

**W**hy rent when you can buy? Countless real-estate agents pose this question to their clients every day, and most of the time, buying truly is the better financial option. After all, 10 years of renting an apartment buys you little more than a barren bank account. But after 10 years of owning a home, you've likely racked up thousands of dollars in equity.

Not surprisingly then, many exhibit managers buy in to this "buy, don't rent" mentality when it comes to exhibits. Further influenced by a perception of exhibit-rental properties as unsightly, ill-maintained eyesores, exhibit managers typically turn to rental only as a last-minute

fix for show-calendar conflicts or unusually large or small shows.

This mindset, however, may be as outdated as buying music on CDs. Today, marketing and product focus changes with the wind, shows vary dramatically in size and importance, mergers and acquisitions are as frequent as presidential blunders, and the number of international shows, for which shipping an owned property is budgetary suicide, continues to rise.

Granted, renting has its drawbacks, and exhibit rental certainly isn't appropriate for every exhibitor and every circumstance. But given today's global economy and the warp speed of technological and product advances, it's

time to examine the flexibility and financial benefits rental exhibits offer — and at the very least, to ask yourself: Why buy when you can rent?

#### **Been There, Rented That**

To better understand how far rental exhibits have come and what's available to you today, it's helpful to examine where they've been.

According to Jim Andersen, CEO of Steelhead Productions Inc., a Poulsbo, WA, exhibit house with a custom-rental showroom in Las Vegas, some of the first exhibit-rental components were introduced by GES Exposition Services in the early 1960s. The Product On Display rental exhibit, nicknamed The POD,

# RENTAL

During the last 15 years, a quiet revolution has transformed the exhibit-rental industry. Yesterday's take-it-or-leave-it rental systems have been replaced by stunning custom-rental hybrids and 100-percent custom exhibits. Learn how these recent changes, along with rental's financial and marketing benefits, have convinced some companies to rent rather than buy — and find out whether you should make the switch yourself.

*By Linda Armstrong*



was a 3-by-6-foot display unit with a backlit graphic header, internal light, demo counter, locking storage, and back wall that could be fitted with graphics. Hooked together to create linear configurations, PODs were designed for long-term use with little or no modifications.

By the 1970s, lightweight pole-and-panel systems, which offered more options in terms of color, configurations, lighting, and graphics, all but replaced the POD. Yet by the late '80s, the rental industry stagnated, with little more than ho-hum pole-and-panel systems available, which were a far cry from the custom look image-conscious exhibitors required.

After the "take it or leave it" era of the late '80s and early '90s, the last 10 to 15 years have seen a dramatic increase in the number and quality of rental exhibits as well as the options available to exhibitors.

"Within the last 10 years, rentals have really taken off," says Jane Kerr, director of LaborSource for CEP Exhibit Productions Inc. in Bolingbrook, IL. "In fact, in the last five years, the exhibit-industry trend toward lighter, less-expensive exhibits has driven the rental upswing. Even big, well-established corporations have realized that exhibit rental is a good fit for them both in terms of the flexibility it offers their marketing

programs and the financial benefits it offers their bottom lines."

Mark Smith, product manager of the services division at Eagan, MN,-based Skyline, has seen a change in tides. "Rental has done a 180 in the last few years. Now, 60 percent of the island exhibits we are building are rental; 15 years ago we didn't do half that much." Mike Thimmesch, Skyline's director of marketing communications and lead generation, adds, "In fact, of all of the island booths we sent to the 2006 International Consumer Electronics Show, 95 percent of them were rental properties."

Whereas custom-rental options were essentially non-existent even

# REPORT



into the '90s, most exhibit houses now offer some type of custom/rental hybrid, i.e. a baseline rental exhibit to which multiple options, components, colors, and graphics can be added to customize the exhibit's look and feel.

Furthermore, rental-exhibit quality has improved over time, due in part to an increased availability of lightweight, easily reconfigured components and graphics. "Exhibit-rental quality has improved to the point where people no longer feel like they're renting somebody's old tuxedo," Smith says.

This drive toward rental, however, isn't just propelled by the marketing benefits it affords exhibit managers. According to Andersen, the shift is coming from the top down. "Over the last five years, corporate America has started to 'get it' when it comes to rental," he says. "Large corporations are starting to realize they don't have to own expensive exhibits that show up on their balance sheets and quickly depreciate over roughly three years. C-level executives are starting to figure out that rentals can reduce the cost of their trade show spending and positively impact their bottom line. Exhibit rental, as a means of obtaining a stunning exhibit without

the costs of ownership, is the next big paradigm shift in the industry."

#### The Fine Print

This rental revolution is spurred on by the myriad rental options currently available. While contractual agreements vary by company, rental options shake out into the following three categories.

► *One-Time Use Agreements.* One-time use agreements lean more toward "take it or leave it" exhibits than the more customized options that follow. These exhibits typically exist in inventory and are rented for a base price, plus any optional customizations, such as graphics, reception desks, specialized lighting, etc.

Such properties provide two key benefits. First, unlike a purchased exhibit that is built after you drop your cash sight unseen, an existing rental can be set up and evaluated on the spot — allowing you to base your important rental decisions on the actual exhibits rather than renderings.

Second, the exhibit house has a service record of the exhibit's transportation, drayage, electrical service, and I&D costs, which provides an accurate baseline for anticipated expenses — almost eliminating budget-busting surprises.

**"Exhibit-rental quality has improved to the point where people no longer feel like they're renting somebody's old tuxedo."**

Payment terms normally require a nonrefundable deposit of a portion of the rental fee to reserve the booth for your exclusive use at the specified time, with the balance due at deployment. Sometimes, exhibit houses require that these rentals be deployed under their supervision and with their labor and transportation companies.

► *Multiple-Use Agreements.* As the term indicates, these agreements mean the exhibitor has agreed to rent the property multiple times. Typically, the more you rent a specific booth, the less it will cost per use and the more customized it will be.

Many companies refer to this option as a rental hybrid, meaning the core of the exhibit is rental, but many components are customized for individual needs — usually much more so than in a typical one-time

## BENEFITS

**The global economy turns on a dime. And given today's constant technological changes, product shifts, and competitive threats, businesses are scrambling to keep pace. Rental exhibits offer both the marketing flexibility and long-term financial benefits 21st-century businesses demand.**



#### Marketing Rewards

Whether you're reacting to mergers or acquisitions, product or brand shifts, or even fluctuations in aesthetics or audience trends, rental exhibits allow you to change your exhibit's look, feel, and message without breaking the bank.



#### Financial Rewards

Rather than spending a huge lump sum to purchase an exhibit, smaller amounts are doled out over time, allowing the company to retain and invest its cash, and to keep a depreciating asset off the balance sheet.

use agreement. However, canceling such an agreement results in stiff penalties, and exclusive use of the property usually isn't guaranteed.

Compared to one-time use agreements, multiple-use agreements offer additional cost savings because the custom components, such as the main corporate ID and other graphic images necessary to create a semi-custom look, need to only be built once. These agreements are structured over a specific period of time: One year, 18 months, and two years are the most common.

► **Build-To-Suit Agreements.** Each build-to-suit agreement produces a highly individualized, custom exhibit and requires a multiple-use agreement, usually for one to three years. These exhibits are typically designed and built for the exclusive use of the renter, which means exhibit houses can't recoup their costs from other renters and strong penalties apply if you breach the contract.

Often, high-end enhancements, such as custom corporate IDs and built-in product displays, are designed into standard structures. However, some companies will build you a 100-percent custom exhibit from

scratch and offer you exclusive use of it. After your multiple-use contract expires, you can purchase the exhibit, or it's simply rolled into the exhibit house's rental inventory, minus your unique corporate identifiers.

Build-to-suit agreements — especially the 100-percent custom variety — aren't commonplace yet. According to Andersen, however, these agreements will become far more popular as people discover the financial benefits of renting exhibits.

As unique as the exhibits themselves, build-to-suit agreements are usually front loaded so the design and construction costs are recouped early in the contract. Sometimes these upfront costs are carried by the exhibit house and recovered over the term of the agreement. Other times, the agreement includes third-party financing. Some exhibit houses offer build-to-suit agreements with a deposit, similar to an exhibit purchase.

#### **Rental Rewards for Marketers**

The ability to choose among three rental-agreement options is certainly a new development in the industry, but the marketing benefits of rental have been around since Nixon. What's changed, however, is our

economy, which has become more global, technologically advanced, and competitive — making these oldie-but-goody marketing benefits particularly relevant today.

Here are just a few situations that are well suited to the flexibility of rental.

► **Company-Wide Transitions.** "When you're in a market plagued by mergers and acquisitions, for example, you don't want to be stuck with a purchased booth when you might be under a different parent company two months down the road — or when you might need a much larger booth to suddenly accommodate two new companies under your umbrella," Thimmesch says. Rental allows you to seamlessly combine and reallocate exhibit properties as needed.

Similarly, startup companies and those in a state of flux can benefit from the flexibility rental offers. When such companies purchase exhibits, they have to guesstimate what their needs will be several years down the road, and if their estimate is even slightly off, they have to live with the financial and marketing consequences for years. Rental exhibits, which afford changes in size, configuration, and

## **DRAWBACKS**

**While rental provides plenty of marketing and financial benefits for exhibitors, it still has its drawbacks, including everything from negative perceptions and quality and selection issues to long-term agreement penalties. Before you jump on the rental bandwagon, do the math to determine if rental is really right for you.**



#### **Quality and Selection**

You can't tell a good rental exhibit from a custom booth; but bad rental exhibits do exist. Verifying that your exhibit house offers both the type and quality of rental you need is paramount to a successful rental strategy.



#### **Penalties and Costs**

While many rental exhibits will save you money, some will cost you in the end. If you enter a multiple-use agreement, for example, canceling your contract before the end of its term can mean huge financial penalties.

## BUYING VS. RENTING: A COST COMPARISON



Marketing and financial benefits aside, how do rental exhibits stack up to purchased exhibits in terms of cost? The following chart prepared by Steelhead Productions Inc. compares the purchase vs. rental price of a 20-by-30-foot exhibit. The comparison assumes the exhibit will be used twice in 2007 and three times in 2008. To buy the booth, you pay \$100,000 up front. If you rent it, you pay \$20,000, meaning you've got \$80,000 in the bank earning interest until you need to rent more exhibits for future shows.

The cost to purchase the booth is \$100,000 (representing \$165/s.f.).

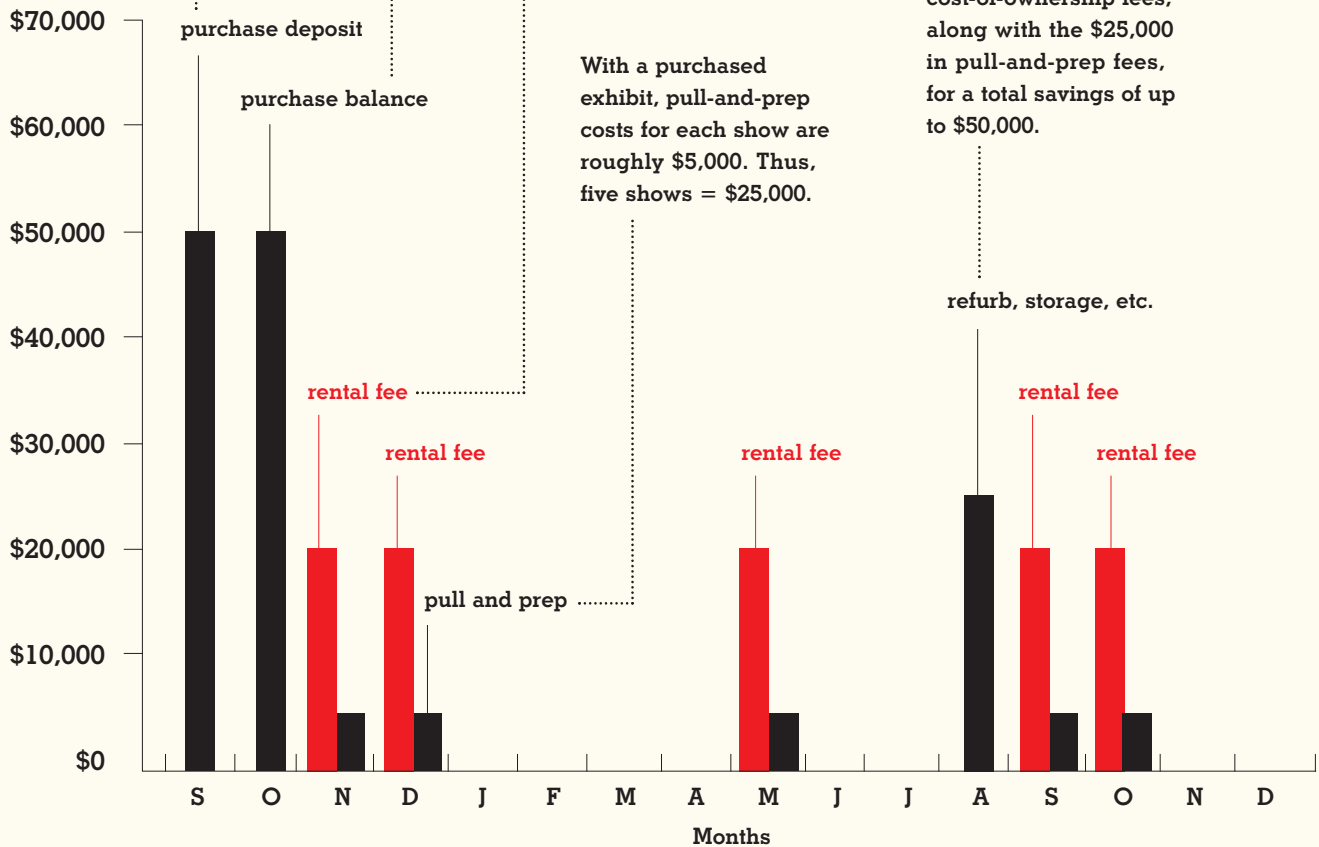
The cost to rent the same exhibit one time is about 20 percent of its purchase price, or about \$20,000. This fee will be less if the exhibit is rented for multiple shows or over a long-term agreement.

**Total Cost:**

**In our comparison, costs for a 20-by-30-foot exhibit break down as follows.**

- Dollars Required to Own Exhibit (\$150,000)
- Dollars Required to Rent Exhibit (\$100,000)

If you own this booth, you're paying about \$20,000 to \$25,000 in cost-of-ownership fees, such as refurbishment, maintenance, handling, storage, insurance, and eventually disposal. If you rent it, you eliminate the \$20,000 to \$25,000 cost-of-ownership fees, along with the \$25,000 in pull-and-prep fees, for a total savings of up to \$50,000.



focus as needs arise, allow you to ebb and flow with company tides.

► *Audience and Product Fluctuations.* Rental allows you to accommodate significant changes in exhibit focus, be it your audience, product, or theme, which can be difficult to deal with in large purchased exhibits.

Let's say you sell software, but at one show you need a large, sophisticated booth to sell your ABC software to lawyers, yet at another show you need a much smaller booth to sell your 123 software to pre-school teachers. Rental allows you to change the look and feel, along with your product and audience focus, for each show if necessary.

► *Aesthetic and Trend-Related updates.* Rental can also help you maintain a cutting-edge appearance and accommodate branding shifts.

"Companies are changing their branding so frequently these days that what we design today isn't often appropriate a year down the road," says Doug Schofield, design director at 3D Exhibits Inc. in Elk Grove Village, IL. "High-tech companies are on that treadmill," Thimmesch adds. "They have to introduce new products and continually change their looks to remain fresh." Plus, even if your three-year-old booth isn't outdated in terms of design trends and colors, it may be old news for attendees that frequent the same shows year after year.

Rentals provide the flexibility to shift gears or create a fresh new look without the exorbitant costs of purchasing a whole new exhibit.

► *Conflicting Shows and Schedules.* "A booth can't be in two places at once, so renting a second booth is an obvious choice for overlapping shows," Schofield says. "But rental is also a good choice for largely disparate show sizes. That is, maybe you normally exhibit at small regional shows with a

purchased exhibit, but you need a larger booth to make an impact at one critical national show each year. Renting a big booth for the one show is the logical choice."

► *Transportation Costs.* Given the risks, costs, and hassles of international shipping and customs, rental is an obvious choice for international exhibitors. Rental can also cut transportation costs for domestic exhibitors.

Some exhibit houses maintain rental properties in key trade show locations, such as Las Vegas and Chicago. If you rent from such an exhibit house for a show in Las Vegas, for example, you can pull your rental properties from its Las Vegas warehouse, thus eliminating all or most exhibit-transportation costs.

#### **Bottom-Line Benefits**

For seasoned exhibitors, the aforementioned marketing benefits may be old news. But according to Andersen, "Most people are just now discovering the financial benefits of rental. And the push toward rental is being driven by CEOs, executives, and controllers who are finally starting to understand how rental favorably impacts the balance sheet."

Rental, then, isn't just about marketing benefits. It's about cold hard cash for the company — and the "perception" of ample cold hard cash for shareholders. Here are a few ways rental can benefit the bottom line.

**"Exhibit rental, as a means of obtaining a stunning exhibit without the costs of ownership, is the next big paradigm shift in the industry."**

► *Cash on the Balance Sheet.* When you purchase an exhibit, you pay 50 to 60 percent of the total cost of the booth to simply initiate the build, and then pay the remaining cost upon delivery. That's a huge one-time capital expense, which ultimately turns cash into an asset on the balance sheet. Thus, owned exhibits show up on the company's balance sheet not as cash, but as depreciating company assets, along with other assets such as buildings, cars, etc. And not only must you maintain this asset for its typical lifespan of three to five years, but cash has disappeared from the balance sheet in a vanishing act that can reflect poorly on the company.

As a CEO, Andersen understands this balance-sheet impact. "Most exhibit managers couldn't give a rat's ass about balance sheets and fixed assets, because that's not their job. And this is exactly why the push toward rental is coming from executives and accountants, people who are held accountable for the overall state of the company," he says.

"A banker, lender, analyst, or shareholder would much rather see cash on a company's balance sheet than depreciating exhibit property," Andersen continues. "When you have less structured debt and less fixed assets, you're perceived as having more profit. Cash on the balance sheet means your company is dynamic, it's making money, it's doing the right thing for shareholders who all want a profit."

As an ancillary benefit, rental exhibits allow some companies to actually spend the same as, if not more than, a purchased exhibit over time. "It's hard for some exhibit managers to get a large budget for a one-time capital expense, as management is much less willing to allocate such a large expense in a single lump," Thimmesch says. "But management

may be far more willing to dole out a smaller amount multiple times each year for a rental — even if, at the end of the year, they end up spending exactly the same amount or more to rent a booth for a year than they would have spent to purchase the same booth. Again, it's all about cash on the balance sheet."

► *Exact Costs Per Show.* "Measurement, measurement, measurement" has become the new marketing mantra. To determine your ROI on a particular show, you need to know how much you spent on it. You can add up all of your expenses, but allocating the cost

cost of owning the same exhibit. Plus, with some types of rental agreements, you don't pay initial costs for line items such as design, construction, crating, floor plans, etc.

#### **On the Other Hand ...**

Despite the financial and marketing benefits of exhibit rental, it still has its drawbacks. Prehistoric rental properties still lurk in long-forgotten warehouses, and some exhibit houses simply aren't up to speed in terms of exhibit quality and contract options.

So before you join the revolution, make sure you've considered rental's pitfalls as well as its high points. Here

rent your next booth.

► *Quality and Selection.* Just like Chinese food, quality varies among suppliers. So while "good exhibit rentals" don't look like rentals, there are certainly "bad rentals" out there. "Some structures and companies don't allow for the kind of creativity and flexibility necessary for a custom look," Schofield says. "And the modularity of typical one-time-use properties provides little opportunity for dramatic customization, which means you're giving up ground in terms of designing something creative and unique."

Should you choose to rent, also make sure your exhibit house has a wide, high-quality selection of the type of components and customizations you'll need. And confirm that it has plenty of experience in the type of rental agreement — e.g. one-time agreement, build-to-suit, etc. — you desire.

► *Identity Ownership.* "If you don't have an exclusive agreement, which states that the exhibit house won't rent this particular property to anyone else during your contract, your exhibit could be rented by just about anyone, maybe even one of your competitors," Andersen says. "Somebody else could be running around with your company's look and feel, which certainly doesn't do much for your brand recognition."

► *Long-Term Agreements and Penalties.* Should you enter into a multiple-use agreement, canceling your contract can mean huge penalties. Of course, if you had purchased a booth, you'd be paying off that huge capital expense for several years as well. Nevertheless, before you enter into a long-term agreement, make sure it perfectly fits your needs for the long haul and/or it allows for some flexibility down the road.

► *Rental.* While rental exhibits provide numerous financial benefits and almost no costs of ownership, they still may cost you more than a purchased



## **RECYCLE, REDUCE, REUSE**

Rental often gets the nod from exhibit managers and accountants, but it earns a thumbs up from Mother Nature as well. "Exhibit rentals aren't built for one company and then stored on a shelf between shows," says Mark Smith, product manager of the services division at Eagan, MN,-based Skyline. "Rentals can be used and reused continuously, which means additional properties aren't being created and additional resources aren't being depleted. You don't have five different booths for five exhibitors; you have one booth for five exhibitors."

Along these same lines, rental means less landfill waste. "Once a booth has lost its usefulness to you, it doesn't have to be destroyed," says Jane Kerr, director of LaborSource for CEP Exhibit Productions Inc. in Bolingbrook, IL. "Someone else can rent it and refrain from adding yet another exhibit to our landfills."

of a purchased, depreciating booth to a specific show is arduous at best.

"Purchasing a booth creates an accounting nightmare, and show-specific accounting is extremely difficult," Andersen says. "With a rental, you know exactly how much your booth costs for each show, allowing you to streamline budgeting, accounting, and measurement processes."

► *No Costs of Ownership.* Renters aren't owners. Thus, they don't pay for storage, maintenance, refurbishment, handling, insurance, and eventually disposal. Andersen estimates that without these costs of ownership, annual exhibit-rental fees can average as little as 20 to 25 percent of the

are several reasons why you might want to buy rather than rent.

► *Perceptions.* Given the advances in components and customization, you shouldn't be able to tell an exhibit is a rental. Despite the quality improvements of the last 15 years, however, rental is still sometimes perceived as a "less than" option: one that's somehow less attractive, less sophisticated, and less valuable than a purchased custom exhibit.

Even if your attendees can't tell it's a rental, your management can. And if management and internal stakeholders have retained negative, outdated perceptions of rental, you may experience some pushback when you try to

booth over time. That is, if you buy a booth and use it 100 times a year, you're going to pay a lot less than if you rent an exhibit 100 times. While many sources argue that the financial and marketing benefits are worth every extra dime in such circumstances, renting may not fit your particular financial situation.

### To Rent or Not to Rent?

The only way to know for sure if rental is right for you is to do the math. Work with your exhibit house to figure out how much you'd spend for a purchased exhibit including costs of ownership vs. how much you'd spend to exhibit at the same shows with a rental. Then consider the number and size variations of shows you do, the number of exhibit modifications you make each year, any company-wide changes you see coming down the pipe, customization demands, and all of the aforementioned marketing and financial benefits.

While each exhibitor needs to perform his or her own analysis, Kerr offers a helpful generalization, "If you're certain you're going to use an exhibit multiple times, you plan to target the same audience with the same products and the same size exhibit, and you don't foresee any company changes in the next few years, then you're probably better off financially to own rather than rent. If change is in your future on any of those fronts, at least look into rental as a viable option."

Rental certainly isn't right for everyone all of the time — and it may never be right for you. But now, perhaps more than ever, is the perfect time to examine the benefits and the drawbacks so you can make an informed decision, rather than simply buying in to the buying mentality. **E**

**By Linda Armstrong.** Questions or comments? E-mail [editorial@exhibitor magazine.com](mailto:editorial@exhibitor magazine.com).

## IS RENTAL RIGHT FOR YOU?

While a careful costs analysis takes time — and sometimes money — it's the only way to know for sure whether renting is your best option. However, this form developed by Steelhead Productions Inc. can help you determine whether or not you're even a candidate for rental. Simply circle your answers to the seven questions below and add up the corresponding point totals in parenthesis to get your score. Then read the summary at the bottom right to analyze your score and find out if rental is viable option for your company's needs.



**1 How many shows do you attend annually using the same or similar exhibit configuration?**

- (5) One or two
- (4) Three to five
- (3) Six to 10
- (2) 11 or more

**2 How often do shows overlap in your show calendar?**

- (1) Never
- (2) Rarely
- (3) Sometimes
- (4) Often

**3 Do you attend any critical industry shows where your presence needs to be considerably larger than your other shows?**

- (1) No, our image and booth size is always the same.
- (2) We have a couple of events where we really need to stand out.
- (3) Yes, there is one event that we attend where we really need to stand out.

**4 How many different exhibit properties do you need each year?**

- (1) One
- (2) Two
- (3) Three
- (4) Four or more

**5 Are you required to account for all of the costs associated with doing a single show?**

- (1) No
- (4) Yes

**6 Have you ever postponed the purchase of a new exhibit due to budget constraints?**

- (1) No
- (4) Yes

**7 Would your finance department be interested in the financial benefits of renting vs. owning a booth?**

- (1) I don't know
- (2) Probably
- (3) Definitely

Add up the points in parenthesis next to your answers to get your total score. If you scored 21 points or more you're a strong candidate for a multiple-use custom-rental program. Scores in this range also indicate companies that might benefit from a build-to-suit rental exhibit.

If you scored between 13 and 20, renting custom exhibits vs. owning them is still a viable option. However, if you scored less than 12, purchasing is probably your best bet.