



Podcast

Bernd Aufderheide and Philipp Westermeyer



Philipp Westermeyer: Welcome to the very first HMC podcast, which will discuss how the past business year has turned out for HMC, Hamburg's trade fair and congress company. HMC wraps up every business year with an official report. This time the traditional written report is accompanied by an audio section which follows. It is an interview with the HMC President and CEO, Mr. Bernd Aufderheide. Good morning Bernd!

Bernd Aufderheide: Good morning.

PW: Tell us a bit about the current situation at HMC. Originally you were anticipating this to be the best year in company history, right?

BA: You are absolutely right, and it was more than just hope. Everything had been planned minutely, and in early January I was talking to the press saying that this was going to be the best year HMC had ever seen. As we all know, it didn't quite turn out the way we had expected, and when I step in front of the cameras again next January I will probably announce the biggest loss in company history. Some things aren't really great right now and not exactly uplifting. Quite challenging, actually.

PW: You will remember that we experienced the toughest day together. It was in early March when trouble really started to accumulate. You had to cancel INTERNORGA and on the same day it was announced that the IAA automobile exhibition, which HMC had applied for, was ultimately won by Munich. That was when things started taking a bad turn, wasn't it?

BA: You are right, figuratively speaking we fell from the heavens. INTERNORGA, one of our biggest, most important trade fairs, had chosen a really great theme for this year, all the content was going to be great. Then IAA ... Your company was involved in developing the concept for a true mobility trade fair, and it came as a real blow when we were told we weren't chosen. We still believe – and the jury confirmed it – that Hamburg's concept for New Mobility was in fact the best one in the competition. So on that particular day we really got hammered twice below the belt line. It wasn't a fun day at all.

PW: What is the situation looking like right now? I know the company has been working on hygiene measures for future events, but everybody also had to start working reduced hours, and you announced a shut-down period earlier. Can you give us some details?

BA: Of course we depend on what the public health authorities tell us. This means that they decide whether we can have any events at all, or what the maximum size of an event can be. Especially during the months of March and April there was a lot of uncertainty; each of the German states issued rules of its own. We at HMC and my colleagues at other trade fair venues around the country would have much preferred a common, nationwide policy. The same goes for our customers – after all, we do not hold trade fairs for our own sake but for the benefit of the industry. It would be great to have consistent standards everywhere.

During the initial phases of the crisis we had to improvise a lot, but when the authorities told us that all offices had to shut down, we let each one of our office employees take their company PCs and sent them off to work from home, after making appropriate telephone call forwarding arrangements. Many of our staff had no idea what was coming, but now the dust has settled and there is a certain routine.

Around Easter we announced a furlough and temporarily shut down operations entirely. Since the beginning of May we have been working reduced hours, which we will continue to do until the end of August. This is in line with government instructions to avoid holding major events. But we do hope to be able to slowly phase in events from September. As far as public hygiene regulations are concerned, it is not difficult for us to comply and implement appropriate measures. We have plenty of space, we can have wider aisles, we can space exhibition stands further apart. In fact, we have had situations in the past where we implemented similar precautions. For example, during the SARS epidemic some years ago we installed disinfection equipment and made special cleaning arrangements. Neither we ourselves nor our partners have any problems implementing these kinds of measures. It can be done. What matters more: when will hotels and restaurants



be allowed to reopen? When people come to visit a trade fair or congress they need places to sleep and eat. Plus, the entire transport sector needs to be up and running, airlines need to be operating. So there are a number of prerequisites that need to be fulfilled. But I believe there is enough time between now and September to gradually start operations again, and at the moment the situation seems to be relaxing somewhat.

PW: Let's say you are the captain of a big supertanker but you also have a pretty good view on the world outside your vessel, as it were. There is a whole ecosystem of service providers, such as caterers, stand builders, et cetera. I'm sure they have been hit pretty hard by the crisis. Do you expect that ecosystem to undergo any major changes?

BA: Well, of course we continue to hope that everybody will somehow survive this situation without suffering too much damage. But you're right, for many of our service partners, including stand construction and food service firms, but also hotels, this really is a mega catastrophe. On the other hand, governments have taken a host of measures to help, at the city and state level as well as at the federal level. I hope all that will be sufficient.

But if you look around right here in our part of the city, there are so many small businesses, such as boutiques and restaurants, and they all are usually frequented by our visitors, and it would be terrible if that entire cityscape were to change forever because of the difficult financial situation. I really hope that everybody will make it through this crisis.

PW: Looking at the numbers, I think HMC might all in all face losses in the order of €400 million. That is a lot, isn't it?

BA: Indeed, that is a sum of money one can hardly imagine. However, that figure covers more than the losses of HMC. It also includes the entire connected business ecosystem. Having said that, the total losses might well end up significantly higher than that, depending on how much longer this crisis will last.

PW: Another major event we would have enjoyed this August under normal circumstances would have been the first congress held at the new CCH. Unfortunately that will not take place either. Can you give us an update on the status?

BA: As you said, operations would have begun at the end of August with the first global congress held at the CCH, but the organizer cancelled because of the unpredictable development of the coronavirus pandemic. The situation continues to look difficult because nobody is able to predict today how many people the authorities may allow to gather at any specific point in time. It is a gigantic venue, and I myself, along with all the staff, am very much looking forward to its opening, because it is one of the most fascinating congress centers not only in Germany but in all of Europe. We probably have to accept that we will have to wait until the end of the year before we can host any events there. The practicability of holding large gatherings, and of course the health of participants, are the top priorities. So all we can do is be ready but hold our horses for the moment, frustrating as it may be.

PW: I know you and your staff are spending a lot of time thinking about ways to use these huge empty halls. I personally participated in several conversations, and I was amazed at how many different sources of ideas your team are tapping throughout the Hamburg business community to come up with new initiatives, some outlandish, but most of them down to earth. Can you tell us a bit more about some of these ideas?

BA: It has been quite an experience. Together with my colleague, our COO Uwe Fischer, I produced a video message for our staff. Speaking from one of our empty halls – which should have been buzzing with people – we appealed to everyone to come up with ideas for activities we could launch. I'm not lying when I tell you that within two hours after sending that video out to our people we had the first 20 suggestions on the table. Now we have around 50 or 60 ideas, some of which overlap to some extent, but there is a lot. To give an example, by the end of the month we will launch a drive-in movie theatre which we will also use for drive-in concerts; for the local music scene we are planning to stage a club-like atmosphere, maybe in the large open-air parking lot behind the halls. We can hold weekly markets indoors that are not allowed to take place at their normal locations right now because of social distancing rules. We are thinking about setting up playground areas for the children from our neighborhood, and there is much more we can do. There are also very practical things, such as providing extra space for schools and universities which are struggling to implement the social distancing rules. We are basically ready to launch that. It is actually a lot of fun to see all that life in our buildings and all that creativity come to fruition. People are thinking far outside the conventional trade fair or conference box. We can also draw on an incredibly creative neighborhood, with people coming up with all kinds of ideas and suggestions. There is an entirely new group of partners for us we had never expected. That is a light at the end of the tunnel.

PW: As I was preparing for this interview I got the impression that you and your team have managed to take this entire huge trade fair apparatus, which has been accustomed to working in a certain way for many years, into the digital era, at least to some extent. What can you tell us about that?

BA: As the entire situation unfolded we had no other choice than to go along with it. Digitalization begins with working from home, and it continues with our customers, whether in the exhibition or conference segment, saying: if we can't have large gatherings of people in closed spaces, we have to let them participate in other ways. That brings us to what is referred to as hybrid events. It has been a very rapid, very intense learning experience for us, and we realized how many fascinating technologies are available today. We are embracing them, and I believe this will to some extent be definitive for our future as well. Of course, and this is something I am firmly convinced of, people do want to gather in person, they want to talk face-to-face, they want to see and touch products and hear about new ideas. But using digital technologies enables us to reach out to new target audiences. That not only gives us hope but is actually plenty of fun as well. It allows us to take what I call the world's second oldest trade – people have been holding swap meets and markets and fairs for thousands of years – to another dimension. And that despite the fact that a few years ago people were pronouncing us dead, saying that digitalization was going to render us redundant and that the Internet was going to take over. But our growth rates over the past ten to 15 years, pre-coronavirus, were fantastic. So the year 2020 is a no-year, and going into 2021 and perhaps even a little beyond we may see weaker results, but in the long run we will be very present again, I am sure of that.

PW: Quite recently I saw some videos and read a few articles about trade fairs, even rather big ones, restarting in places like South Korea. Including facemasks and social distancing of course. But all in all these events pretty much look like they used to. Do you get the same impression? Do you have any reference points where you say: once THEY start again, that will be our "Go!"? CES early next year perhaps?

BA: I think it is important to take a very close look at the individual regions. Asia was the first region to be severely hit by the pandemic. Some colleagues in China say they may start again around the middle of the year, but it will all depend on the concrete circumstances. There will definitely be social distancing rules and restrictions regarding visitor numbers everywhere. Of course I hope, on behalf of my colleagues in Asia, that everybody will be able to start again soon, but when I look at the United States, specifically the Consumer Electronics Show, I'm not sure where they are right now in handling the pandemic and I'm not overly optimistic in that respect. Nevertheless we all hope for each other's sake that everything will be back to normal as soon as possible.

PW: Do you agree that once the pandemic is over people will probably be more appreciative of the value of being together, of meeting up in person in the context of the trade fair? Not just because it's always been customary to do so but also because they crave it after not having been able to hold personal gatherings for a while? And will people appreciate the fact that business deals can be closed much more quickly in a face-to-face constellation?

BA: I do agree. Just to give you an example from our own team who had to work from home for weeks: as the offices begin to fill again, I often hear our team members say how nice it is to be able to go to work and see their colleagues again. I think the same can be said for all our industries. Maybe some sectors will take a bit longer than others to get back to normal – and I do think we will see differences between industries, with consumer goods being much more tangible and easy to communicate than capital goods, which often need a lot of explaining. But in general, when you want to start a new business initiative or have identified a prospective customer, you don't just want to talk to them on the phone or by videoconference. You want to meet them in person. You want to get an impression what kind of personalities and corporate culture you are dealing with; trust-building takes that personal contact, that is not going to change.

PW: Is there anything that has especially impressed you over the past few weeks and months? Have there been any surprises, whether positive or negative?

BA: There are two things that come to mind. The first: I was very happy to see people showing a lot of discipline in accepting the lockdown rules, notwithstanding a few unruly individuals. The vast majority of the population, and not only in Germany, really understood that it was crucial at that moment to pull ourselves together to beat the pandemic. That was something that really impressed me. At the same time, looking at politics it has been striking to see some of those types who like to talk big get a bit of a damper. Some had to learn that having a loud voice is not enough – there comes a point where you have to show some results. So the crisis



has left a certain impression with a few gentlemen residing in various government offices around the world; at least, that is my personal hope. Another experience, not necessarily a negative one, that I have had is that in a crisis you can really tell who you can rely on. When everything is all right and everybody has their umbrella with them while the sun shines, there's nothing to worry about. But once a crisis like this one hits, you very quickly see the wheat separating from the chaff and you realize whom you can trust and where you had better be a bit more careful.

PW: I can attest to that! Since we are business partners, I found it extremely helpful, and an experience of true partnership, how we were able to address our business topics together without running into any difficulties. We are a customer of yours, and this year for the first time we would have occupied nearly all of your halls for our OMR event. The way you handled the situation helped us very much and encouraged us to continue booking your halls in the coming years. – Of course I am thinking a lot about my own business right now and how it will cope. We are probably not going to be able to achieve the visitor numbers we had hoped for this year even in 2021, provided it will be possible to hold OMR. Do you think the record year expected for 2020 will simply come a year later, or do you anticipate another less-than-favorable year?

BA: Personally I believe that we will continue to feel the aftermath of the coronavirus pandemic quite clearly in 2021. Our hope is that we will head back towards a normal business outcome in 2022. But, talking about "record years": of course it is nice to be able to say "we achieved record sales or a record turnout." But then, content is just as important, especially for somebody in your line of business. When visitors return home after an event knowing they found exactly what they had been looking for while having had a great time being together with others, then that is very important. Facts and figures tell only one part of the story, and they look nice in your records or your company history. But at the end of the day, for us as for you, the mission is to see people returning home happily after the event, and determined to come back the next year. Because that means that we have done something right.

PW: One final question: once the pandemic is over, what are you looking forward to the most? A visit to your favorite restaurant, a holiday, or something totally different?

BA: Nothing against a nice holiday, I wouldn't mind France opening up again soon. My entire family and I myself are total Normandy enthusiasts and have been travelling there for many years. But I think what is even more important to me is being free to go anywhere I want and able to meet up with people and work with people, which I really love to do, whether in a business context or privately. Not having to keep the 1.5 meter distance from everybody or having to "knock elbows" as a salutation, but being able to give somebody a real bear hug, that is what I'm really looking forward to.

PW: I feel the same way, and I hope it will come true soon! I hope your annual report will be received well. Thank you for the interview, and I look forward to our next joint activities and our next podcast! Thank you!

BA: My pleasure, Philipp!