R.O.I.: Measuring Value, to Validate Your Event, and You

By Howard Givner

Overview

- Topic more relevant than it was 2 years ago.
- Discuss the importance of understanding the value of your event(s).
- Review how to calculate ROI,
- How to understand & communicate the value of your event
- Review a few different case studies and formulas

Save your event = save your job

1. Why should we do the event at all?
   a. What does this event do to help the company?
   b. What does the event need to accomplish to be worth the $?
2. 50% is measuring it.
   a. Events that get measured are 58% more likely to get budget increases, than events that do not measure.

      Source: Event Marketing Institute
3. 50% is understanding it;
   a. AT LEAST make sure you understand why and communicate it, even if you can't calculate it.

Learn to Think Like a Business Owner
Pretend it's YOUR Money

Mock R.O.I. Case Study

- Client: "The Really Smart Event Company"
- Goal: Grow our business
- Idea: Host a client reception
- Cost: $10,000

1. Should we do this event?
2. If so, why?
3. How will we know if it's successful?

General ROI Tips

1. Not just about cutting costs; about achieving goals, which may involve spending MORE $.
2. You must believe in the event yourself; not just use ROI to justify it.
3. To be taken seriously, be prepared to advocate cancelling a given event if it does not achieve goals.
4. Don't let "perfect" be enemy of "good". Some measurement is better than none.
5. Estimates are OK. Used all the time in other industries.

The Process

1. Identify the goals of the event.
    a. (Weight accordingly if more than 1)
2. Determine means of measurement.***Hard Part***
3. Set target levels. Put a value on them.
4. Review estimated investment (costs).
5. Calculate projected R.O.I.
6. Gut check: if OK, proceed with event
7. Collect the data; measure results vs. targets.
8. Analyze & promote the results to stakeholders.

Step 1: Identify Goals

1. List goals even if they are difficult to measure
2. List long-term goals as well as short term goals
   a. E.g.: What is lifetime value of a client?
3. Identify internal Stake-Holders to assist
4. Support your goals with research if possible.
   a. E.g.: Summer outing ➔ Increase in employee satisfaction ➔ lower turnover ➔ higher profits
      1. "The 20% of stores with the lowest turnover rate had 2x revenue and 55% higher profits than 20% of stores with the highest turnover rate." Source: Harvard Business Review
5. What is cost of <u>not</u> having event?

Goals Unique to Events

1. Relationship building (clients, internal, media, etc.)
2. Community cultivation among customers, vendors
3. Experiential value of touching, using products
4. Training & Information Dissemination (employees, investors, etc.)

"Tell me and I will forget
Show me and I may remember
Involve me and I will understand"

- Why do we send kids to school vs. just giving them textbooks?

Step 2: Means of Measurement

1. Surveys
   a. Internal and External
   b. Written and verbal (informal)
   c. Pre-event, during event, post-event
   d. Keypad measuring devices on-site
   e. Shorter survey = less data, but greater response
   f. Use incentives as needed
2. If you can't or don't want to measure something, move on to Target Levels and pick estimates. E.g.
   a. "Improving client relations ➔ more referrals."
   b. "Hosting a client dinner ➔ better client relations."

Step 3: Determine Target Levels

1. For each goal, set a target result level.
   a. Pick a level at which you would definitely repeat event.
   b. Pick a level at which you would definitely cancel.
   c. Set goal in the mid-way point.
      - This may, or may not, match up with your break-even point.
2. Get input from internal business stake-holders
   1. Otherwise, you have no idea if your ROI is enough!
   - You (beaming with pride): “Our event generated a 643 potential leads!”
   - Your Boss / Client (utterly disappointed): “That’s all!!??”

Step 4: Review Investment (Costs)

1. Hard costs: venue, f/b, a/v, invitations, transportation, etc.
2. Soft / opportunity costs:
   a. Time of planning staff could be spent elsewhere.
   b. Time of attendee staff (if internal event) to attend
   c. Difficult to calculate this, but be aware of it
3. Add back any event revenue from sponsors, paid attendees, etc.
   ➔ Net Cost.

Step 5: Calculate Projected R.O.I.

1. Value of event / Net Investment (cost) = ROI
2. 1, or 100% is break-even
3. Example:
   $200k in new business (Value) / $80k investment =
   2.5 or 250% return on investment.

Step 6: Gut Check

STOP:

1. "Will this achieve our goals?"
2. If YES ➔ "Is this the most cost-effective way?" (can we do it by spending <u>less</u>, or spending <u>differently</u>?)
3. If NO ➔, "Do we need to spend <u>more $</u>, or <u>spend</u> it <u>differently</u>, to achieve goals?"
4. When looking at "differently", consider:
   a. Alternative events
   b. Alternative options besides events
5. Are are target levels realistic?

Evaluation

1. Compare actual results vs. target vs. gut feel of event

Management Retreat					Results				
A	B	C	D	E	F	G	H	I	J
Goals	Goal Weight	Measurement	Measurement Weight	Overall Weight	Target (or B/E)	Actual	Actual vs. Target	Actual vs. Target as a %	Weighted ROI
				(B x D)			(G - F)	(H/F)	(E x I)
Improve worker productivity	50%	Raise productivity score on manager surveys	100%	50%	70	80	10	14%	7%
Reduce turnover	50%	Improve turnover score on surveys	60%	30%	80	85	5	6%	2%
		Reduce actual turnover by 10% in 6 months following event	40%	20%	10%	15%	5%	50%	10%
Total	100%					TOTAL ROI			19%

Example #1: Investor Meeting

1. Goals:
   a. Show unique investment process
   b. Show depth of investment team
   c. Minimize redemptions
   d. Encourage investment in new fund
   e. Hidden goals / value?
      a. ". . . . as you know it (the meeting) had benefits well beyond the main purpose of informing our investors - it was a constructive experience for our colleagues from the region as well. . ."

Investor Meeting, cont.

1. Sample ROI calculation
   a. 140 investors attending
   b. Avg. investor invests $5 million
   c. Management fee on fund is 2%, plus 20% profits
   d. Avg. investor = $100,000 in fees ($5 million x 2%), without factoring in the 20% of profits
   e. Event costs = $300,000
   f. Need 3 new investors ($300,000 / $100,000 = 3) to break-even
      a. Or, if meeting convinces 3 investors not to pull out
   g. Need to convince 2% of audience (3 / 140 = 2%)
   h. Not even factoring in word of mouth, etc.

Example 2: Holiday Party

1. Estimated productivity improvement: 5% for 1 month
    1. (5%/12 = .42%)
2. 200 people x $50k avg. salary = $10,000,000 total comp
3. $10 million x 2.5 multiplier = $25 million in billing
4. $25 million x 5% = $1,250,000 x 1/12 = $104,167
5. Investment (cost) = $40,000
6. ROI: $104,167 / $40,000 = 260%, or 2.6 multiple
7. B/E: $40,000 x 12 / $25,000,000 = 2% improvement

Example #2: Holiday Party, cont.

*Are we getting a 5% increase in productivity?

1. Ask employees / managers if HP impacts their work, loyalty, etc. Try to quantify this. If it doesn't impact it enough, what would it take?
2. Be prepared to change / add goals to make event more cost-effective with results:
   a. Have CEO communicate mission, thank team, discuss strategy
   b. Include "recognition" elements of key performers, etc.
   c. Change name to "Year-End Meeting & Reception"
   d. Consider inviting clients

Example #3: Launch Event

1. Goal: Reposition hotel as stylish & modern to drive new business.
2. Strategy: Launch party for 650 event/travel influencers and clients.
3. Survey questions:
   a. "How many events do you plan a year?" ANSWER: 8
   b. "Approx. what do you spend on an avg. event?" ANSWER: $20k
   c. "Are you likely to host an event here within the next 12 months?" ANSWER: 30%
   d. "Are you more likely to host an event here than pre-launch?" ANSWER: 95%

Example #3: Launch Event

4. Results:
   a. Guests plan 5,200 events / year (650 x 8 = 5,200)
   b. Guests spend over $100m on events / year (5,200 x $20k = $104 million)
5. Investment (Cost): $250,000
6. ROI:
   a. 650 guests x 30% likely to host event = 195 likely planners
   b. 195 likely planners x $20k/event x 50% (likely) = $1,950,000
   c. $1,950,000 / $250,000 = 780% R.O.I. (or, 7.8x initial investment)
   1. Event inquiries in 30 days post-event were 40% higher than pre-launch.

Post-Event Reports

1. Purpose
   - Tool to demonstrate value of event
   - Tool for your boss / client to use in front of others
   - Communicates intangibles of event (loyalty, motivation, relationship building, etc.)
   - Shows you are a business partner
2. What to include:
   - List Goals (even if you don't measure) & if they were achieved
   - Attendee profiles / demographics (e.g. clients worth x; sales people responsible for hitting $15 million in revenue)
   - Photos
   - Testimonials
   - Survey results & other measures
   - Costs

Sample Post-Event Report – Mobile Tour

- The tour was a success on many levels:
  - Extended IFC reach:
    - Beyond normal target demo (young adults) to families and citizens of all ages
    - From television platform to physical interaction
- Huge asset to sales team:
  - Successful sponsorship activations strengthened relations with advertisers
  - Physical representation of the brand made it more appealing to both sponsors and affiliate cable carriers
  - Tour assisted in ongoing carriage negotiations across the country by bringing the brand to the affiliates
- Press coverage spanned TV, radio, print and online:
  - 17 broadcast hits, including featured interviews on morning news shows
  - 152 print hits; 8 radio hits
  - Above does not include outreach to & promotion by local community centers, film schools, etc.