A PROJECT OF

GCB

Meetings made in Germany

German Convention Bureau

MANAGEMENT SUMMARY

STUDY

Platform Economy:
New Players, New Markets, New Business Models
– Evolution or Revolution for the Meeting World?

Fraunhofer

IAO

Contents

1. Introduction: Digital Transformation and the Platform Economy

We might not be aware of it, but the platform economy has become part and parcel of our lives. YouTube, Google, Facebook, Amazon, to name just a few – the globally most successful digital companies are based on this model. Platforms are the digital economy's core business model; the "heart of the digital revolution" so to say. They are characterised by lower transaction cost than an economy without platforms and platforms very rarely have their own products. Instead, they focus on marketing the services and products they offer. Platforms do away with time-consuming searches, price comparisons and high marketing cost because they enable quick search processes, high price transparency and easy payment. They also remove the middlemen in the market and therefore offer lower prices because of transparency and reduced cost for staff.

The current challenges brought about by the digitalisation play an important role for the meetings and conference industry. The digital transformation impacts all stakeholders, be it event venue and congress hotel, technology provider, event agency and convention bureau or corporate event planner as well as event attendee. In this context, digital platforms are a crucial element that affects the entire process of event planning. When customers and suppliers can easily meet on a digital platform, it has the benefits described above and, at the same time, the status quo is being disrupted. The hotel business is, for example, dominated by only three online platforms that cover 95% of all hotel bookings in Europe.

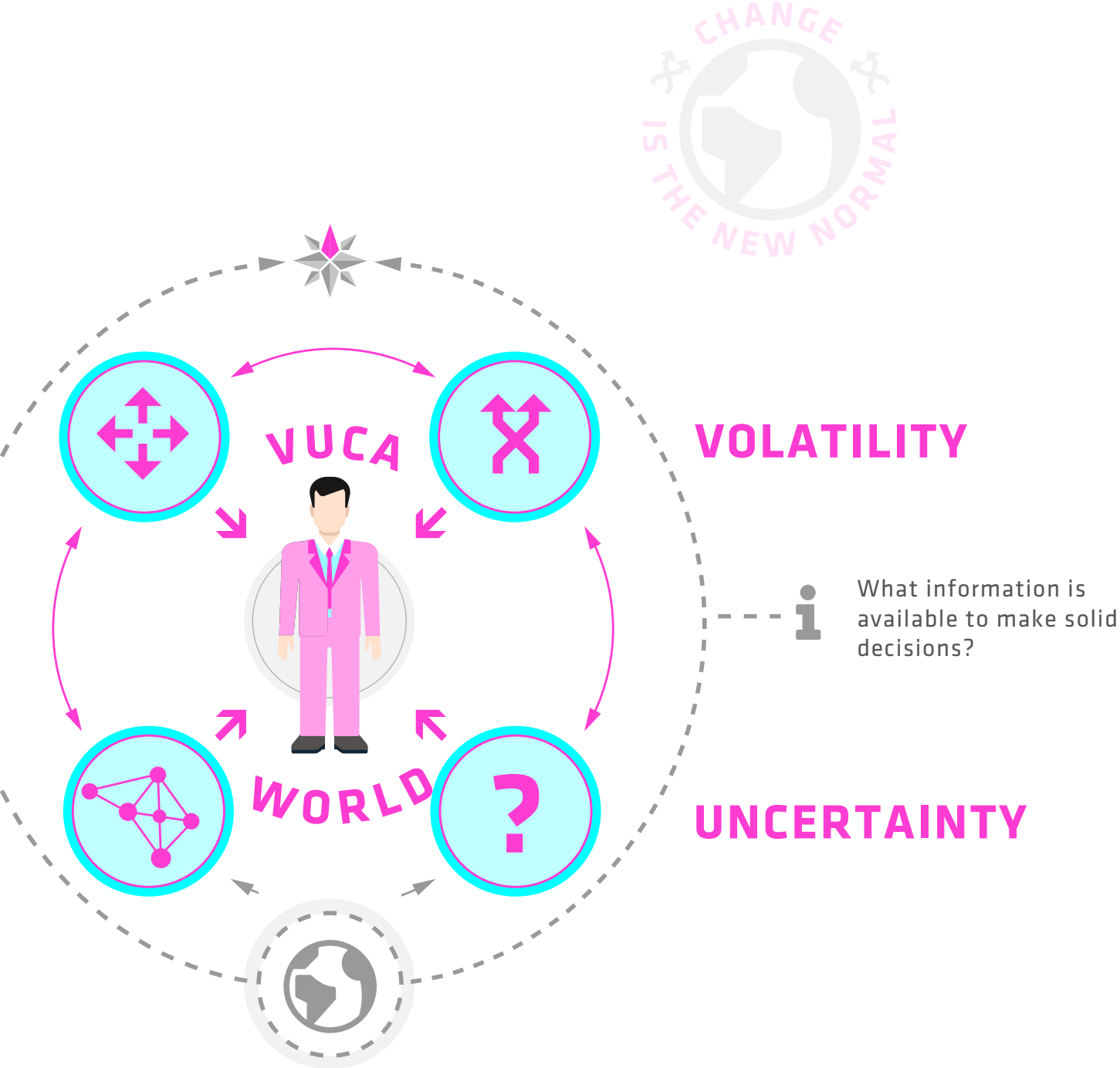
AMBIGUITY

To which extent can consequences and outcomes of actions be predicted?

COMPLEXITY

The meetings and conference industry has seen the establishment of platforms, too. Most of them are specialised and focus on one part of the business, i.e., some offer meeting and conference spaces while others concentrate on speakers or marketing and ticketing. In the context of current developments, the platform economy is therefore becoming a major challenge of the digital transformation that, at the same time, offers huge chances.

[1] https://media.hotellerie.de/media/docs/pm_2017-04-12_marktdominanz_der_online-buchungsportale_nimmt_weiter_zu.pdf



2. Project Goals and Partners

Goals

The platform economy research project aims at identifying the developments and effects of the platform economy on the meetings and conference industry. On the one hand, it looks at the future role of suppliers (venues, catering, event technology, event agencies) as well as of convention bureaus as destination marketing organisations. On the other hand, it examines the consequences for event planners as customers.[2] The core question revolves around business models: Which ones will probably still work in future? Which ones will have to considerably change? And which new business models will potentially emerge? The study aims at developing scenarios and recommendations for actions so that industry stakeholders can proactively react to the changes.

Partners

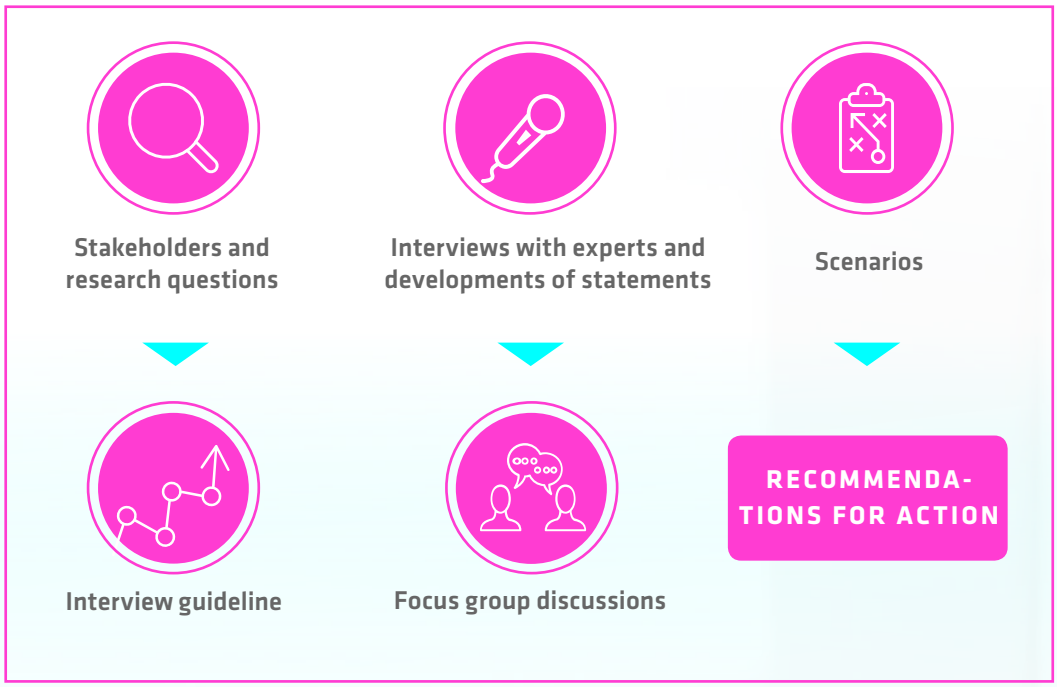
The platform economy project was initiated by the GCB German Convention Bureau e.V.. The GCB represents Germany as a globally leading and sustainable destination for meetings and conferences and provides the industry with thought leadership on innovation. The study was carried out with the support of four cooperation partners:

- European Association of Event Centres (EVVC)
- 7 Cities – Berlin Convention Office, Cologne Convention Bureau, Frankfurt Convention Bureau, Hamburg Convention Bureau, Munich Convention Bureau, Stuttgart Convention Bureau, Düsseldorf Convention
- Association of Event Planners (VDVO)
- Hospitality Sales & Marketing Association (HSMA)

Fraunhofer Institute for Industrial Engineering IAO conducted the research.

3. Methodology

The project started with a workshop to finetune the research questions and to identify all relevant stakeholders jointly with the cooperation partners. This was followed by interviews with experts, including representatives of platforms. Based on these interviews, statements that had been developed previously were adjusted and refined while the experts also came up with their own hypotheses about the development of platforms in the meeting and conference market. All these statements were then discussed in two focus groups with suppliers and event planners (customers). These focus groups formed the basis for developing scenarios that then served as a basis for recommendations for action. As the research field in question is new and thus not suitable for an empirical approach, the study was designed as an explorative research project with corresponding methods such as literature research or expert and group interviews.



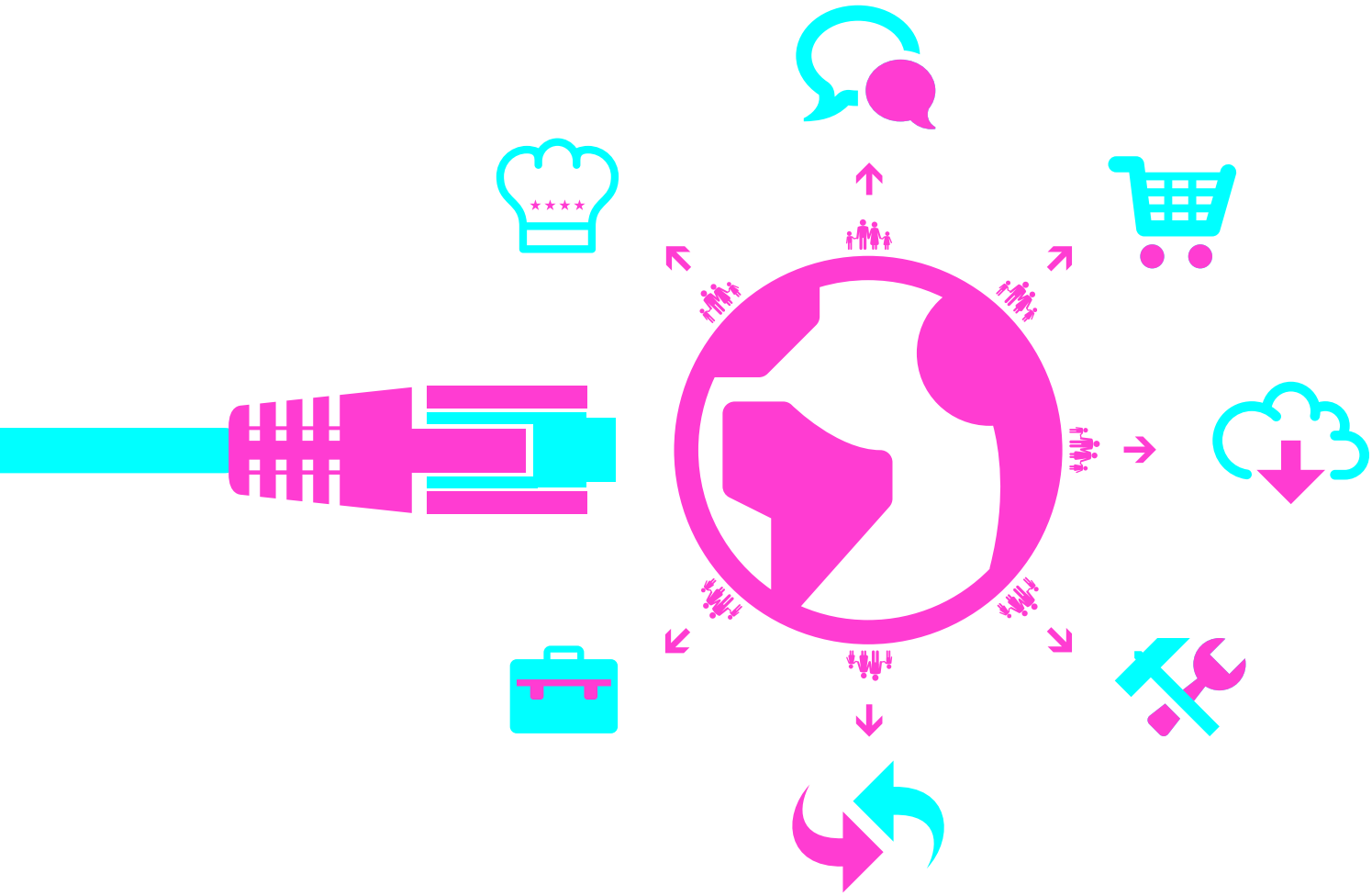
[2]Glossary – Suppliers: event venues, catering, event technology, event agencies/agencies, destinations represented by convention bureaus; Agents: agencies, venue sourcing agencies, convention bureaus; customers: event planners in companies, associations and agencies. Agencies are in every stakeholder group; convention bureaus are suppliers as well as agents.

4. The Meeting Industry's Ecosystem

The meeting industry consists of two parties coming together, i.e., customers (agencies, corporates, associations) and suppliers (destinations, venues, service providers). Contacts are facilitated either in person or online via search engines, social media and websites.

Platforms in the meeting sector – challenges and opportunities

Platforms enter this situation and take over tasks such as bundling event venue options or speakers in one place. In this context, the expert interviews conducted for this study were used to investigate future developments and the relationship between suppliers, agents and platforms. To this end, a variety of aspects was discussed, including how platforms work, platform success factors, the platform economy in the meeting and conference industry, the impact of Artificial Intelligence (AI) or the challenges for market stakeholders and platforms.



What the experts said

> More and more traditional models will be replaced by platform models.

Statement 1

> Artificial Intelligences is currently being underestimated.

Statement 3

> The whole instant gratification topic, i.e., instant satisfaction of needs (price or quotation), will also take hold in the meeting industry.

Statement 2

The results of the conversations with experts can be summed up as follows:

- Platforms are online marketplaces whose added value for all users increases with every additional user. They connect suppliers and planners digitally and act as an agent between customers and suppliers.
- Prices are either established manually (manual dynamic pricing), through algorithms or are based on existing (offline) markets.
- Instant information on availability and on true prices as well as rating systems enable comparability and transparency and create better value for money from the buyer perspective.
- Contract partners and liability vary depending on the completed transaction (agent role vs. full-service provider).
- Increasing user-side demand for transparency leads to decreasing willingness to wait for information about availability.

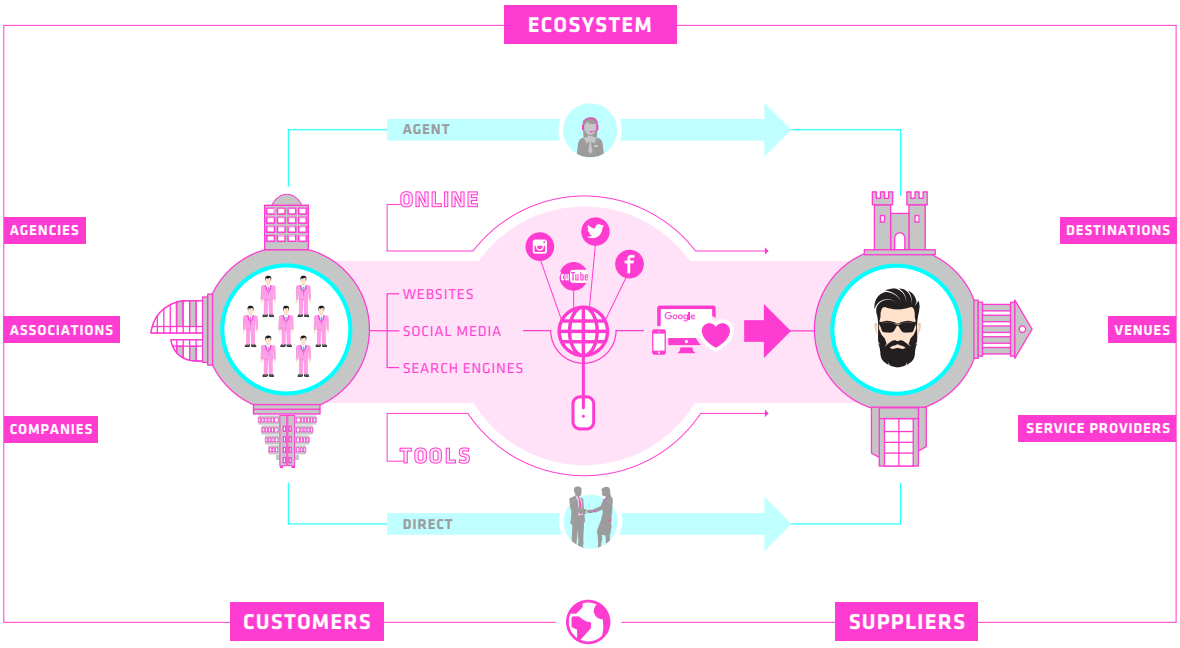
For the meeting industry, the questioned experts expect a similar concentration of the business in the hands of a few market dominating platforms as already common in other sectors. Platforms will dominate in comparison to conventional models and merge to form bigger platforms. The experts also assume that customers will in future expect to get instant information on the availability of venues digitally. Plus, they think that AI as a core element of platforms is being underestimated and that, given the ongoing technological progress, platforms will be able to handle even complex events and provide individual solutions.

4. The Meeting Industry's Ecosystem

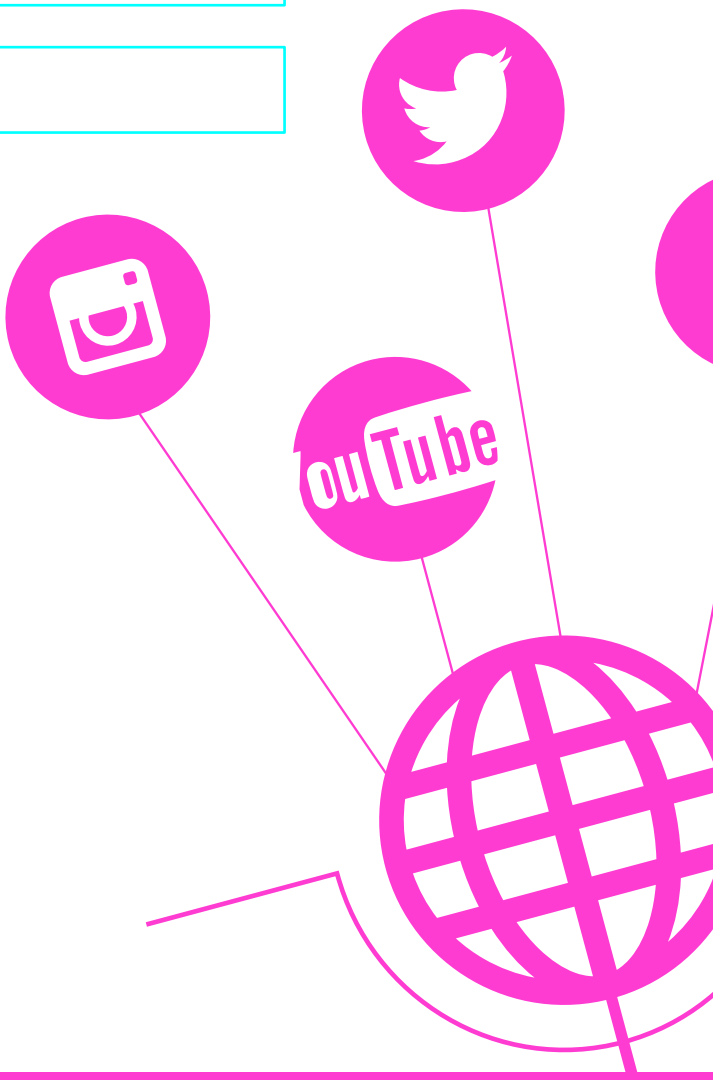
Statements

Based on the expert interviews, previously developed statements (assumptions) were adjusted and refined to include new aspects mentioned by the interview partners. The focus groups then essentially discussed the following statements:

1. Platforms take over the agent role and research services of agencies and replace them.
2. Market power will be concentrated in the hands of only a few platforms.
3. Platform providers will be coming from outside the meeting and conference industry.
4. In the context of getting an overview of the market, the platform economy enables high comparability and transparency.
5. The quality of suppliers and hence events increases due to the transparency and variety found on platforms (competition).



6.	Platforms will radically change the user behaviour of customers / buyers in the meeting and conference industry.
7.	Due to the changed user behaviour, the provision of instant information on availability will take hold in the meeting and conference industry.
8.	In the platform economy, data profiling will become a success factor. Platforms know what their customers want.
9.	End users will configure their events themselves.
10.	The use of AI is currently still being underestimated.



5. Customer and Supplier Voices

The following general use cases of and attitudes towards platforms were described and voiced in the customer-side focus group with planners and the supplier-side focus group with venues and destinations:

Planners use platforms for research purposes and acknowledge the advantages provided by platforms regarding uniformity, globality, transparency and comparability of offers by providing information on availability. In general, platforms are viewed as integrators that combine comprehensive booking aspects and simplify management processes.

From the perspective of suppliers, platforms should be used when humans reach their limits and an automated system can be deployed as support to not lose sight of everything that is important. On the other hand, they identify limits of the potential that platforms might have: They don't generate new information but can only retrieve data that already exists and booking processes for non-standard enquiries are problematic. All in all, suppliers are willing to handle standard offers and external marketing on platforms.

A more detailed look at the different aspects of platforms reveals the following focus group results:

Comparison with the conventional model

In the end, it's still about people: Both focus groups identify the human aspect as an advantage of conventional agents. Direct contact, a contact person on site and industry know-how are important elements in the context of planning and implementing events and crucial particularly for customers. The conventional model performs better in this respect. Planners also stress human creativity as a USP: Platforms might help with research and booking. However, human agents also play a considerable part in idea development and event design or completely take over these tasks. Providing personalised and complex services is therefore an asset of agents.

Both focus groups agree with the statement that platforms will change the conventional ways of working together: While customers unanimously expect platforms to completely take over the research part and replace the services so far provided by agents, suppliers are more critical. However, the majority still agrees with this assumption.

Statement 1

Platform model

Statement 2

Statement 3

Discussing the platform model along the different statements, all focus group participants agreed that market power consolidation with only a few platforms emerging as major players will happen. Opinions differed with respect to the origin of platform operators: Suppliers unanimously believe that platform operators should be industry outsiders as they can contribute the necessary technical know-how and a fresh pair of eyes. Planners, too, think that the ability to generate ideas from an "industry outsider perspective" is important, however, they also see meeting industry expertise as provided by industry-internal operators as mandatory. This, in turn, means that they would expect more from platforms that are run by industry insiders.

Transparency & instant availability information

Statement 4

Both focus groups doubt the truth of ratings on platforms and only assume increasing credibility once a certain amount of reviews has been reached (approx. 200 to 300). Still, both planners and suppliers agree with the statement that the platform economy creates high comparability and transparency in the context of getting a market overview. However, suppliers are a bit more sceptical and stress the aspect of trustworthiness as an added value that comes with agents.

Statement 5

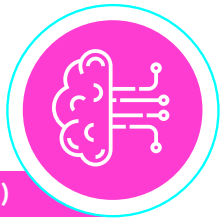
Likewise, most suppliers doubt that the quality of events will increase due to the transparency and variety provided on platforms (competition) as, in their opinion, platforms cannot sufficiently reproduce personalised offers, which is something that is increasingly in demand. The customer focus group on the other hand unanimously agrees with this statement about increasing quality.

Statement 6

Supplier and customer opinions also differ when it comes to the statement on changing user behaviours. While customer do not (yet) assume that their behaviour will radically change, suppliers expect such changes once technology (AI) is advanced enough, which means they agree with the experts who had also voiced this opinion in their interviews.

Statement 7

Furthermore, the focus groups are not in agreement about the role of instant provision of availability information in the meeting and conference industry. While customers think that there is now way round it, suppliers do not agree with this statement. Complexity plays an important part in the context of both changed user behaviour and instant availability information: Suppliers note that booking processes in big companies can be slow and that, in cases of big events (from approx. 100 to 10,000 participants), customers want to inspect venues prior and have therefore scheduled in more time to start with.



Artificial Intelligence (AI)

Statement 8

Statement 9

Statement 10

Both focus group agree on data profiling becoming a success factor. Suppliers are more optimistic about customers configuring their events themselves than customers. Half of the latter do not agree with this statement, which also elicited a noticeably high number of "do neither agree nor disagree" comments. Most customers agree with the statement that AI is being underestimated (in Europe) while in China full automation will be possible in three to five years. Suppliers did not come to an agreement on this statement.

Discussing the potential for AI usage, both focus groups identify potential, be it for support jobs and easy tasks (suppliers) or as a general information resource and for research as well as during and after events (customers). In this context, the participants also discussed the importance of direct, human contact. Both focus groups stress the importance of personal contact, having someone on site or of personal conversations with individual providers to assess service quality. In situations like this, human contact is preferred. Particularly having professional expertise on site is of increasing importance so that things can be handled directly should any issues occur.

Focus groups

Service providers

kölnkongress
VERANSTALTUNGSZENTREN

DESIGN OFFICES

DEUTSCHE HOSPITALITY

K·F·P
KFP Five Star Conference Service Swiss AG

ICM
Internationales
Congress Center
München

jena KULTUR
Kultur. Tourismus. Marketing

Deutschland
Das Reiseland

Planners / Customers

proske.

SIEMENS

DG

Bank
für Sozialwirtschaft

BAYER

FRANKFURT
BUSINESS
MEDIA
DER F.A.Z.-FACHVERLAG

6. Summary and Recommendations for Action

The market is currently moving towards a dominance of external platform operators that can be expected soon. This development is confirmed by both the questioned experts and the two focus groups. Platform consolidation is progressing and platforms that cover all aspects of event planning are being established. This trend increasingly pushes conventional agents out of the market. Databases, searches by different criteria and standardisation even enable the generation of proposals for complex requests and big events, individual requirements and high demands.

Recommendations for actions for agents

Based on the described situation it is important for agents to fully understand what the digital transformation entails in order to harness its potential. Agents should cooperate to be able to compete with platforms and their benefits such as instantly retrievable availability of services and product offers and the ensuing increasing speed of quotation processing.

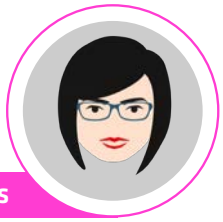
For easy database inputting, offers and services that are to be marketed on platforms need to be divided into small, individual components. Such standardisation makes it easier to find where they intersect with others, to create new combinations and generate new services. It also simplifies the booking process for customers, which leads to easier fulfilment of demands and hence, easier marketing. Furthermore, data profiling and thorough CRM are crucial so that, for example, offers can be sent to customers to generate demand and enhance loyalty to the platform.

While focusing on technology is important, agents must not lose sight of their USP: Humanity cannot be replaced by any tech tool and it will be crucial to highlight the added value the work of agents can provide. Be it complex planning, creative problem solving or understanding worries and concerns – databased only retrieve information, they cannot generate new ideas.

Recommendations for actions for service providers

For successful marketing on platforms, it will become essential for suppliers to provide reliable availability information, no matter if relating to services or products. Customers demand speed and this requires up-to-date and reliable instant information on availability. Not delivering on this will lead to a poor ranking and ultimately not being listed at all anymore which makes being booked impossible. In this context, the same applies as for agents: Suppliers need to understand digital processes, in this case algorithms, and know how rankings are created and which criteria matter. Given the increasing trend towards individualisation, highlighting USPs is an essential part of the business to secure customers by offering special services. Providing virtual reality content is important, too, so that customers can, for example, view venues via VR.

> “Knowing is not enough; we must apply. Willing is not enough; we must do.”
>
> (Johann Wolfgang von Goethe)



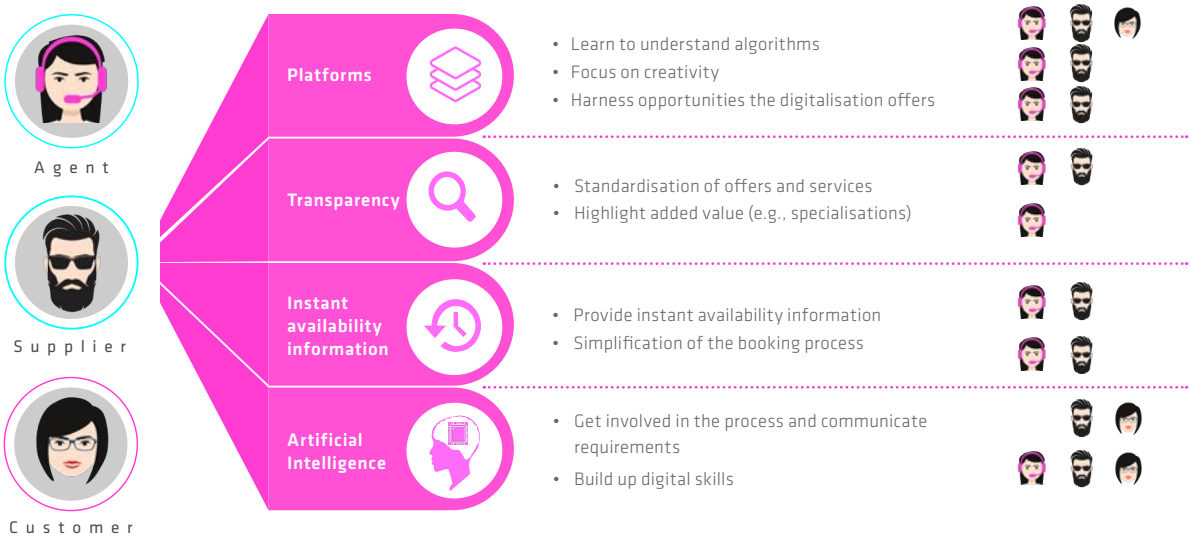
Recommendations for actions for planners

Enabling prior VR viewing of venues will also matter for planners as it saves time and money. Know-how of the operating principles of algorithms should become natural to be able to assess the value of the presented offers (e.g., are rankings bought, how does the valuation model work, etc). In general, planners in the role of customers are advised to play a part in the process of platforms becoming increasingly prominent and make sure to communicate their expectations. This is especially important in the context of AI: At which point of the customer journey is direct human contact indispensable for planners? Would they be prepared to instantly book with the click of a button if only smaller amounts are involved? Plus, in future planners should be willing to release their data to platforms. Only then can customer-specific profiles be set up and personalised offers be delivered.

7. Outlook: “Smart Meeting Assistant” Scenario

Where is the meeting and conference industry heading to on its platform economy journey? Our study answers this question with a potential, long-term future scenario, which involves a “Smart Meeting Assistant” (SMA), powered by highly advanced AI, that is present throughout the entire customer journey:

- Based on data profiling, the planner type and preferences of the customer are known. This information defines the booking process (e.g., via voicebots or chatbots) and the suggested event venues. Targeted inquiries are made about specific requirements, for example, parking or the need for a social programme alongside the conference. At the same time, the SAM already contacts suppliers in the background.
- The next step consists of preparing a proposal including different elements (such as destination, venue, travel options, hotel, catering, speakers), always with at least one alternative. On this basis, planners can compare and configure their event themselves. Bookings are made via a “book now” button or a “yes” in the chatbot conversation.



MODULAR OFFERS

- Phase 3 is about the organisational process post-booking. Speaker cancellations automatically trigger the SMA to check alternatives and pass the information on to the customer. Changes in attendee figures are also monitored to adapt catering, for example.
- During the event, the SMA takes over the management of visitor flow: Data of navigation apps can be used to alert about traffic jams and regulate parking.
- Post-event, attendee data is analysed to inform planners about their event's success and at the same time provide suggestions for improvement. The data is also added to the customer profile to make personalised suggestions for future events.

INSTANT BOOKING OPTION

8. Introducing the Experts

spacebase

Johannes Herpich // Spacebase

Spacebase is a booking platform for workshop spaces and meeting rooms, offering more than 4,000 spaces in over 30 cities worldwide. Rooms can be booked online on the platform including all extras (e.g., projector, catering). The technology is based on SaaS solutions that are offered as part of the marketplace to digitise the processes involved in venue booking. Representing Spacebase, Chief Operating Office Johannes Herpich was interviewed for this study.

> "Standardisation and creating 'menus' are the most important steps."

N3M CONNECTING BUSINESSES

David Schmidt // N3M

N3M – *Connecting Businesses* works with travel companies in the commission-based, digital direct marketing sector, developing marketing strategies and implementing solutions. Campaigns focus on the customers' interests, i.e., networking, increasing sales or branding. The agency's CEO David Schmidt was interviewed for this platform research project.

> "Word of mouth is the best marketing strategy."

ECODYNAMICS®

Hamidreza Hosseini // Ecodynamics

The name *ECODYNAMICS* stands for ecosystem, economy and dynamic change. Companies are supported in their endeavours to proactively react to the changes of the global market and the digital economy. ECODYNAMICS specialises in developing, launching, establishing and growing digital B2B business models and platforms. It helps companies with the digital transformation and development of AI-driven business models. For this study, ECODYNAMICS was represented by the founder and CEO Hamidreza Hosseini, who lectures on platform economics and digitalisation at WHU – Otto Beisheim School of Management.

> "Fully automated interaction [...] in China maybe in three to five years and in Europe in seven to eight years."

cvent

Markus Laibacher // Cvent

Cvent offers technology and hospitality solutions for event management. The platform's special feature is that it is free to use for both service providers and planners. It is financed through an extended licensing package that includes attendee management. Planners can configure their events using a choice of criteria and are provided with prices on request. Markus Laibacher (Regional Sales Manager) and Kris Justice (Principal Customer Success Manager) provided their expertise for the platform study.

> "Platforms are digital mediators of supply and demand."

meetago® group

Felix Undeutsch // meetago

Felix Undeutsch is Chief Digital Officer (CDO) at *meetago group*. The company operates the meetago platform as a leading MICE procurement system and develops digital solutions that simplify and improve the meeting business for both buyers and suppliers.

> "Anything that can be automated will be automated."

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