Economy Committee

10.00am, Tuesday, 22 November 2016

Edinburgh International Conference Centre Annual Update

<table>
<thead>
<tr>
<th>Item number</th>
<th>7.2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Report number</td>
<td></td>
</tr>
<tr>
<td>Executive/routine</td>
<td></td>
</tr>
<tr>
<td>Wards</td>
<td>All</td>
</tr>
</tbody>
</table>

Executive Summary

Each year Council arms length companies are asked to provide an annual update to the Committee with responsibility for oversight. The responsibility for Edinburgh International Conference Centre (EICC) lies with Economy Committee.

Economy Committee are asked to note the annual update which is appended to this report and that Marshall Dallas, Chief Executive of EICC will give a presentation at the Committee meeting on 22 November 2016.

Links

<table>
<thead>
<tr>
<th>Coalition Pledges</th>
<th>P28</th>
</tr>
</thead>
<tbody>
<tr>
<td>Council Priorities</td>
<td>CP8</td>
</tr>
<tr>
<td>Single Outcome Agreement</td>
<td>SO1</td>
</tr>
</tbody>
</table>
Edinburgh International Conference Centre Annual Update

1. Recommendations

1.1 The Economy Committee is asked to note the annual update provided in appendix 1.

2. Background

2.1 On 13 December 2012 the Council approved arrangements for the governance of arms length companies. The responsibility for overseeing the performance of EICC lies with Economy Committee.

2.2 The last annual update on EICC was presented to Economy Committee on 17 November 2015.

3. Main report

3.1 The principal remit of EICC, as detailed in the Shareholders’ Agreement with the City of Edinburgh Council, is to:

- Procure the successful and continued operation of the Centre as a venue for conferences, exhibitions, trade shows, annual general meetings, cultural and sporting events, award ceremonies and other such events in a global market place with international and national customers so as to maximise the economic benefit to the City of Edinburgh;

- Insure, maintain and upgrade the Centre from time to time as necessary to carry on its business; and

- Operate on a prudent commercial basis in accordance with the Business Plan.

3.2 Appendix 1 of this report summarises the activities of EICC over the past 12 months and provides an update on the success of the organisation in securing new and recurring conference and event business.

3.3 Marshall Dallas, EICC Chief Executive, will also present an update at this Committee.
4. Measures of success

4.1 For the year to 31 December 2016, EICC’s principal objective was to achieve an operating profit of £12,000. EICC are currently forecasting an operating profit of £519,000.

4.2 To generate an economic impact of £48.9m for the city of Edinburgh derived from delegates attending EICC events. For the year to 31 December 2016, EICC are forecasting to achieve £51.5m economic impact.

5. Financial impact

5.1 There are no financial impacts for the Council arising from the annual update on EICC’s performance.

5.2 Economy Committee are asked to note the measures of success which EICC are measured against, and the forecast year-end (December 2016) position.

6. Risk, policy, compliance and governance impact

6.1 This report, and the accompanying presentation, is submitted to Economy Committee for noting, in line with the Council’s governance arrangements.

6.2 EICC submits an annual assurance statement, in line with the Council’s requirements for assurance from arms length companies.

7. Equalities impact

7.1 There are no equalities impacts arising from this annual update on EICC.

8. Sustainability impact

8.1 There are no sustainability impacts arising from this annual update on EICC.

9. Consultation and engagement

9.1 Council officers continue to work with colleagues at EICC and three elected members sit on the EICC board.

10. Background reading/external references

10.1 Further information about EICC is contained on the company website.
### Links

<table>
<thead>
<tr>
<th>Coalition Pledges</th>
<th>P28 - Further strengthen our links with the business community by developing and implementing strategies to promote and protect the economic well being of the city</th>
</tr>
</thead>
<tbody>
<tr>
<td>Council Priorities</td>
<td>CP8 - A vibrant, sustainable local economy</td>
</tr>
<tr>
<td>Single Outcome Agreement</td>
<td>SO1 - Edinburgh’s economy delivers increased investment, jobs and opportunities for all</td>
</tr>
<tr>
<td>Appendices</td>
<td>1 – EICC Report to Economy Committee</td>
</tr>
</tbody>
</table>
EICC Remit and Achievement in 2016

The principal remit of the EICC, as detailed in the Shareholders’ Agreement it has with the City of Edinburgh Council, is to:-

- procure the successful and continued operation of the Centre as a venue for conferences, exhibitions, trade shows, annual general meetings, cultural and sporting events, award ceremonies and other such events in a global market place with international and national customers so as to maximise the economic benefit to the City of Edinburgh;

- insure, maintain and upgrade the Centre from time to time as necessary to carry on its business; and

- operate on a prudent commercial basis in accordance with the Business Plan.

In keeping with this remit the EICC’s principal objectives for the year to 31 December 2016 were:

- to produce an operating profit of £12,000

- to generate an economic impact of £48.9m for the city of Edinburgh, derived from delegates attending events at the EICC.

Although the year end is still some way away the Executive are forecasting that 2016 will be a very successful year for the EICC and will complete the turnaround in the Company’s fortunes from its low point in 2014 when it produced an operating deficit of £916k. The Executive anticipates that in 2016 the EICC will:

- produce an operating profit of £519,000

- generate an economic impact of £51.5m

The Executive believe that these figures should be viewed in the following context:

- the level of operating profit that has been achieved in 2016 and the increased levels of business on the Company’s books for future years provides a solid platform from which to grow the business over the coming years

- it is recognised that the generation of this level of economic impact by the EICC supports a significant number of jobs, across a wide range of employment functions, within Edinburgh on an ongoing basis. Based on data prepared by DTZ Pieda, a
number of years ago, the generation of an economic impact estimated at £51.5 million for 2016 will support more than of 1,000 jobs within the city.

EICC Operational Review

During the year to 31 December 2016 continued focus has been placed on achieving the necessary levels of both high yielding long lead business and the higher volume short lead events designed to increase occupancy and ensure that sales targets are met.

The EICC’s primary business focus has continued to be on international association events as this event type tends to offer the optimum revenue and economic impact generation. The national association market has, however, developed over the years and the EICC is now happy to substitute international association events for the larger national association events. Indeed these can now, in many instances, generate returns similar to those provided by the smaller or less prestigious international events and they are far more likely to generate repeat business events.

The EICC will hold 51 international and national association events in the course of the year. This represents an increase of 15.9% on the 44 association events that were held in 2015. It is anticipated that association business will account for £4.160m of EICC’s gross profit in 2016 and £40.973m of the economic impact generated by the Centre. This equates to 63.8% and 79.4% respectively of the Company’s 2016 forecasts for these performance indicators.

Attracting corporate events to the Centre has been a key driver during 2016 as the Executive sought to increase the EICC’s penetration of this market sector following a reduction in the EICC’s corporate business levels in the aftermath of the global recession a number of years ago.

Event enquiries from this sector increased markedly during the year and it is anticipated that corporate events will generate £890k and account for 13.7% of the EICC’s gross profit in 2016. Given the level of enquiries received during the year the Executive believe that gross profits generated from corporate events would undoubtedly have been higher if diary space had not been limited.

Another key area of development during 2016 has been the attraction of short lead “filler” events. Much of this business is channelled through booking agents and relationships with relevant agencies have been fostered in an effort to significantly increase the throughput of these events at the Conference Centre.

An example of short lead “filler” events would be Day Delegate Rate business. This type of business was previously shunned by EICC as being too small, not cost effective and too disruptive.

In reality this type of business can: help increase occupancy levels; improve operational efficiency when contracted appropriately and; contribute significantly to revenue generation as a result of upselling and add-ons. The Company has benefitted
considerably from Day Delegate Rate business during the year and it is anticipated these events will contribute more than £500k to the Company’s gross profit in 2016.

As a result of some of these initiatives that have been put in place, during 2015 and 2016, some of the corporate business which was “lost” during the recession has recently been won back and the sales team will be looking to secure more of this lost business in future years.

Increased focus has also been placed on diversifying the type of business that the EICC attracts and whilst international and national association events will remain EICC’s core business other types of events are now sought with a view to tapping into new markets and revenue streams.

In the course of 2016 the Conference Centre will have hosted, amongst other types of events, the following: a performance of the Nutcracker Suite; a comic exhibition and fair; a computer gaming festival; examinations for an internationally recognised professional body; Team Scotland Scottish sports awards; pre television auditions for Britain’s Got Talent; a Christmas food fair; and a plethora of artistic events during the Edinburgh International Festival and the Edinburgh Festival Fringe.

The activities, noted above, have all helped to increase the EICC’s turnover and gross profit for the year, when compared with 2015, and they have been achieved very successfully through, amongst other things: event based research; the introduction of Day Delegate Rate business; promotional offers; active cooperation with event booking agencies; amendments to the Company’s pricing structure; offering competitive cost proposals and; winning back the business of a number of major corporate clients.

As a measure of its performance, in the twenty one year period of its operation to 31 December 2016, it is forecast that the EICC will have;

- hosted 2,930 events
- welcomed 1,272,965 delegates
- generated 3,147,899 delegate days
- delivered £542.9 million of economic benefit for the City of Edinburgh

Significantly the success of the EICC has not just benefited the Conference Centre itself but it has also extended outwards to the City of Edinburgh and beyond where these successes have generated additional economic impact, enhanced Edinburgh’s reputation as an international conference destination and increased the profile of the City of Edinburgh.

During 2016 the Executive has sought to: build on the EICC’s achievements; oversee the development of the business; and ensure that the Company’s goals and objectives were met. In order to achieve this the Executive has successfully focussed on the following activities in the course of the year:
• increasing the revenues generated by the Conference Centre
• attracting the optimum business mix of events to the EICC
• increasing the occupancy levels of the Conference Centre's facilities
• looking to increase the diversity of events held at the EICC
• increasing/maintaining the current high levels of repeat business
• seeking to develop new revenue streams
• attracting an increased number of delegates to the city
• generating an increased level of economic impact for Edinburgh
• controlling and making the best use of the expenditure budgets
• seeking to introduce cost efficiencies and reductions, where this is appropriate
• introducing innovative processes and practices as a means of reducing expenditure
• maintaining quality standards to the level required of an international conference centre
• delivering high standards of customer care
• operating in accordance with the six quality standards subscribed to by the Company.

It is anticipated that the Company’s revenue and gross profit will increase by 12% and 22% respectively in 2016 compared with the previous year which the Executive believes is a result of the Company’s approach to selling which has remained focussed on market segmentation, targeted research, effective marketing and the adoption of the appropriate sales techniques in order to attract the required types of business to the EICC.

The Executive has maintained, or increased, the EICC’s position within the marketplace by continuing to secure the relevant type and mix of business for the Conference Centre. This has been achieved by:

• continuing to segment the market in order to optimise sales opportunities

• undertaking detailed research activities, within the Company’s principal markets, aimed at identifying suitable business leads

• undertaking effective and targeted marketing and promotional activities in order to re-enforce awareness of the EICC
• increasing the number of sales visits and face to face meetings with potential customers

• developing relationships with luminaries or key influencers who will champion the EICC as a venue of choice within their fields of expertise, such as medicine and bio-science

• working with third parties to increase client awareness of Edinburgh and the EICC

• attending relevant trade shows and undertaking targeted sales missions in order to showcase the EICC and generate business interest in the venue

• seeking alternative business opportunities from different market segments as a means of diversifying the EICC’s business base

• developing relationships with agents and other third parties who can provide significant business opportunities to the EICC

• taking a more transparent and flexible approach to pricing

• maximising business potential by offering seasonal incentives in order to attract a range of clients to the EICC throughout the year.

Increased levels of competition have continued to be a considerable challenge to the EICC during 2016 as it is acknowledged that the conference and exhibition industry has become even more competitive in recent years with new venues and refurbished venues offering increased choice and improved facilities.

In a global context a number of new venues have opened recently and others are due to open in the course of the next few years. In addition to this a considerable number of venues have implemented significant upgrade works or refurbishment programmes which have increased their appeal, a number of these being within the UK.

Of equal concern has been the increased threat from venues offering significant levels of subvention in order to secure business. A growing number of major venues are now offering clients a significant reduction in venue price or in some cases they do not charge for the venue at all. Subvention is offered by many venues across the globe but even within the UK purpose built venues such as Belfast, Birmingham, Glasgow, Manchester and Liverpool all offer sizeable amounts of subvention funding in order to secure prime high yielding events.

In addition to the above destination pricing has become increasingly important to event organisers as they seek to hold their events in cities that will be affordable for their delegates. Destination pricing which includes travel, accommodation, subsistence and entertaining costs can vary markedly from city to city. Edinburgh is generally recognised as the most expensive city in the UK, outside London, in this regard and this has often put the EICC at a disadvantage in the event booking process.
The EICC has therefore sought, in recent years, to win business on the basis of a high quality venue which is located in a very attractive and appealing destination. It has, to date, managed to achieve this very successfully, however, it is becoming increasingly more challenging to secure business in the face of significant levels of inducements and price cutting from competing venues.

To counter these threats and build a solid base for the future the EICC has sought to:

- maintain or increase its market share particularly in respect of the association market
- increase its focus on securing higher yield events, which may not be so price conscious
- where appropriate, and if possible, seek to bid aggressively on price
- identify/develop new market opportunities e.g. in the fields of disabilities, sustainable energy, and business to customer types of events
- identify/develop new geographic markets from which to secure business e.g. from a number of European countries and from the United States of America
- develop new revenue streams/products in order to broaden the Conference Centre's client base
- enhance its facilities/services by providing up to date technical solutions and introducing innovative practices and techniques to clients’ events
- ensure that it continues to provide excellent value for money through exceeding client’s expectations at an affordable cost.

In the twenty one years since it opened the EICC has become one of the leading conference venues within the UK and Europe and the Executive are committed to ensuring that this position is maintained.

A large part of this success can be attributed to the Executive’s focus on; meeting client requirements; being aware of what is happening within the industry; adapting to change; a continuous improvement philosophy; and encouraging creativity within the EICC team. In an industry that is subject to continuous change venues have to be aware of developments in the marketplace and seek to maximise any competitive advantage that they may have.

The Executive will continue to change, as necessary, the way in which the EICC team; sell the existing product; operate the existing product; utilise the existing product; refine the existing product; and adapt or expand the existing product in order to maximise the EICC’s potential in the global marketplace.
Through the processes of innovation, continuous improvement, strategic planning, and adapting to meet changing market developments and requirements the Executive has continued, as it has done for the last 2 years, to aim to ensure that the EICC is able to “keep one step ahead” of the market and the competition. This has been achieved by:-

- the continued adoption of a continuous improvement philosophy
- refining and developing the EICC product on an ongoing basis
- a continued focus on pre-empting client/market requirements
- adapting to change and embracing new developments
- investigating new activities, markets and business opportunities
- recognising current trends and changes in the market and adapting to them quickly, if and when appropriate
- encouraging the team to continue to push the boundaries of innovation and creativity
- re-enforcing the teams desire to exceed customer expectations and their determination to succeed
- continuously researching new methodologies and technologies to see if there is a better way of doing things

From the outset the Executive has been committed to delivering a high quality service within a technically advanced facility, to a targeted market. In so doing the Executive has sought to position the Conference Centre at the top end of the conference market.

The EICC is now widely recognised as being a first class venue and this is reflected in the attraction of high profile events and the prestigious client base that the EICC has secured over the years.

The EICC is also accredited to a number of internationally recognised quality standards which enable it to deliver high standards of quality and service to clients on a consistent basis. The standards to which the EICC is accredited are; ISO 9001:2015 (national quality standard); Hospitality Assured (industry quality standard); ISO 14001:2015 (national environmental standard); Green Business Tourism (industry environmental standard); Investors in People (national management standard) and: Excellence Through People (industry management standard).

The Executive believe that the quality focus of the EICC has been instrumental in setting the venue apart from many of its competitors. The EICC team have been able to deliver a high end product which provides a high level of value for money for clients by:
• maintaining the fabric of the venue to very high standards

• providing the highest levels of customer service

• guiding clients through the planning, development and execution stages of their event, through the provision of dedicated and highly committed team members

• exercising high levels of ongoing customer relationship management.

As noted above a key raison d’etre of the Conference Centre is to attract additional business visitors to Edinburgh thus generating additional economic impact in the local economy. It is estimated that the direct economic impact generated as a result of the business contracted to the EICC, in the 21 years since it opened, will amount to £543m by the end of 2016.

This has been generated by an increasing number of delegates attracted to the EICC over the years which has helped to:

• increase demand for bed space in the City

• increase the average spend of visitors to Edinburgh

• help to reduce the “shoulder month” periods that previously existed during the low tourist season

• Indeed, the EICC, along with a number of other business tourism venues, has increasingly helped to turn Edinburgh into an all year round business/leisure tourist destination.