



# THE TOAST OF CHICAGO

by DAVE BROOKS

**N**ot every deal can automatically boost your company's convention business by 20 percent.

But McCormick Place in Chicago is not your average convention center, even for private management giant SMG. When Gregg Caren and Bob McClintock signed the facility earlier this year, SMG already ran eight of the largest 40 convention centers in the

country. Practically overnight, McCormick Place's massive 2.67 million square feet of exhibit space grew the company's convention center market share by a whopping 22 percent.

It's because of the sheer size of the deal and the impressive accomplishment of landing the largest convention center in North America that *Venues Today* readers awarded the pair with the 2011 Hall of Headlines Award for News.

It's a deal like no other, said McClintock, who noted that "when the request for proposals first came out, it was obvious that the decision to privatize wasn't the same reason most other buildings privatize."

Certainly, it wasn't about bringing the facility into the black — after all, the convention center doesn't receive public subsidies and can't operate at a loss. The privatization of McCormick Place had more to do with the desire of the Illinois legislature, the city of Chicago and the Metropolitan Pier and Exhibition Authority to send a message to meeting planners that Chicago was serious about getting back to business, while preserving the elements of the building that made it strong.

After inking the contract on April 26, the pair's first order of business was rehiring long-time manager David Causton.

"That was the easiest decision anyone has ever made," joked Caren. As a newly minted SMG-employee, Causton would help SMG and the MPEA finalize a package of reforms designed to make the convention center more competitive.

Part of the new "Exhibitor Rights" package included a rule that exhibitors of any size could now set up their own booths instead of having to pay union contractors. The ban on power tools, like electric screwdrivers, was also lifted, and the building is no longer the exclusive provider of electrical power. Show organizers



can now bid the work to a number of outside companies to achieve a lower cost.

"And we've agreed to no longer receive a commission on food service," said Causton. "The amount of money we receive as revenue can now be plowed back into lower costs and lower prices for our customer."

When the food rule change was implemented in August, costs for items at non-branded concession stands dropped 20 percent, he said, dropping the price of a lot of items below \$10, which was a "psychological barrier that visitors had perceived to be too high."

Some of the changes were challenged by labor unions and, in March, a judge sided with the unions and threw out some of the reforms, creating an uproar by show managers who had booked the facility after the new rules had been enacted.

Following talks brokered by Gov. Pat Quinn and Mayor Rahm Emanuel, McCormick Place managers and union leaders agreed to terms to enact the reforms, including a promise from the convention center that the new rules wouldn't be abused.

"This is the worst news for Orlando and Las Vegas — McCormick Place is open for business," Emanuel said at a press conference announcing the deal.

The five-year contract to run the building is worth \$450,000 a year, adjusted three percent for inflation, with an additional option to earn \$450,000 in bonuses for meeting certain customer satisfaction and financial goals.

Landing the contract was no easy feat, said McClintock, who oversaw a 10-month bidding process he called "by far the most professional process we've ever been through. This was a lot like a mergers-and-acquisitions approach."

In fact, the application was so complicated, the team of professionals at SMG that helped draft the bid ultimately referred to it as "the master's thesis" because it drew on so many experts from within SMG.

"Now that we've closed the loop on the labor side, there is a new message and value proposition that can't be ignored," McClintock said. "It's a statement to the other destinations that have been nipping at the heels of Chicago for so long. More than ever, Chicago is open for business."



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