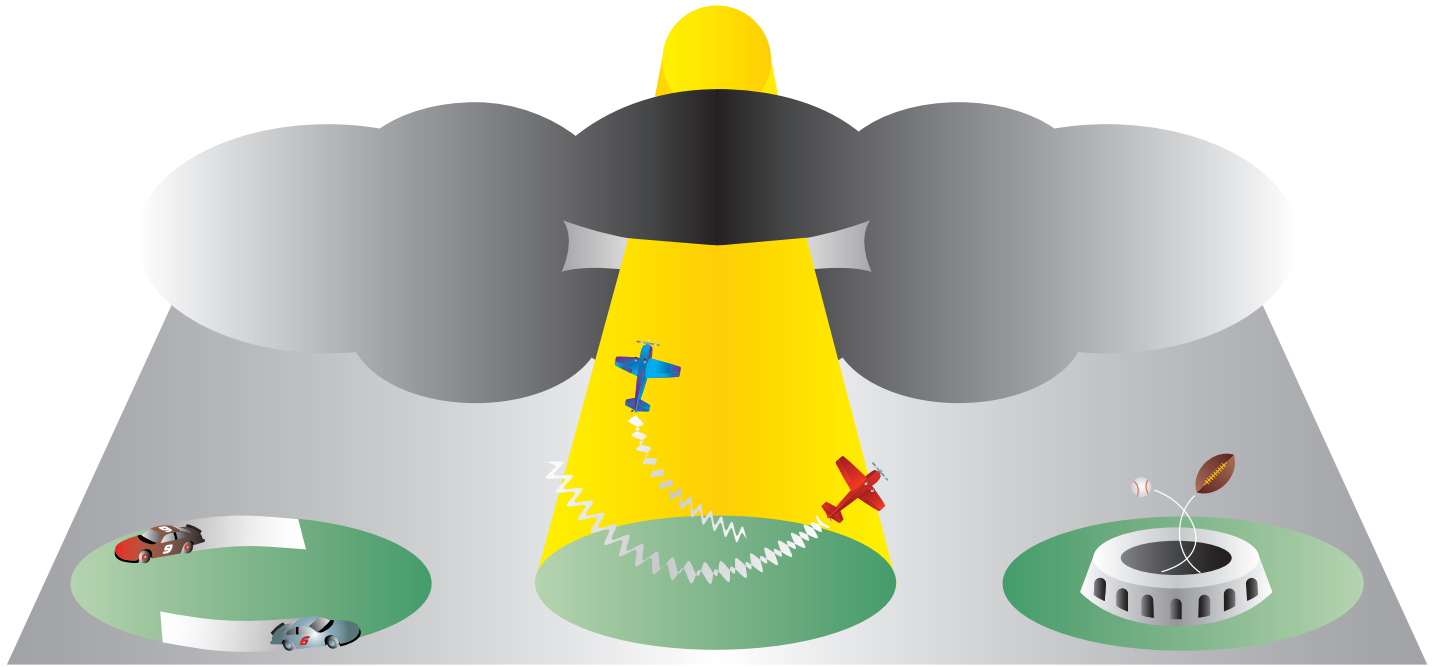


IS THERE AN UPSIDE TO THE DOWNTURN?



By Jim Cudahy

As Nobel laureate economists, U.S. Treasury officials, and investment bankers continue to debate such things as the relative value of credit default swaps and mortgage-backed securities to our capital markets, air show professionals have a more fundamental question: how will a recession of historic proportions impact my business?

With the world now in the grips of the most severe financial crisis since the Great Depression, the air show industry has no real points of historical comparison for making predictions about its future. But, if the first-hand experiences of ICAS members in 2008 are any indication, North American air show attendance figures are not likely to see a significant decrease as a result of deteriorating economic conditions. Indeed, there is considerable evidence to suggest the opposite... that as low-cost, family-oriented entertainment, air shows actually are poised to see an attendance increase during the 2009 season.

The news, of course, isn't all good.

Hanging onto corporate sponsorships in an era of collective belt-tightening may prove to be a formidable challenge for event organizers and performers alike. Also, while increased numbers of spectators might make their way to air shows in 2009, past experience and anecdotal information from the 2008 air show season suggest that per capita spending on food, beverage, and novelty items will decrease, in which case increased attendance by itself will not be enough to make up revenue shortfalls.

Still, if spectator attendance does hold steady or increase, that factor alone — combined with some tactical budget adjustments — should provide enough maneuvering room for most air show businesses to survive the current financial crisis. According to air show veterans, the keys will be positioning air shows as a smart entertainment choice for families, reduction of costs, and relentless, creative pursuit — not abandonment — of corporate sponsorships.

An Increase in Air Show Attendance?

Put yourself in the shoes of the parents of the

proverbial “family of four.” The economy has them concerned and uncertain. Their jobs may be in some level of jeopardy. Their house is not worth what it once was. As a result, they are reconsidering this summer’s week at the beach and they’ve put that trip to Disney World on indefinite hold until the economic outlook becomes a bit clearer. They’re a bit scared, but they’re still looking to have some fun with their children... something less costly... something closer to home... maybe an air show.

If preliminary indications from the 2008 air show season are any indication — even from late in the season — the average family is more likely to arrive at an air show than they were previously, but maybe they’ll spend less money on site when they arrive.

In addition to driving the Flash Fire jet truck, air show performer **Neal Darnell** has an extensive background in motor sports promotion. With spiking fuel prices and a declining economy dominating the summer’s headlines, he expected the news to have a negative impact on air show attendance in 2008. It didn’t happen. “With the price of fuel, I ex-



Jim Breen



Neal Darnell



Steve Kapur



Larry Arken

pected that air shows would be in real trouble this year. But, from what I saw, it was quite the opposite of that,” he said. “I saw attendance up at a lot of shows and I didn’t see attendance down at any shows.” According to Darnell, that included shows at which he performed in the fall, after the economic news became particularly grim.

By the time of the Wings over Houston Air Show in late October, the stock market was at historic lows, consumer confidence had bottomed out and — on top of all that — Hurricane Ike had paid an unwanted and destructive visit to the Gulf Coast area of Texas. “After Hurricane Ike had a direct hit on our town, we expected our [attendance] numbers to be down,” said **Bill Roach** from Wings over Houston, “but we figure attendance went up 10 to 15 percent.”

The experience of Wings over Houston —

According to the most recent ICAS Spectator Survey, 62.9 percent of all air show spectators drive less than 30 miles to attend the event.

a 10 to 15 percent increase in attendance — appears to match not only anecdotal feedback gathered from ICAS members, but the industry-wide statistics generated by Clickn-Print, an online ticketing agency that works with dozens of air shows across North America.

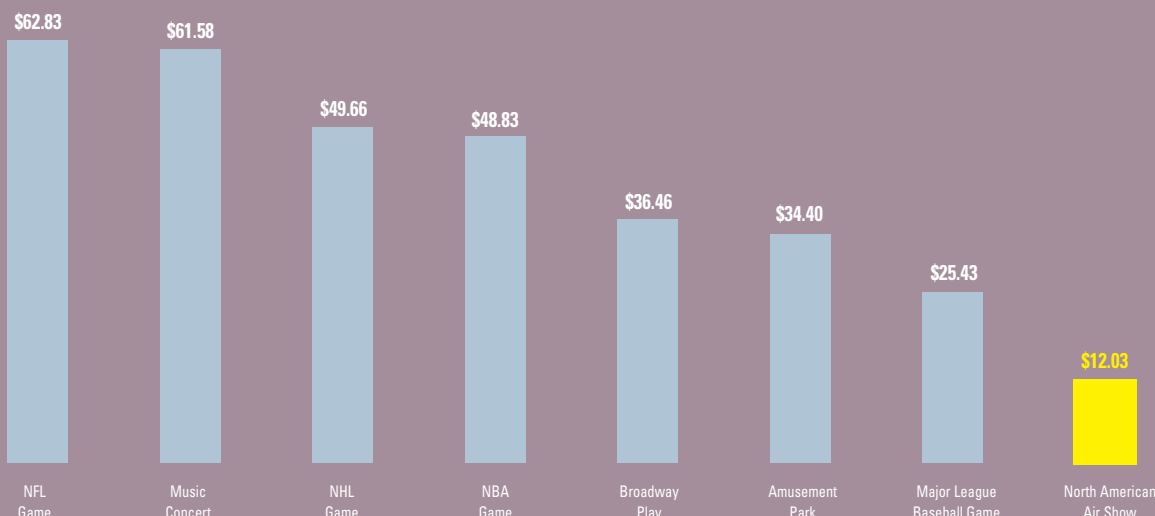
Even as air show event organizers fretted over aviation fuel prices of more than six dol-

lars a gallon during the 2008 air show season, high automobile fuel prices actually appeared to have a positive effect on spectator attendance. With families on the prowl for low-cost entertainment within short drives of their homes, the concept of “staycations,” rather than vacations, emerged. Air shows met the criteria.

“I think it actually benefited us because people stayed closer to home,” said **Jim Breen** of the Air Show Network. “We typically draw our audience from a 25- to 30-mile radius anyway. But more people wanted to stay closer to home. That was good for our business.”

For better or worse, from a pure attendance perspective, it appears that air shows are in a unique position to capitalize on a weak economy. Messaging and positioning thus assume higher levels of importance for shows, according to **Steve Kapur** of the Geico

Average Adult Ticket/Admission Prices, 2008





Bill Roach

Irma Malabanan

Mike Houghton

Ed Downum

Skytypers. Shows need to lean harder on the attributes of air shows that make them attractive in a down economy, according to Kapur. “They’re low-cost or no cost entertainment for most people,” he said. “For people with families, it’s a terrific value. In this economic climate, if our target is concerned about expenses, it would behoove us to talk about the fun and excitement, but it also would be good to talk about it being a great value in addition to being great fun.”

One school of thought is that with the subsequent drop in fuel prices since the close of the 2008 season, air shows now are in an even stronger, not weaker, position in 2009 despite the weakening economy. “Fuel prices probably are going to be a net benefit for our business,” said Breen. “If I’m a spectator, I’m now picking up \$35 every time I fill my gas tank. I’m still going to stay home because I’m not going to spend \$2,000 on a vacation and now I have the gas money in my pocket. That should be a good thing for air shows.”

Still, it would be wise for air shows to prepare for a continuation of the trends that accompanied the end of the 2008 season, which was a drop in the sale of per capita, on-site concessions. **Mike Houghton** runs the National Championship Air Races in Reno and saw this trend first-hand at his event in mid-September of last year. “We saw a significant change in the purchasing habits of the customers who came,” he said. “Our per capita revenues were down. Instead of buying a jacket and a couple of shirts, they were buying one shirt. Instead of sweatshirts, they were buying t-shirts. Overall, they certainly weren’t buying as much.”

While part of the recipe for air shows to stay afloat in 2009 will be to shed expenses, if they are going to rely disproportionately on

More than three-quarters of event organizers who responded to a recent ICAS survey indicated that they thought reduced fuel prices would somewhat or dramatically improve the show’s finances vs. 2008.

attendance to make the ends meet, resources devoted to spectator marketing should be the last to go, according to Darnell. “You know, the knee-jerk reaction that a lot of people have when times are bad is to cut marketing expenses,” he said. “The worst thing that air shows can do is cut advertising. Cut the length of the show. Cut the number of performers. But don’t touch the marketing.”

Impact on Sponsorship

If air show professionals are optimistic about spectator attendance during the coming season, most are equally pessimistic about corporate sponsorships in a weak economy.

“I think there’s going to be a ‘softening’ in corporate sponsorships,” said **Larry Arken**, also of the Geico Skytypers. “Those who get involved in corporate sponsorships with air shows might lighten up. Corporations might say the amount of money they put into air shows is insignificant in the scheme of things, but if their budgets get cut, they’ll no doubt be more selective in focusing on things that are most important to them.”

Houghton said they had some difficulty in selling sponsorships in Reno in 2008 compared with previous years and expects it to become even more difficult in 2009. “This last year, we did pretty well,” he said. “We lost some, but we gained some. The aviation side held up for us, but we took a hit when GM and Saab pulled out 45 days out. Sponsors are going to be frugal. Hospitality and entertaining are going to shrink, but we’re going to be more aggressive in trying to tag some new sponsors.”

Irma Malabanan, marketing director for the Mirmar Air Show, suggested that the challenge will be to re-sell and re-emphasize the value of sponsorship to existing clients. “You’ll have to work harder to get the same business,” she said. “Count on spending more time, not less, on pitching past clients.”

But giving up or putting in less effort when sales efforts appear to produce diminishing returns would be a colossal error, according to Malabanan, as sponsors often pull the trigger days or even hours before the show begins. “They all decided at the last minute,” she said about Miramar’s most recent air show in early October of 2008, “which we didn’t have to do before. The majority of the sign-ups were within three weeks of the show. They held off [until just a few days before the show].”

One attribute that air shows have in their favor, according to Arken, is that their air show sponsorships are inexpensive compared with other marketing opportunities available to corporations. “Air show sponsorships are a great value for a corporate sponsor because of the sheer number of people you get exposed to,” he said. “The problem is that it’s difficult to measure the return, so they also might be the first thing to go.”

From Houghton's perspective, the economic realities demand that shows start earlier with their sponsorship pitches. "You have to get to them earlier this year than you have in the past," he said. "If there's going to be less spending per capita, it's absolutely imperative to protect your sponsorship base."

Houghton intends to use in-kind trades purely to cut costs. "The only kind of in-kind [that is valuable to us] is that which reduces hard expenses, real expenses," he said. "If a good trade is going to reduce cash expenses, that's a good deal. We've taken a hard look at all our trade arrangements, and have gotten rid of those that don't net us a bottom-line benefit or an enhanced attendee experience."

"Scrubbing the Overhead Costs"

An increase in overall attendance tied with the dramatic reduction of fuel costs could make the gloomy economic forecast a bit less dire for many event organizers in 2009. But, with anticipated drops in per capita spending on site as well as a softening of the sponsorship market, the economy will force event organizers to make some tough decisions in reducing their operational expenses.

According to **Ed Downum**, also of MCAS Miramar, this is an exercise that they went through in 2008. "We really had to scrub our overhead costs," he said. "We looked hard at labor, at what we spent on rental costs, which had gone up with fuel surcharges placed on them. Having to think twice about expenses really puts things in a different perspective and makes you consider what you really need and what you don't."

Contracts that include fuel surcharges should be renegotiated. Event organizers should demand the same deals that hotels and catering companies are offering to new clients. And all service vendors should be held to higher standards of reducing their costs in accordance with the same realities that shows and performers are facing.

Those who have gone through such belt tightening are often surprised at how much ability there actually is to reduce their costs. "We're going to renegotiate or look at many of our contracts for goods and services," said Reno's Houghton. "Everywhere we can, we're going to hit the P&L on the expense side and

In a recent ICAS membership survey, more than 40 percent of respondents said that they would either be decreasing somewhat or decreasing dramatically their air show expense budget for the 2009 air show season.

manage our expenses anticipating a sluggish economy in 2009."

Hospitality, static displays, and other types of non-critical services will likely be casualties as shows enter "expense reduction" mode, but the tough decisions might have to do with the show itself. As difficult as it is to ponder, fewer performers and shorter shows are also steps that some event organizers may need to take. For some, it will come down to either having a shorter show or no show at all.

Houghton said that such dissection of expenses is the only way some shows will survive. "It would be a major error not to go back and look at expenses from a zero-based basis," he said. "We had to do that after 9/11 when we had to shut down. It forced us into a new way of doing business and we re-visit every line item now."

Aside from taking a scalpel to the budget, Breen says the situation also calls for creativity. "If you can replace a hard cost by bartering, do it," he said. "Right now we're working with a bank to be our ticket outlet. We told them, 'We don't want any cash from you, but we'll drive all the advertising for the event to purchase tickets at your locations.' When you tell them you're not looking for cash, their eyes light up. For the bank, it's tremendous because they have the backing of our hundred thousand dollars in advertising and we bring traffic into their banks."

And shows need to think more broadly about other businesses in their community that might also help them reduce expenses.

"Maybe we can do a deal with a local car dealer who doesn't have cash, but has cars they can offer as courtesy cars," says Breen. "If you save \$20,000 on rental cars and \$15,000 on ticket commissions, it adds up to some real money."

Prognosis... Good

Considering the enormous impact of the recession, air shows appear to be in an enviable position compared with other industries. Sponsorships will be harder to come by. Per capita spending by individual spectators will likely be down. But increased attendance and lower fuel costs should provide enough maneuvering room for most shows to get by.

While the hardest days might still be ahead for the industry, Breen believes the industry is in a position to withstand the worst. "I have nothing specific, no empirical evidence to back this up, but I would suggest we've seen this before," he said. "When things got tight, people flocked to events like ours over concerts and that sort of thing. We're pretty well-positioned from a value proposition standpoint, so we'll benefit. If we can capitalize on the fact that more people will be coming through the gate without the same type of sponsor support, that's the tricky deal, but it can be done."

In the end, smart decisions will keep the industry afloat. Darnell says the worst thing a show could do would be to take a hiatus and wait for the economy to improve. "I think if you're a smart business person and you watch your expenditures, you'll make it," he said. "Hang in there. Continuity is important. If you have an annual event, the last thing you want to do is lay off a year. I think fuel prices will be lower [in 2009] than [2008] and the spectators will be there. Everything else will sort itself out." ☺



A veteran marketing and association management professional, Jim Cudahy is Chief Executive Officer of Green Monster Marketing and Communications, based in Charlottesville, Virginia. This is his second contribution to Air Shows Magazine.