TRANSFORMATION OF THE BUSINESS EVENT INDUSTRY DURING THE PANDEMIC: THE CASE OF THE EXHIBITION INDUSTRY IN CROATIA

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Abstract

The exhibition and business events industry has felt the negative impact of the COVID-19 pandemic most directly, as evidenced by the mass cancellations of business events, i.e., their transformation into virtual or hybrid forms. The paper analyses to what extent the pandemic has influenced all aspects of Croatian business events and the exhibition industry. It conveys the results of the *Global Recovery Insights* 2020 study undertaken by UFI, and the Global Association of the Exhibition Industry (hereinafter UFI) as well. Despite some weakening trends present in many countries and large markets, the industry is still a highly impactful one, particularly economically. To compare global occurrences and behaviour trends with the national practice, expectations, and future behaviour, we researched exhibitors at trade fairs in Croatia. The research results revealed that the crisis has accelerated the transformation of the exhibition and business events industry in terms of recognizing the benefits of digitalization, but also identified a paradox: reinforcing the desire and preference of exhibitors for live events. Socialization and the social aspect of networking, i.e., face-to-face meetings and communication remain an irreplaceable need, both for the exhibition and events industries in Croatia, which is analogous to global trends. Virtual, and especially hybrid events, have the potential to enhance user experience and attract a new, digitally native generation of users. Even though live events are still the first choice for exhibitors and sponsors, the hybrid mode is here to stay. Therefore, the global COVID-19 crisis emphasizes the need for redesign of the business event and exhibition industry business model, as well.

Keywords: Business Events, Exhibition Industry, Croatia, COVID-19, Transformation

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1. INTRODUCTION

The exhibition and business events industry (hereinafter the industry) has been hit by the COVID-19 pandemic severely and most directly (Mohanty, Dhoundiyal, & Choudhury, 2020). The industry, being understood as comprising business-to-business (B2B) events: exhibitions, shows, fairs, and conventions, as defined by

ISO 25639-1:2008 (E/F) (International Organization for Standardization [ISO], 2018), has already been affected by the ongoing digital revolution that is causing a radical reordering of every traditional industry. As the pandemic conditions became the new business normality, the industry started transforming faster than expected. Therefore, besides its negative effects, COVID-19 has become the disruptor, but also the inventor of the exhibition industry (Tomšić, 2020, p. 409).

To navigate the world of digital transformation challenges, deal with uncertainty, and cope with disruptive forces, industry members need to rethink their business models and strategies (Rouhi Khorasani, 2021). Competing in a world of sectors without borders means facing other companies and industries never previously regarded as competitors, comprised of real and virtual businesses (Leih, Linden, & Teece, 2015). Together, these forces are reshaping customer expectations, disordering conventional business models, and fundamentally shifting established ways of creating, performing, and monetizing events (Palrão, Rodrigues, & Estêvão, 2021).

Exhibitions and trade fairs are both business events and marketplaces. Moreover, they serve as meeting places for one displayed focal industry as well as for related industries. "The exhibition industry plays a part of every industry and service sectors' value chain" in one economy (Tomšić, 2020, p. 431). Globally, the exhibition industry creates more output in business sales than many large global sectors, even comparable to the economies of some countries. However, the exact impact on the global economy gross domestic product (GDP) is relatively unknown outside the industry, hence the term invisible giant (Ozili & Arun, 2020, p. 1).

Although the relative economic impact of the Croatian exhibition and business event industry is considerably lower than in other countries, due to the national economy and the industry's relative weaknesses, it is significant considering the multiplication effects it generates on the destination economies, as well as regarding the vast job-generating potential. Our research aimed to compare global trends with industry practice and expectations in Croatia in 2021.

In the article, we explicate the theoretical background, the global and national framework of the industry, and the impact of COVID-19. Moreover, we elaborate and explain the conceptualization of the research method and present the research results conducted in Croatia. In the following section, we analyze the research data, shed some light on the post-COVID reality of the exhibition industry, and highlight the new occurrence of face-to-face events. In conclusion, we summarise our viewpoint and offer some potential managerial, organizers, and users implications.

The remaining structure of this paper is as follows. The theoretical background is presented in Section 2, followed by the overview of the global exhibition industry during the COVID-19 pandemic, and the Croatian exhibition and business event industry features, presented in Sections 3 and 4. Methodology and data collection are discussed in Section 5. Results are presented in Section 6. In Section 7 we discuss the findings as well as some future industry trends. Finally, Section 8 concludes with a summary and recommendations for future research.

2. THEORETICAL BACKGROUND

The exhibitions and business events industry place people at the heart of their business model (Tomšić, 2020). Their purpose is to bring people from different industries together, so to enable the exchange of information, services, and knowledge, as well as to sustain relationships and community-building activities for creating business opportunities. The exhibition industry serves as a platform where markets can meet to generate sales, create jobs, and boost economies (UFI, 2019, October). *"It is also a platform for including the service providers with whom it jointly creates an entire event. The global economic impact of the exhibition industry is exceptional. It manifests itself directly, indirectly, and inductively, through the generation of employment, consumption, and sales, and the same is true for the damage caused by the coronavirus outbreak"* (Tomšić, 2020, p. 431).

With over €493 billion in business sales for attendees, exhibitions have an incredible impact on our global economy (UFI, 2021, May 6). Moreover, they are a much-needed to drive the economic recovery after COVID-19, especially for small and medium-sized enterprises, which represent the backbone of every economy and for whom exhibitions and face-to-face events are a leading sales channel. Exhibitions contribute to regional development and generate revenue for the travel and tourism sector (UFI, 2020, November). The scientific literature about the exhibitions and fair are scarce (Kirchgeorg, Dornscheidt, Warner, Geise, & Stoeck, 2005), but the UFI (The Global Association of the Exhibition Industry)[1] provides and disseminates the global and regional research and education to the industry members, therefore, operating as the salient source of industry innovation. Since exhibitions and different types of business events pertain to the meetings, incentives, conferences, exhibitions (MICE) industry sector, UFI collaborates with other MICE industry associations, so to reinforce advocacy and pieces of evidence about the strategic power of exhibitions, congresses, and conventions for markets recovery (Joint Meeting Industry Council [JMIC], 2020). Hence, most researchers highlight the significant negative impact of business travel restrictions on MICE segment in the short and medium-term during the COVID-19 pandemic. Moreover, the global COVID-19 crisis has emphasized the need for reviewing (Nikitina, 2021) and constantly adjusting the business model to become more resilient and able to cope with the challenges at the time of the pandemic and after it.

The industry is composed of organizers, venues, service providers, suppliers, and associations. UFI (The Global Association of the Exhibition Industry), gathers the world's tradeshow organizers and exhibition centre operators, as well as the major national and international exhibition associations, and selected partners of the exhibition industry. UFI was founded in Milan, Italy, on April 15, 1925, by 20 leading European international trade fairs, with Zagreb Fair being a founding

[1] UFI was established as a non-political international association in accordance with the French Law of July 1, 1901 on associations. Initially, UFI was created under the name "Union des Foires Internationales" (UFI), or "Union of International Fairs" in English, or "Verband internationaler Messen" in German. The name change to "UFI", accompanied by the tagline "The Global Association of the Exhibition Industry" was decided upon by the General Meeting in Cairo, Egypt, on October 20, 2003.

member. Being an organization representing European interests at the early operating stage, it transformed into the most influential organization that operates globally, intending to represent, promote and support the business interests of its members and the exhibition industry worldwide.

ISO 25639-1:2008 (E/F) defines an exhibition, show, or trade fair, as "an event in which products, services, or information are displayed and disseminated" (ISO, 2018). Exhibitions, commonly referred to as trade shows or fairs, differ from "conferences", "conventions" or "seminars", or other business and consumer events, and exclude flea markets and street markets. Exhibitions include 1) trade exhibitions that promote trade and commerce and are generally arranged for trade visitors. However, trade exhibitions can be available to the public at specific times, and 2) public exhibitions are organized for the public. A public exhibition is sometimes also known as a consumer show. The conferences 3) are formal meetings, or series of meetings, comprised of groups of representatives belonging to a shared interest group, in which issues, ideas, and policies are discussed. Conventions 4) are meetings of industries, professions, or organizations intended for sharing knowledge and experience, sometimes also known as "congresses" (UFI, 2020, November). That is why we have taken the border perspective and categorized the exhibition and business events industry as an industry.

Communication and face-to-face interactions are the core features of the industry. Its competitiveness with other channels of integrated marketing communication is based on the simultaneous stimulation of all five human senses in creating an experience for the customer. This rule is known as the five senses rule, including the irreplaceable personal contact, and the exhibition synergy, which stands for the key competencies, and is an essential feature of the industry. The exhibition synergy is based on the carefully selected products and services, accompanying events, the presence of professionals and scientists, the abundance of educational programs, and above all media attention. All the elements mentioned above create the synergetic effect incomparable to any other gathering outputs in the economy (Tomšić, 2020). Despite some weakening trends present in many countries and large markets, such as China (He, Lin, & Li, 2020) the industry is still a highly impactful one, particularly economically (Luo, 2018). The impact of the exhibition industry is directly correlated with the stability of the economic state, globally and locally. It is rising during a period of economic growth while fading during the crisis time (Tomšić, 2009). Due to the ongoing digital revolution, the industry has started transforming from the traditional one towards an agile, omnichannel, and AI-supported platform. Moreover, the exhibitions in large cities are more attractive and are more likely to survive than those in smaller ones (He et al., 2020).

The strength of the exhibition industry stems from the ability to generate multiple effects for the destination, including the increase in export significant for the economy (Zagreb Fair, 2019). The global impact of the exhibition industry was calculated for the first time by Oxford Economics, and published in 2020 in the *Global Economic Impact of Exhibitions (GEIE) report*, jointly by UFI and Oxford Economics (UFI & Oxford Economisc, 2020). To quantify the economic significance of exhibitions globally, Oxford Economics used a comprehensive model of global exhibitions activity showing their implications on direct spending, employment opportunities, and the total impacts of exhibitions on the broader economy. The econometric model elucidates the impact of economic and travel industry data on the exhibition industry to estimate exhibition activity in countries where the industry has not been previously quantified (UFI & Oxford Economisc, 2020).

According to the *GEIE report*, global exhibitions directly generate more output or business sales than many large global sectors. In sum, based on its €68.7 billion direct GDP impact, the exhibitions sector would rank as the 72nd largest economy globally (UFI & Oxford Economisc, 2020). Based on the total global economic impact of exhibitions for 2018 which sums to €167.2 billion of total GDP supported, the global exhibitions sector would rank the sector as the 56th largest economy globally (UFI & Oxford Economisc, 2020). It creates 3.4 million total jobs directly and indirectly supported by exhibitions, as well as €299 million in business sales, including direct, indirect, and induced output. Therefore, compared to 2018 (€275.1 billion), the expenses of visitors and exhibitors generated more than 7% higher total output in 2019, for both the value chain of the exhibition industry (organizers, venues, and service providers) and the tourism-related activities (accommodation, food, and travel) (UFI, 2021, May 6).

3. EXHIBITION INDUSTRY DURING THE COVID-19 PANDEMIC

The global economic impact of the COVID-19 pandemic is calculated to have more than five times higher than the impact of the 2008 global financial crisis (Palrão et al., 2021). The most affected countries are the USA, Italy, Spain, France, and Germany, however, according to scarce domestic research, Croatia is affected strongly as well (InterCapital & HDC Research, 2020). The coronavirus pandemic negatively affected the exhibition industry by restricting in-person contacts and decreasing global and local mobility. Nowadays, most global venues serve as vaccination centres and emergency hospitals instead of welcoming show attendees. The absence of live events harmed all industries by reducing their access to networking, lead generation, and ultimately new business. As industries and economies across the globe look for recovery platforms relying on the vaccine progress, exhibitions fill a void left by economic crisis and isolation. While digital solutions have proven invaluable during pandemic times, as economies re-open in response to progress against COVID-19, data shows that both sides of the supply chain are eager to return to in-person platforms (UFI, 2021, May).

According to the latest 26th Global Exhibition Barometer, the bi-annual report on industry developments released by UFI in January 2021 (UFI, 2021, January), there was a severe impact of the coronavirus pandemic on the exhibition industry worldwide, as the revenues for 2020 represent only 28% of the revenues produced in 2019. It is currently expected that the revenues for 2021 will represent 34% of the ones in 2019 in the first half of 2021 and 58% for all of 2021. In terms of profits, 52% of companies faced a loss, while 30% of them faced a reduction in their income by more than 50%. Overall, 44% of surveyed companies stated the benefits from some level of public financial support received, and for most of them, it related to less than 10% of their 2019 overall costs. 54% of companies had to reduce their workforce, half of them by more than 25%. 10% of companies state they will have to close if there is no business in the following six months. To sum up the damage, 57% of companies claim they can barely keep their "heads above the water" while 33% state they will be able to manage through the crisis (UFI, 2021, January, pp. 9–13).

The industry is currently dealing with many difficulties, which the coronavirus pandemic brought in terms of the "the Black elephant" phenomenon (Pells, 2020, p. 3). The industry was dealing with disruptive technological changes, the "elephant in the room", even before the pandemic, but too slow, while the pandemic lockdown "black swan" has popped in. Unprepared to cope with those occurrences, the industry has started to develop collaboration alliances across the respective associations to find the solution jointly and better manage the survival in completely changed business conditions.

The first example of collaboration was the alliance between UFI and Exhibitions & Conferences Alliance (ECA), the one that gathers eight US industry associations. The alliance was formed to bring together various separate initiatives to help government officials understand the important role these events have on economies and job creation (UFI, 2021, May). The collaboration purpose is dedicated to the recovery and advancement of the face-to-face business events industry. Another example of meaningful collaboration is the release of the *Good Practice Guide*, which was jointly prepared by three global industry associations: UFI (the Global Association of the Exhibition Industry), AIPC (the International Association of Convention Centers) and ICCA (the International Congress and Convention Association). Acting as a joint safety and security task force, the three associations have been engaged in assisting their members, each other, and the industry at large, driven by the intent to support the re-opening of events and the wider exhibition industry. This collaboration also enables the streamlining of the key message, not only to members of the organizations but to all stakeholders in the event ecosystem, since the *Good Practice Guide* is available to the entire event industry, serving as a unique and central resource for the industry's benefit. The message is that business events can be operated in a controlled environment (AIPC, ICCA, & UFI, 2021, March). Finally, the global coalition occurred last year, led by the global industry association UFI, and SISO (the Society of independent show organizers). Those organizations joined forces to assure live events can be delivered in a safe and secure mode. Moreover, the joint effort is aimed to raise confidence, and highlight the power of the industry, since Kai Hattendorf (UFI's CEO) said: "Exhibitions and business events are the fastest of all fast tracks to drive economic recovery after the pandemic"…"Especially small and medium-sized enterprises rely on these marketplaces to drive their sales" (UFI, 2021, May, p. 11).

While some of these expansive waves of global collaborations are occurring for the first time, they are engaging many of the leading associations, organizations, and organizers that were competitors before the pandemic and transforming them into "co-petitions" (Brandenburger & Nalebuff, 1996). Those Harvard and Yale professors believed that businesses could become more competitive by cooperating, hence the neologism of co-opetition. Paradoxically, their bread of game theory nowadays serves as a defense strategy against the Black elephant (Pells, 2020) occurrence. Ritala (2012) has examined a co-opetition strategy and found it beneficial for innovation and market performance of firms during uncertainty. By using the power of the co-opetition strategy, the industry associations and members have been finding meaningful ways to collaborate and combine resources for the benefit of the global communities they serve, performing an important role in relationship building, discovering innovation, and revenue-driving. Notably, many of the industry's organizers and associations joined forces last year to create and support a rigorous set of globally adopted health and safety measures designed to deliver a consistent and diligent approach to visitor health at all global trade shows in 2021 and beyond.

One important outcome of those impactful collaboration networks was to stress that exhibitions, though considered large business events, differ from mass gatherings. Exhibitions are not comparable to sports events, concerts, or festivals. Thus, they must be assessed based on their type and not exclusively based on the total number of people. Consequently, the regulatory bodies and decision-makers have learned how to differentiate large gatherings in a targeted manner, to deliver proper regulatory decisions in the future. To conclude, confidence is the key to reassuring customers and visitors that business events can be organized in a controlled environment.

4. CROATIAN EXHIBITION AND BUSINESS EVENTS INDUSTRY

In Croatia, MICE along with the tourism sector was severely hit by COVID-19 which has had a significant impact on the business events industry. Croatia is one of the most tourism-dependent countries in Europe and as much as 1/5 of the country's income is tied to tourism (InterCapital & HDC Research, 2020). The Croatian exhibition and business events industry was also severely struck by the lockdown that is still in force. The negative impact of the COVID-19 pandemic was evident most directly in the mass cancellations and postponements of business events, i.e., their transformation into virtual or partly hybrid forms that are not producing as significant business sales as live events.

The industry is somehow weak and fragmented, mostly underinvested, and poorly technologically equipped. In addition, there is not enough knowledge and skills needed to provide an innovative service to remain competitive. Furthermore, it is mainly local or regional. Its activities were stifled by the long-lasting economic crisis of 2008 and by directing Zagreb Fair, as an international trade fair organizer and UFI founding member, to another business activity. In addition, the loss of the international component limited the potential impact of the industry on the Croatian economy due to the small local, i.e., Croatian market.

There are ten exhibition and trade fair organizers operating in Croatia, which, according to publicly available data for 2018, generated revenue of around HRK 106.7 million (EUR 14.2 million), while the number of employees in the industry is 170. The market share of Zagreb Fair Ltd as the industry leader is 83.5%. According to the criteria of the National Classification of Activities, there is a total of 156 active business entities that generate around HRK 593 million (EUR 79 million) and employ 780 workers. The reversal of negative trends occurred in 2018 and 2019, because of the growth of the Croatian economy, intensive exhibition, and event activities of Zagreb Fair Ltd, and the attractiveness of Zagreb as a business and tourist destination. The indirect impact, i.e., multiplier effects of Zagreb Fair on the economy of the City of Zagreb are estimated at 11.7 units of generated revenue per 1 unit of company revenue (Infratest Burke Munich, 1998). This fact also explains why destinations where exhibitions, trade fairs, and congresses are held, especially those oriented to business tourism, invest in their exhibition and congress activities and co-finance them.

Zagreb has a lucrative opportunity as a peripheral, south-eastern metropolis of the European Union. A new national exhibition and congress centre with high-tech equipment could be an opportunity to position Zagreb as a destination for all-year-round business tourism. Furthermore, this could initiate and boost the development of the entire Croatian exhibition and event industry and, consequently, the overall Croatian economy (He et al., 2020). In Zagreb, the situation for establishing a new national exhibition and congress facility depends severely upon the city plans and has been moving "back and forth" for some time. The city of Osijek is an example of how having an up-to-date exhibition facility can be used for multipurpose needs.

Until recently, Croatia did not have an exhibition industry association, so there has been no analytical monitoring of activities, nor the coalition's potential to reinforce decision-making or regulatory bodies for safe exhibition organization. Lately, two communities appeared as representatives of open flea markets and open space fairs, oriented towards big gatherings, like musical performances, weddings, and cultural events. To improve the image of the industry and ensure its sustainability during the post-pandemic period, Zagreb Fair Ltd has launched the initiative to establish the Association of Exhibition and Event Industry at the Croatian Chamber of Economy. The Association has been established, and the formation of a constituent session is just underway. The Association includes three groups of business entities, 1) organizers of international business fairs, 2) organizers of business events, conferences, and congresses, and 3) service providers, agencies, and producers in the industry. The primary objectives of establishing the Association are managing the activities, balancing the calendar of activities on the national level, monitoring statistics, and conducting research on the national level, improving educational programs and institutional activities significant for the business operations in the sector.

5. RESEARCH METHODOLOGY AND SURVEY SAMPLE

Global surveys show that the absence of live events has damaged the exhibition and business events industry, networking, and generation of new businesses. To sense the sentiment of the Croatian exhibition industry during the pandemic and to establish the Croatian case, we have conducted the sentiment analysis supported by the field research. We have consulted *Global Recovery Insights 2020 — Part 1 (The way forward for business events),* prepared by UFI, SISO and Explory, and selected the set of crucial questions applicable to the Croatian case, so to enable comparing national findings to the global results. The main purpose of the survey was to reveal to what extent the COVID-19 crisis has influenced all aspects of the Croatian business events and exhibition industry. Moreover, we have focused on key activities, behaviours, and sentiments and compared the global trends with the practice and expectations in Croatia.

The research aim was to measure the exhibitors' views on hybrid events, their access to networking, lead generation, and their likely behaviours at future events. The methods applied in this research were: primary research in the form of a quantitative survey, as well as the secondary desk research of relevant sources, needed to develop our case. The quantitative survey has been created from the aggregated, anonymized data from trade show exhibitors in Croatia, conducted in February 2021 via the Google form platform.

The survey sample was created among exhibitors from Croatia that participated in at least one international trade fair in 2018–2019. The study covered a period of 12 months (December 2018–December 2019). In Croatia the national exhibitors' database provided by the trade fair association still does not exist, we have used the national trade fairs and exhibitions organizer Zagreb Fair's exhibitor's database. Since it is an audited database, controlled regularly by FKM[2], the authorized and professional auditing company for the fair and exhibition statistics control, we find it reliable for our Case study. Besides, since Zagreb Fair is the only professional Croatian organizer who is the UFI member, and who regularly organizes over 20 international trade fairs and exhibitions from different industry sectors yearly, we deem that the source is representative and valid for our sample to be representative. On a yearly base, around 800 exhibitors participate directly at the international trade fairs organized by Zagreb Fair.

The study adopted a descriptive survey design. Based on mentioned criteria, the sample resulted in fitting 530 companies. The questionnaire has been

[2] https://www.fkm.de/en/

distributed through email. The research was carried out and resulted in 63 (12%) completed and returned valid questionnaires from different companies and industries. Uncompleted questionnaires were excluded from the analysis and were not taken into consideration at all. All the participants were fully informed about the survey and voluntarily gave consent to participate in the study. Research guarantees the participants' confidentiality. The participants have been assured that identifying information will not be made available to anyone not directly involved in the study. Although the response rate was not high, we have obtained the questionnaire variety representing different industry sectors, needed for establishing a case of Croatian exhibitor sentiment about the post-pandemic behaviour, and eligible to perform comparative analysis with the global finding, as well. Due to the space limitation, we present all findings in wording, while some of the most interesting ones are in figures. Table 1 summarizes the final sample structure included in the research and shows the characteristics of the firms that participated in the survey.

Table 1. Characteristics of respondent firms (N = 63)

Characteristics	***%***
Gender	
Male	59
Female	41
Degree	
Medium expertise	24.2
Higher expertise	17.7
University degree	58.1
Position at firm	
Director	64.5
Senior manager	11.3
Middle manager	3.2
Head of the department	11.3
Member of department	3.2
Other	6.5
Labor force	
Less than 10 employees	57.4
10–50 employees	26.2
50–250 employees	16.4

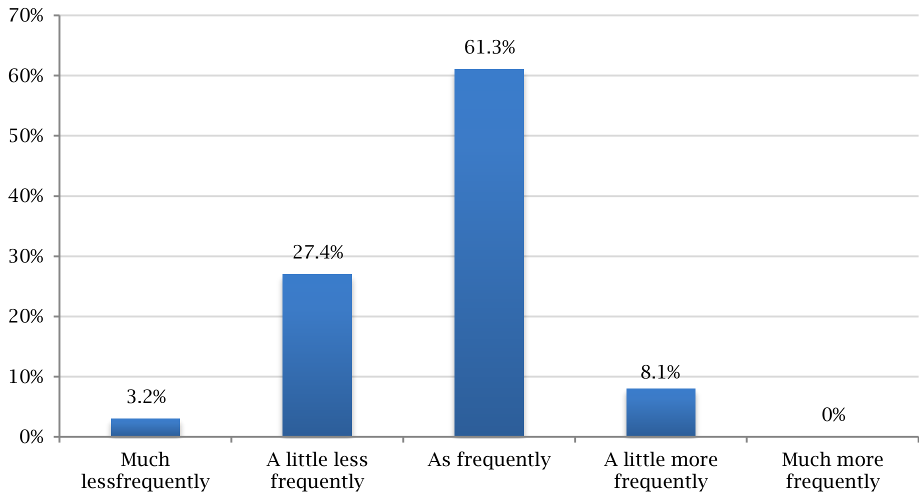
The questionnaire included 17 different questions dealing with the effect of the COVID-19 crisis on networking and business possibilities. The questionnaire was divided into the main parts: 1) the impact of trade show cancellations on exhibitors, 2) the views of both groups on their potential return, 3) the most important factors that would encourage customers to return, questions about exhibiting budgets, and possible changes in the COVID-19 crisis, and at last, 4) the future of the exhibition industry. This report also focuses on the experience of exhibitors at digital events, their opinion on the current digital offerings, their views on future spending, and hybrid events. Key areas of focus: the experience of trade show exhibitors with digital events to date, the role hybrid events may play in the exhibitor's journey, exhibitors' use on future spending at digital events, and strengths and weakness of current digital proposition.

6. RESEARCH RESULTS

In our case study supported by a quantitative survey, we have analyzed to what extent the pandemic has influenced all aspects of Croatian business events and the exhibition industry. We have also determined the impact of the lack of trade shows on exhibitors in Croatia as well as their plans. A global survey shows that the absence of live events has damaged the trade industry, networking, and the generation of new business. The cancellation of events had a notable impact on the exhibitor's business with almost 63% of the exhibitors mentioning that the impact was large or very large. However, 30% of those who exhibit at trade shows reported this impact as being low. Most responders claimed that the cancellation of live events has negatively affected their business. Almost 21% had more time to focus on other channels, 19.4% had lower sales, 14.5% had less communication and 12.9% reported fewer networking opportunities and less brand exposure through not being able to exhibit at live events.

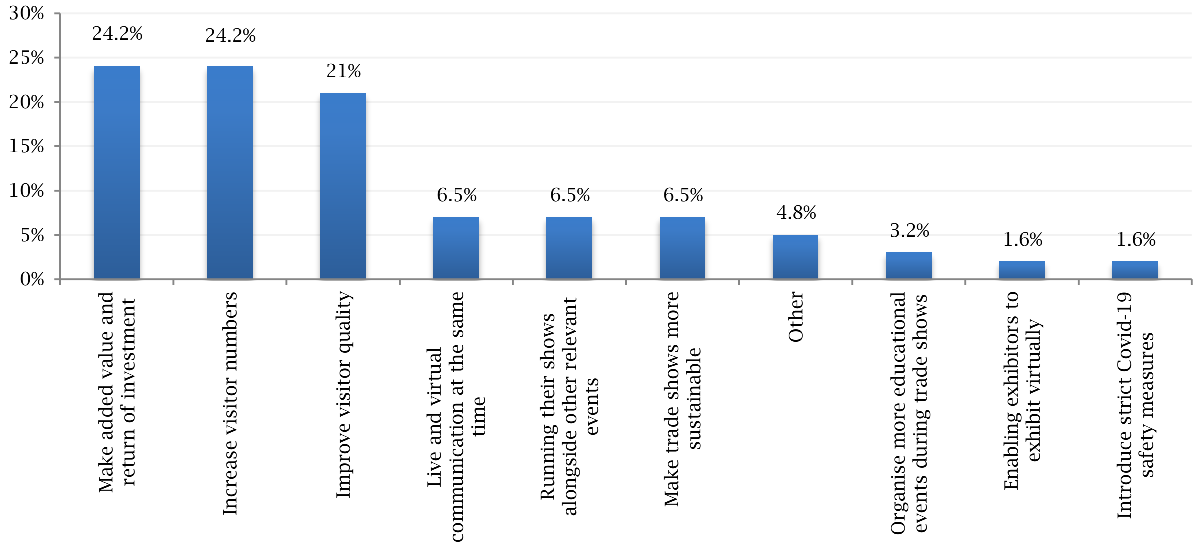
Regarding future exhibitor participation, most exhibitors almost 61.3%, planned to attend live events in the future as often as before the COVID-19 pandemic (Figure 1). Almost 27.4% reported some drop in how frequently they planned to attend live events in the future, while 8.1% claimed to attend live events in the future somewhat more frequently.

Figure 1. Future of exhibiting at trade shows



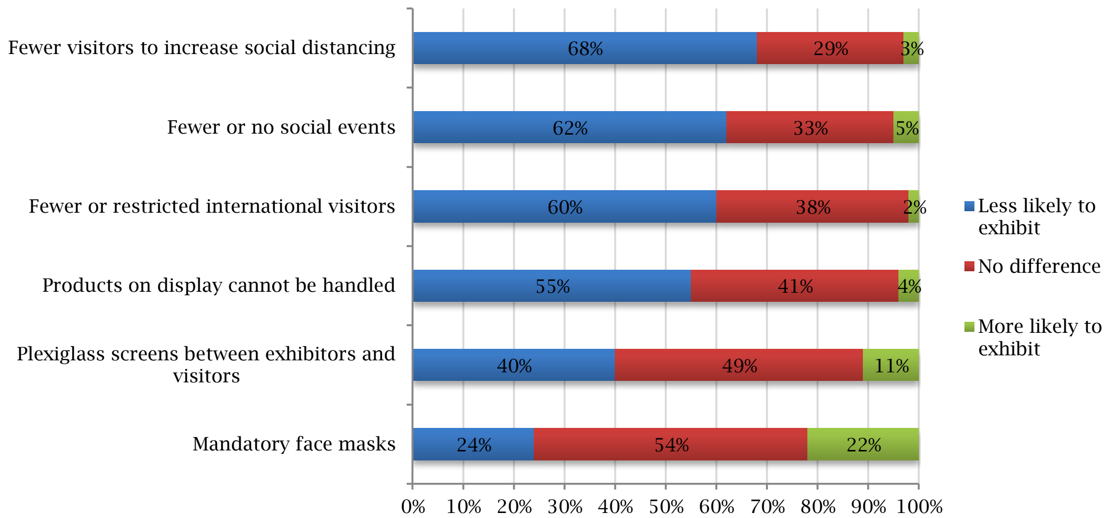
We have also analyzed the adjustment of the trade show organizers in the future, to align them with the key exhibitor goals. Exhibitors listed the key goals trade show organizers should focus on to encourage exhibitors to participate in their shows in the future (Figure 2).

Figure 2. The main issues trade show organizers should focus on to encourage users to exhibit at trade shows



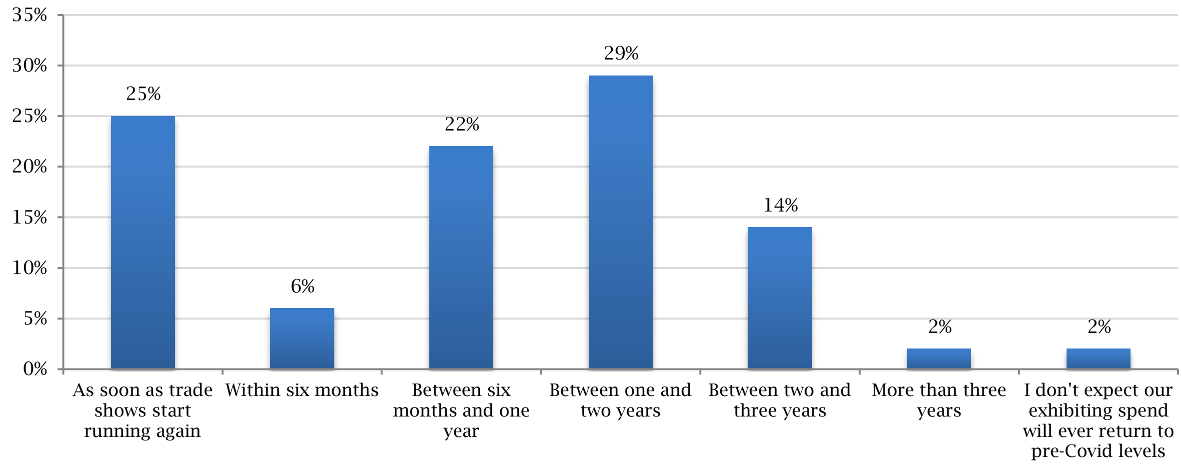
As evident from Figure 2, almost half of the respondents claimed that the increase in visitor numbers, and more added value and return on investment had a large impact on their show selection and participation in the future. Around 21% stated that visitor quality is the key factor influencing their decision to return to a trade show. All the respondents are supportive of health and safety anti-epidemic measures; however, they are reluctant to accept measures that impede their social and networking activities (Figure 3). They are less likely to exhibit at trade shows with restricted social events and fewer international visitors as well as on events with increased social distancing that will result in a lower number of visitors.

Figure 3. The exhibitors' sentiment about safety and security measures aimed to support exhibiting at the trade shows



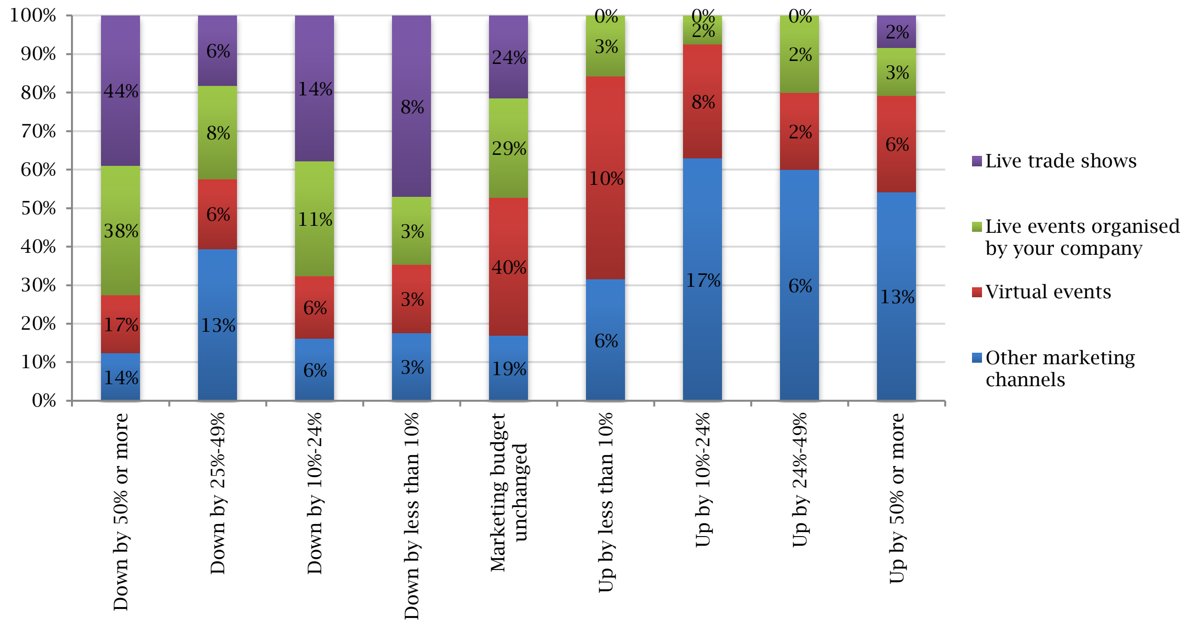
Another set of questions revealed the expectation to return to (new) normal. Most exhibitors expect their spending to return to pre-COVID levels in the short to medium term, with 25% stating as soon as trade shows start running again and 22% between six months and one year. Around 28.6% expect to return their budgets to pre-COVID levels between one to two years, and 14.3% between two and three years (Figure 4). Only a minority of exhibitors reported that their spending would never return to pre-COVID levels.

Figure 4. The exhibitors' sentiment about returning the trade show exhibiting spending to pre-COVID levels



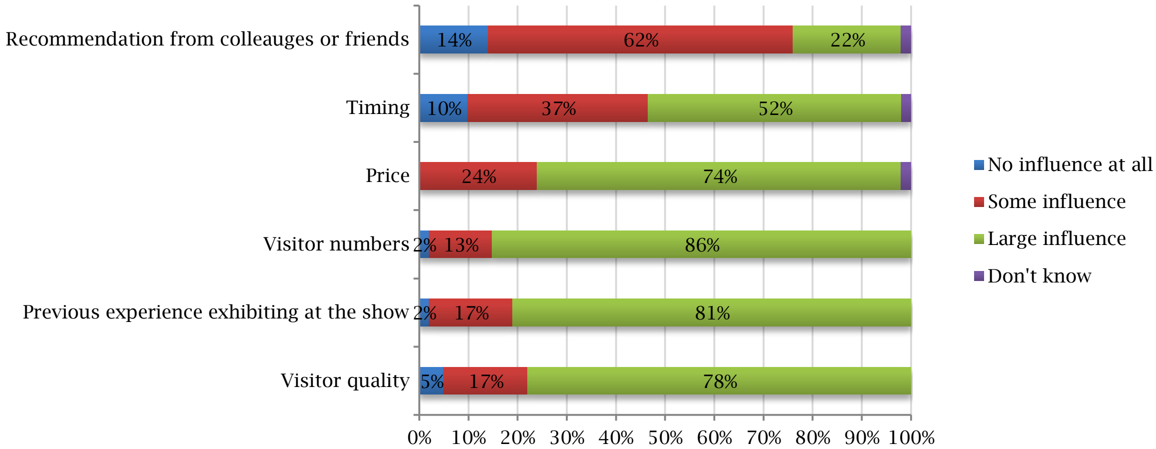
Since the start of the COVID-19 crisis, marketing budgets for the marketing and communication channels have changed. The budget for virtual events remains the same, however, the budget for the organization of live events and trade shows has dropped by 50% or more (Figure 5). Widespread trade show cancellations have led to a significant reduction in expenses for such events, while budgets for other marketing channels remained relatively unaffected.

Figure 5. The Pandemic effect on marketing budget change



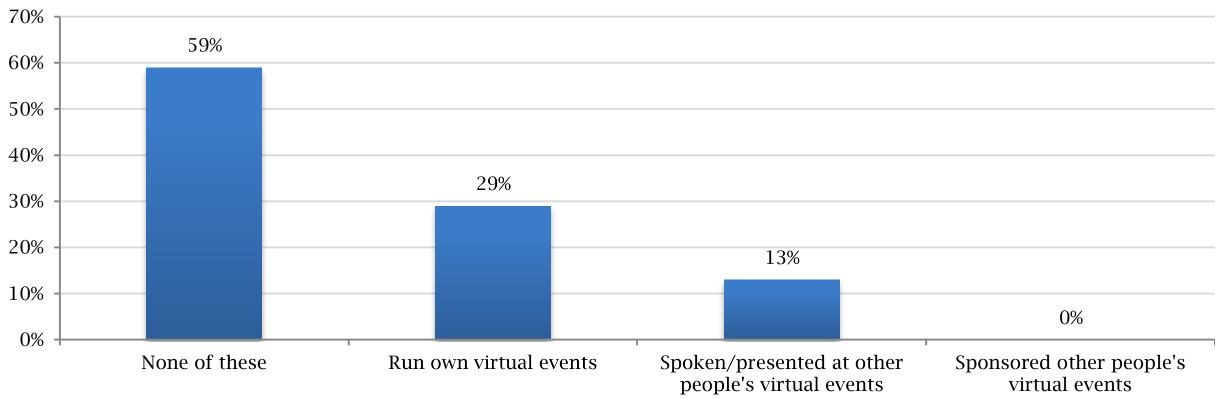
Although respondents still have an interest in trade shows, they called for changes. As we have seen before, exhibitors are likely to participate in events that can deliver high-quality visitors and increase the number of visitors with opportunities to network. Nevertheless, how will exhibitors decide where to exhibit or sponsor a show is displayed in Figure 6. An overwhelming majority of respondents claim visitor quality, previous experience exhibiting at the show, visitor numbers, price, the relevance of the fair to the industry, and the impact of the business event on sales are powerful decision-making factors to exhibit. A recommendation from a colleague or peer is not a significant factor in deciding to exhibit at trade shows. Therefore, exhibitions that can create representative, favorable conditions would benefit and preserve advantage in this crisis.

Figure 6. Factors that influence users' decision to exhibit at or sponsor a show



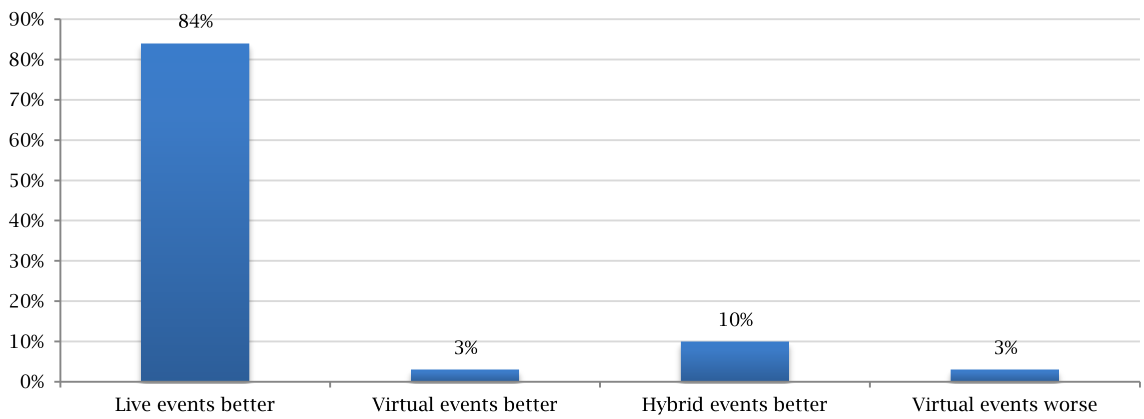
The cancellations or postponement of events had been significantly disruptive to exhibitors and hosts. Over half of exhibitors (58.7%) had not attended a virtual event, not organized, or sponsored other people's virtual events (Figure 7). Only 28.6% of exhibitors had organized their virtual events, and 12.7% had presented/spoken at other people's virtual events. None of the respondents had sponsored a third-party event.

Figure 7. The participation since the start of the COVID-19 in a selected set of activities



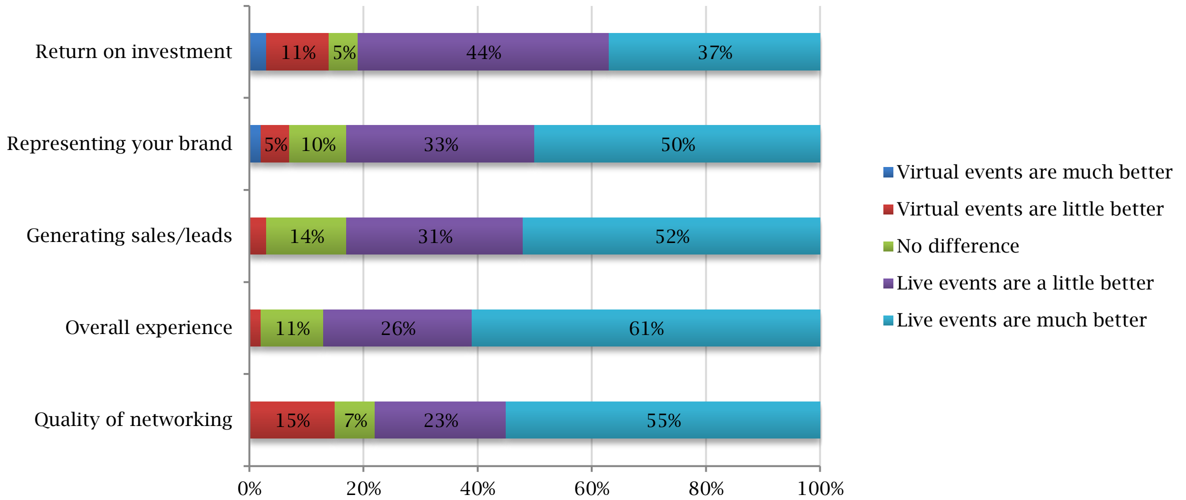
According to research findings, exhibitors in Croatia strongly prefer live events to virtual and hybrid events (84.1%), with 9.5% replying that hybrid events are better (Figure 8). Therefore, it seems there is a strong demand for the return of live events. However, a minority of respondents view hybrid events as benefits to live events.

Figure 8. The power of digital events compared to live events for networking



As seen previously, many exhibitors highlighted the importance of physical face-to-face contact and of meeting their peers and clients in real-time (Figure 9). Exhibitors prefer live events across all aspects, they particularly rate the quality of networking and overall experience to be the main advantage of live events over digital ones. Live events are much better for generating sales, representing their brand, and somewhat better for return on investment. Physical interaction remains extremely necessary for building up relationships as well as representing the brand and generating sales and leads.

Figure 9. The opinion of how virtual events compared to live events achieve different objectives



Another relevant insight of the research is that most respondents had not participated in the digital event. This experience diminished the likelihood of exhibitors sponsoring or organizing their virtual events. Almost half of them (45.9%) would not organize or sponsor virtual events in the future, 27.9% would actively participate in a third-party event, while 24.6% would organize their virtual event. Most participants have negative experiences during the COVID-19 pandemic, so the organizers should continue to challenge themselves to re-attract exhibitors and visitors as well as to enable exhibitors to understand the benefits of digital events.

Both exhibitors who have previously sponsored/exhibited in a third-party digital event and those who had not participated in digital events agree that live events are better in every aspect (Figures 10 and 11). Live events are their preferred channel for networking, returning investments, generating sales, representing a brand, and "doing business" overall.

Figure 10. Exhibitors' views of digital vs. live events for achieving different objectives (who have sponsored/exhibited at a third-party digital event)

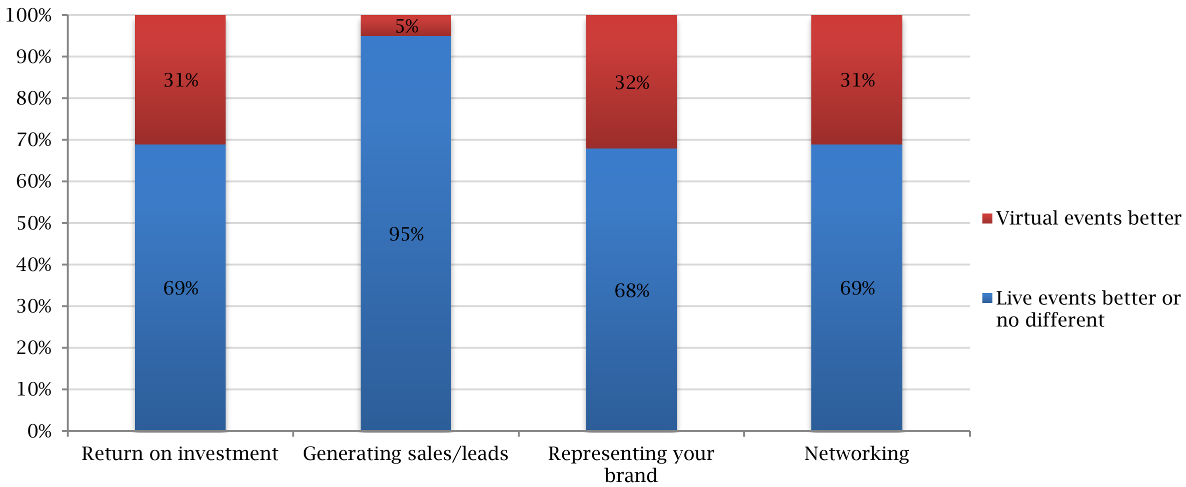
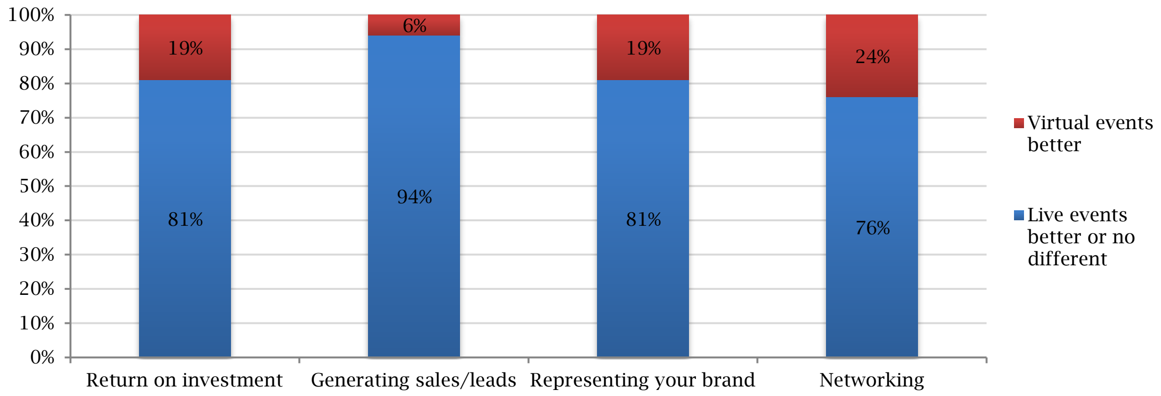


Figure 11. Exhibitors' views of digital vs. live events for achieving different objectives (who have not participated in digital events)



Although our respondents prefer live events over digital and hybrid events, most of them are still interested in attending a hybrid event, i.e., live events that can be attended virtually. Almost 49.2% are somewhat interested, 30.2% are fairly interested, while 11.1% are very interested. Therefore, digital attendance is a solution for most of the respondents to participate in future events. It suggests that hybrid events could form a significant part of the marketing channel for driving new exhibitors to this emerging type of event.

7. DISCUSSION AND FINDINGS

As stated earlier, the industry was facing problems even before the coronavirus pandemic, influenced by the change in the expectations and habits of the participants, and technologically driven transformation.

The outbreak of COVID-19 has only accelerated the evolutionary process and digital transformation with the need for alternative ways of thinking, due to limited mobility and the introduction of social distancing.

The presented research results revealed that the Croatian market had trouble coping with the effect of COVID-19. Moreover, the survey indicates that the crisis has accelerated the transformation of the business events industry in terms of recognizing the benefits of digitalization. However, as the findings at the global level have already shown, live events remain the preferred channel for networking, returning investments, generating sales, representing the brand, and "doing business" overall. Although technology-supported communication has been well accepted among participants, the saturation with the virtual model of communication is evident. Consequently, that led to the paradox: a reinforced desire and preference of visitors and exhibitors for live events. Socialization and the social aspect of networking, i.e., face-to-face meetings and communication, obviously remain an irreplaceable need, both for the exhibition and events industries in Croatia, which is analogous to global trends. Virtual, and especially hybrid events, have the potential to enhance user experience and attract a new, digitally native generation of users.

As for global findings, we have consulted *Global Recovery Insights 2020 — Part 1* (further GRI 2020-1) prepared by UFI, SISO and Explory and published in October 2020, dealing with the way of moving forward for business events globally. This report is based on a quantitative survey of trade show visitors and exhibitors, with 9,000 responses in 10 languages representing trade show participation of both exhibitors and visitors in over 30 countries. Key areas of focus of GRI 2020-1 were: 1) the impact of trade show cancellations on both visitors and exhibitors; 2) the views of both groups on their potential return; 3) the identification of the most important factors that would encourage customers to return; 4) the changes in exhibition budgets and the driving forces of these decisions; and 5) what shows might have a more secure future than others.

Key GRI 2020-1 findings declared the overall insight: customers and industries miss live events. The negative impact of the lack of live events has widely affected both, visitors, and exhibitors. Two-thirds of those who exhibit at business events reported their cancellation has had a notable detrimental impact on their business, reducing their ability to build brand awareness with their target markets. Half of the businesses expressed this impact as being "large" or "very large". 48% of companies told researchers that the absence of live events was negatively affecting their ability to generate new business (GRI, 2020-1, p. 5). As for the findings in the key area of the research, we will compare them with the Croatian research findings. The comparative analysis is presented in Table 2 below. Visitors' sentiment was not included in the Croatian survey.

To conclude, based on six comparable areas, significant differences were not revealed. The most significant divergence has been found in the understanding of the quality issues. We found the small economy and local range of events as a reason for divergence, but we assume that the "Croatian way of life" (Skoko, 2018) might influence the propensity of Croatian companies for live events and live business conversations as well.

Table 2. The comparative analysis of the global and national insights for the industry

Key area in focus	*Global*	*Croatian*	*Similarity*
Overall sentiment	Customers and industries miss live events.	Customers and industries miss live events.	Full
Future attendance	There is no evidence in this study of a fundamental shift away from live events. Although the intended frequency of participation has dropped for both groups, it has done so only marginally for exhibitors. Visitors are concerned about short-term issues like safety and travel but appreciate the important business benefits live events bring.	The majority of exhibitors, almost 61.3%, planned to attend live events in the future as often as before the COVID-19 pandemic. Almost 27.4% reported some drop in how frequently they planned to attend live events in the future, while 8.1% claimed that they will attend live events in the future a little more frequently.	Exhibitors' opinions are alike
Networking is key	The social aspects of events remain a critical draw for both groups, who rely on live events to create connections within their communities. This is an aspect that is notably poorly served by digital events.	Both exhibitors who had previously sponsored/exhibited in third-party digital events and those who had not participated in digital events agree that live events are their preferred channel for networking, returning investments, generating sales, representing the brand, and "doing business" overall.	Close similarity
Quality	There is a clear message from visitors that the quality of exhibitors is paramount, suggesting that those who plan to attend have strong buying intentions. Exhibitors plan to factor visitor quality far more highly in their decision-making than visitor numbers. There is a clear message from visitors that the quality of exhibitors is paramount, suggesting that those who plan to attend have strong buying intentions. Exhibitors plan to factor visitor quality far more highly in their decision-making than visitor numbers.	Exhibitors are likely to participate (exhibit or sponsor) in events that can deliver high-quality visitors and increase the numbers of visitors with large opportunities to network. An overwhelming majority of respondents claim visitor quality, previous experience exhibiting at the show, visitor numbers, price, the relevance of the fair to the industry, and the impact of the business event on sales are powerful decision-making factors to exhibit. Recommendation from a colleague or peer is not an important factor in deciding to exhibit at trade shows. Shows that can create representative, favourable conditions would benefit and will preserve advantage in crisis.	Divergence The reason might be the small economy and local range of events
Budgets to return	53% of exhibitors expect to spend to return to pre-COVID levels within 12 months. 28% reported their spending would return as soon as trade shows started running again. Whilst spending allocated to live events has been put on hold, overall marketing budgets had yet to see severe cuts as of late summer.	Most exhibitors expect their spending to return to pre-COVID levels in the short to medium term, with 25% stating as soon as trade shows start running again and 22% between six months and one year. Around 28.6% expect to return their budgets to pre-COVID levels between one to two years, and 14.3% between two and three years. Only a minority of exhibitors reported that their spending would never return to pre-COVID levels.	Close similarity
Safety	Both visitors and exhibitors will look to previous experience with a show when deciding whether to return. They will turn to show brands they trust to deliver robust safety measures, but more importantly high-quality audiences.	All the respondents are supportive of health and safety anti-epidemic measures; however, they are reluctant to accept measures that impede their social and networking activities. They are less likely to exhibit at trade shows with restricted social events and fewer international visitors as well as on events with increased social distancing that will result in a lower number of visitors.	Full

It is worth highlighting that the *Global Recovery Insights 2020 — Part 2* (further GRI 2020-2), prepared by UFI, SISO and Explory was published at the early beginning of 2021 The second part deals with the future of digital and hybrid events. We have also found close similarities in our research, particularly in the part that focuses on the experience of exhibitors at digital events, their opinion on the current digital offerings, their views on future spending and hybrid events, and the strengths and weaknesses of the current digital proposition.

The key findings of global and Croatian case research show that the exhibitors have a strong preference for live events. However, according to GRI 2020-2, global research audiences recognize the time and cost benefits of attending an event digitally. They also find them an effective way to access the content. On the other hand, in both, global and national research, ROI highlighted the lack of exhibitors in digital mode, while dedicated sponsor experience improves exhibitors' perception. Moreover, digital events could maintain audience connection and have the potential to attract new audiences.

With evident convergence of opinions between global and national industry members and a strong preference for live events, despite the immense possibilities of digital and hybrid events, we are following the hunch and question: is there an emerging identity of the face-to-face event that is making the difference?

7.1. The emerging identity of face-to-face events

The pandemic caused by the COVID-19 virus triggered adaptations of the event industry to new circumstances, and some changes could have a more lasting character.

For example, by strengthening online communication at all business levels, including meetings and congresses, and reducing costs at the corporate level, the number of business trips could be expectedly reduced. However, as we have seen from the research, exhibitors in the exhibition industry still prefer "face-to-face" events to "face-to-screen" events. Namely, this segment of business activities includes exhibiting products (public shows), business talks, networking, and accompanying activities (conferences of an educational and entertainment character). Although some of these activities can be successfully transferred to the virtual world, communication efficiency, presentation, and sales are reduced. Not all senses can be represented in the presentation, which reduces the level of experience of the product or service. Moreover, in virtual communication, non-verbal communication as a vital segment of business negotiations is partly lost (Giudici & Filimonau, 2019).

It should also be borne in mind that the importance of non-verbal communication (which is minimized through online mediation) is more important in some cultures than in others. A long time ago, Hall (1976) noticed and divided cultures into those of high- and low-context, depending on the degree to which, during communication, meaning derives from the environment, i.e., behaviour and non-verbal communication, or from the spoken word. Low-context cultures attach little importance to context, rituals, gestures, and non-verbal communication. In them, the emphasis is on the direct message, mostly conveyed in words. High-context cultures pay much attention to the physical context of communication and the relationship between interlocutors and are somewhat reserved when it comes to words, conveying messages in other ways, such as using non-verbal communication. To them, the context of communication carries more communication weight than the message because the meaning is not necessarily contained in words, but in gestures, reasoning based on previous experiences, and even silence.

They rely, therefore, on indirect communication. Status in communication is also important. Typical examples are usually Chinese and Korean culture, Arabic, African American cultures, etc. In low-context cultures such as German, Swiss, North American, or Scandinavian, verbal messages are key in communication; context is less important and requires a lot of specific background information. Open communication, concrete and clear messages, and expressive verbal communication are expected. Therefore, we can conclude that online communication is more appropriate for low-context cultures.

Although there is no relevant research on the application of this theory to Croatia, taking the relevant criteria into account, it can be assumed that Croatia is closer to being a high-context culture. In business communication, verbal messages gain full meaning only through complementing non-verbal communication, gestures, context, and attitude towards the interlocutor. Furthermore, in the "Croatian way of life", hospitality plays an important role, as well as business conversations over coffee or lunch (Skoko, 2018). As a result, the lack of direct communication is considered limiting for a successful business meeting.

Taking all of this into account, a new identity of face-to-face events can be remarked, whose physical form was implied until the appearance of the pandemic. Its features could be the possibility of socialization and full communication (verbal and non-verbal), the physical experience of meeting business partners, direct experience of the product and activation of all five senses simultaneously, the physical sense of space and form, the possibility of additional content (e.g., gastronomy, entertainment, etc.). It is impossible to provide these qualities in a virtually mediated relationship, and they can be crucial when making a deal.

7.2. Hybrid future

The changing world economy, unstable political trends, insecurity, digitalization, and other factors such as the pandemic are a source of external threats to the exhibition industry, whose impact cannot reverse. Therefore, the need to change and adapt the industry from within and thus strengthen its resilience by using its elasticity and digital technology to improve the user experience of visitors and exhibitors is a *condition sine qua non*. The key point to innovating the exhibition industry is the transformation of its old business model. Namely, to transcend the trade fair and event organizers from the annual sales and promotional channels into the consistent value creators. To help organizers evolve and thrive with that process of seismic change, Rankine (2018) introduced the new trade fair archetype called the *Exhibition 2.0* model, a framework that consists of a set of initiatives to drive customer satisfaction and performance. The initiatives include event-level strategy, price optimization, digital packages, e-directories, advanced analytics, sponsorship, and driving customer advocacy. The Exhibition 2.0 model allows organizers to navigate change while achieving sustainable growth. The important changes brought by digitalization that the Exhibition 2.0 model anticipates are: attendees have more choices and are more demanding of return on time (RoT); exhibitors also have more choices and now expect their marketing expenditure to deliver more measurable return on investment (RoI), and exhibitions and trade show organizers are finding it increasingly challenging to support sustainable performance.

Exhibition and trade shows have rapidly developed into far more than booths displaying products — they have become marketplaces amplified by educational opportunities, innovation launches, and data-driven qualified lead retrieval opportunities, supported by social networking activities that unite valuable digital progress with the now-yearned-for magic of interpersonal connection. Last year, many of the 33,000 exhibitions held worldwide transitioned to digital solutions that leveraged best-in-class technology to create those critical supply chain connections (UFI, 2021, May). According to Emanuelli et al. (2020) focusing on three priorities is needed when deciding on a significant investment: preparing for digital recovery in terms of strengthening digital capabilities, accepting secure and contactless customer service as default, and anticipating future customer needs without waiting for feedback. This can be used to build the long-term resilience of the exhibition industry, because a new technological danger to its sustainability is already looming on the horizon, and it stems from the expansion of interactive high-tech software conversation tools (software as a service — SaaS and communication platform as a service — CPaaS).

As for the near future, UFI Global Exhibition Barometer (UFI, 2021, January, p. 189) has identified three of the most important issues for the industry in the coming year: 1) the impact of the COVID-19 pandemic on the business; 2) the impact of digitalization; and 3) competition with other media. Five less important issues were also recognized: 1) the state of the economy in the home market; 2) global economic developments; 3) internal challenges; 4) competition from within the industry; and 5) regulatory/stakeholder issues. In terms of the evolution of the format of exhibitions in the coming years, global results indicate that: 64% of interviewees are confident that COVID-19 confirms the value of face-to-face events, anticipating that the sector will bounce back quickly, however, 32% are not sure; 63% believe that there will be less international physically performed exhibitions, and overall, fewer participants. Moreover, 80% of companies claim there is a push towards hybrid events, and more digital elements at events, while only a minority agrees that virtual events will replace physical events. Digital is here to stay. The exhibition industry is embracing the fact and is adapting to operating in an expanded ecosystem. Moreover, it is changing from within and is rapidly mastering and exploiting its digital potential. Viewing digital technology as an opportunity, and not a threat, the industry should seize it to make live or physical events better.

Lastly, hybrid events with significantly more digital elements enriching the interpersonal experience have entered the event industry. Hybrid models carry the potential to create a wealth of content for both exhibitors and visitors who will not be physically present at the event, with the benefit of flexibility of consumption dates, which the previous traditional model did not allow. Baur (2020) defines a hybrid model of the trade fair as a combination of online and offline activities. The hybrid model includes simultaneous digital and physical contact, which is particularly useful for organizing meetings, live event broadcasts, and digital showrooms. An important feature of hybrid models is real-time interaction, either via a link to an event or via internet channels and social networks. Hybrid models must be carefully planned, whereas the outcomes, target groups, technology support platforms, and new key performance indicators need to be defined. Traditional indicators, such as square meters of sales space and number of visitors, became secondary indicators. On the other hand, leads, RoI, quality assessment by eliminating obsolete and trivial content (RoT, redundant, outdated, and trivial), and net promoter score (NPS) become key performance indicators. The hybrid model strengthens the display of exhibitors, their products, or brands in an extended, real-life, and virtual ecosystem.

8. CONCLUSION

The purpose of this paper was to reveal to what extent the pandemic has influenced all aspects of Croatian business events and the exhibition industry. Moreover, we have analyzed the transformation of the Croatian exhibition and business events industry to disclose exhibitor behaviour during the pandemic, and to share insights on the transformation of the global exhibition industry in the digital age. Our findings indicate that the crisis has accelerated the transformation of the business events industry in terms of recognizing the benefits of digitalization. Additionally, one paradox was identified: the desire and preference of Croatian exhibitors for live events. Socialization and the social aspect of networking, i.e., face-to-face meetings and communication, obviously remain an irreplaceable need, both for the exhibition and events industries in Croatia, which is analogous to global trends. There is no doubt that virtual and especially hybrid events have the potential to enhance user experience, enrich the event content and attract a new, digitally native generation of users. End there is a consensus that a hybrid mode of events and exhibition is here to stay. But, besides the alignment with the global industry sentiment, we find the previously mentioned “Croatian way of life” an important moderator of the sentiment for the exhibition and business events industry in Croatia.

Digitalization has made great strides for the industry, and with the emergence of the pandemic, the strides have become revolutionary. Therefore, the model of exhibition and trade fair business is rapidly changing in the direction of building long-term resilience and reinvention. The post-pandemic new reality has accelerated the evolutionary and digital transformation of the exhibition industry globally and nationally, as it partially prevents it from relying on its core competencies, i.e., five senses rules, which means that it must develop new ones to rely on in the future. The industry core competencies have a foundation in exhibition and trade fair synergy, socialization, and above all in energy, emotions, live experience, and the strength of togetherness that generates the gathering of one industry along with its vertically or horizontally connected industries, which participate in creating the value chain of the trade fair/exhibition/event product or service. The industry’s new key competence thus becomes the ability to deliver high value-added capacity to participants in a hybrid, real and virtual dimension, with an emphasis on an innovative interactive user experience and inclusion. If available, the majority of industry participants will choose live events, especially when a personal approach, trust-building relationship, and an overall, active role in making a (new) deal is needed.

The global exhibition industry will reconnect and rebuild businesses, industries, and economies following this unprecedented period of industrial and economic stagnation; however, it will never be the same again, due to a permanent change in consumers’ behaviours and customization in customers’ journey that is of high value. Digital channels have mitigated the effects of the pandemic and have accelerated the development of digital events. However, it was the onset of the pandemic that has reaffirmed the extent to which socialization, and consequently live, face-to-face contact, represents a lasting and intrinsic human need. Humans are social beings and exceptional value will always be attached to bringing communities together to do business, meet, network, and learn. Virtual events will not be able to fully replace physical ones, but physical events will not be able to do without a virtual upgrade. As revealed in the most recent *Global Recovery Insights 2021* (further, GRI 2021), digital experience has the potential to broaden both, the exhibitor and visitor audience. A strong turn towards hybrid events with significantly more digital elements enriches the interpersonal experience and adds quality to the visitors' journey and is here to stay. It has become the new normality of the exhibition industry. Hybrid events are a challenge for organizers and require significant financial resources to be invested in new knowledge and skills, as well as ineffective digital tools and platforms. Though visitors' interest in hybrid is slowly declining, organizers will continue to use virtual events as an extension to the physical ones, so to enhance the content and reach, providing an integral event experience on-demand throughout the year.

Our paper has also highlighted emergent forms of a new exhibition business model and the duality of a business environment that is characterized by collaboration, proactivity, and agility, which can be considered as having potentially useful managerial implications. However, there are some shortcomings to our research. Firstly, we have selected a relatively small sample, due to the limitations of the Croatian market. Secondly, we have examined only exhibitors' opinions and attitudes from different industries that are oriented to the specific features they are concerned with, so one can suggest that the findings are not complete without visitor insight. However, we find the research results to be an important step towards the renewal of the Croatian exhibition and business events industry.

Since the Croatian scientific research field for the business exhibition and event industry is in its formative phase and is severely lacking empirical research, we suggest some avenues for future research. The first idea for the forthcoming research endeavours can be addressing the Croatian business visitors' needs or interest in the vibrant or focal industry sectors that could be presented through the trade fair or business event, and the type and mode of delivering those kinds of events as well. The second idea could be validating Croatia as a high/medium/low context culture and maybe add some more plausibility to the "Croatian way of life" as an important moderator of the sentiment and consequent needs for the exhibition and business events industry in Croatia, so assuring its thrive trajectory. Finally, the idea of developing agile business models that encompass and meet the behavioural economy features and customized exhibitors, visitors, and sponsors' needs, maybe the widest avenue for future research. Consequently, for the trade fairs and business events industry is important to strengthen its resiliency timely, and so as to overcome and surpass the forthcoming new wave of communications platforms and tools revolution and the challenges it brings along.

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