

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important relates to the fact that trade shows play the role of a catalyst to economic productivity both at home markets and abroad.

In the vast literature, although academics refer to trade show 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) defines trade shows as events that are held at specific days, where a large number of companies present their new products and sell them to customers and / or 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 in the market place and especially in the global business market (Serinhaus 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 will be focused in two Albanian based companies (the factory of furniture production, Tuttomobili and Henry LTD), which distribute and sell their products mainly in the global market. The research focuses more in exploring the reasons why these companies compete mainly through trade shows, as well as understanding the ways these companies use to measure the returns from this strategy.

2. Completion 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 technique, 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. Importantly, as Pantano (2011) points out, the emergence of information technology and audience fragmentation have changed radically even the marketing communication environment. Moreover, in the today's market, companies have different ways available to reach consumers, such as traditional and non-traditional media, but due to the fragmentation of the audience they are moving away from a 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 consumer's perception. Therefore, having a systematic and integrated message across all communication channels, have consequently 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 to involve the visitors and interact with them in the meantime (Kirchgeorg and Kastner, 2010)

However, when analyzing the application of marketing theory in SME, it is 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; sometimes they are 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 to them a personal encounter, letting them experiencing the brand and encourage 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 show 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 in all these steps is stressed both by academics and by marketing practitioners. Accordingly, Kirchgeorg and Kastner (2010) states that in order to have successfully trade shows there is a need to plan all the related activities during preparatory, implementation and follow up phases systematically. Importantly, this process must be integrated in one company's communication mix strategy. Alike with any other marketing activity, 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 that is 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 consist 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), argues, what is lacking in the academic literature is not related to 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 considered elements such as valid information to implement in the following marketing strategy, policy development, marketing communication, customer and supplier relationship, new product idea generation, etc. In addition, all the tangible or intangible benefits gathered at the trade show may come from formal or informal information. According to Pantano (2011) formal information is a one way communication, which are mostly gathered during a press review, product demonstration, technical update etc. Informal information, which at the same

time represent 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 process 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 and 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 achieve answers for the research questions, there were conducted in depth interviews with marketing managers of the two companies taken under study that are the Factory of Furniture Production “Tuttomobili” and Henry Ltd.

The factory of furniture production, Tuttomobili, is a leader in quality furniture manufacturing sector. The company is situated in Tirana, where it makes fabrication, installation and management of its products. Nowadays, Tuttomobili has 31000 square feet of facilities in the same location and employs 160 people.

The furniture’s 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 Europe countries, but in recent years the company has entered even in 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 Albanians emigrants to this country over the years.

On the other hand, Henry Ltd operates in the sanitation industry. Its primary export destination was China. During the last years the company produces and sells its products even for the Albanian market.

However, for the purpose of this paper, the interviews with the marketing managers of both companies were mainly focused on the following issues:

1. In 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 department when the trade show is over? What happens with that information?

From both interviews it was concluded that the two companies operate mainly in the foreign markets. Even though, during the last years Henry Ltd has starting to sell its products even in Albania. The marketing managers from both companies mentioned that 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. Both companies’ offices and manufacture are based in Albania and therefore it is difficult to engage in other communication strategies. More on this, they 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. 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 in this global market where we are operating. Consequently, these relations will contribute in minimizing future entry barriers in new foreign markets.

When asked about trade shows and how they measure their effectiveness, they both highlighted some variables based on which they usually measure its success. Therefore, the quality and use of information collected from participation; sales / orders achieved during the fairs were the first important variables that are used to measure trade show effectiveness. More on this, international market information is another important variable for measuring trade show effectiveness. The last but not the least important variable derived from the interview was creation of new business contacts and meetings with old partners / competitors / important local people.

During the interview, they mentioned that the information gathered from trade show serves as a valuable feedback for the company and it is usually reflected in the next period marketing plan. Both companies are mainly family based businesses, 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 several years, determining the effectiveness of communications activities has become increasingly important both to communication professionals and marketing practitioners. Although having and spending large communication budgets allows 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 studies taken into consideration during this paper emphasized the trade show's potential, especially for those companies operating in International markets. From the study it was understood that fairs offer 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 are diminishing their expenses on advertising and general PR, and focusing more on this personal communication strategy.

In fact, now a day, 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.

But 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 of the two businesses chosen for this study have highlighted the fact that for niche markets (or not massive ones), trade shows enables contacting customers at a lower costs, 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, give to them the possibility to investigate on possible channels of distribution.

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