

Looking ahead – strategies for success post COVID-19 across the events industry.

Opportunities for growth after the pandemic

Introduction

Great businesses know that how they respond to the outbreak of COVID-19 and implement contingency plans during this period of intense uncertainty, will often help them succeed when they return to a state of normality once more.

However, this guide is not about the here and now, but about the future; a life after the impact of the Coronavirus has subsided and we look to rebuild our industries.

Being an organisation that supports the events industry, the focus of this article is weighted towards those running venues, organising events and the 1,000's of independent suppliers who deliver a multitude of services across the sector.

Needless to say, there are a number of tangible similarities across other industries, particularly those engaged in tourism, hospitality and travel, so there will be elements of this paper that will be helpful as we look to build future business strategies.

The landscape has changed

Reading this right now, you'd be excused (and quite rightly so), from focusing your efforts on anything other than risk mitigation and business continuity.

There are many great resources that are being published daily on how you can take action now to prevent both economic and social hardship over the coming months, and international governments are taking measures to prevent a catastrophic fiscal collapse. Needless to say, it is a fast-moving situation.

The danger with any crisis or period of exacerbated stress is that it can cause leaders to become overly distracted with the 'here-and-now' and attention is focused away from the importance of long-term planning.

Look ahead

In the military, officers are taught to avoid being wrapped up in the thick of the action and instead to position themselves so that they can obtain a clear perspective of the battlefield.

They rely on their team to react effectively to their direction and instructions, therefore pushing as much of the tactical element to their subordinates as they can within a delegated framework.

As a number of political leaders have stated that their countries are now on a 'war footing', maybe now is the time for businesses to don their helmets and pick up the binoculars.

The importance of taking time to step back from the immediacy of reacting to the viral outbreak cannot be underestimated. It is the decisions that are made now regarding your strategy that will ultimately determine your future course

The landscape will change again

First and foremost, the world will recover from this outbreak, of that I have no doubt. How that landscape will look is far less certain.

The one outcome I suspect will resonate across all industries is that we will need to work within a new framework, whether that be through statutory measures or public expectation.

The one aspect that is clear is that the Coronavirus has exposed our weaknesses (we all have them) and demonstrated where there is real challenge to maintain business as usual in the face of adversity.

No one country, organisation or individual will be unaffected by the virus, but the degree of severity will depend on the underlying conditions when the outbreak hit and, possibly more acutely, the actions that are taken now and, in the future, to pull through this together.

I suspect that it will be difficult to return to the way of working that we have relied on over the last decade and therefore change is inevitable. However, as a naturally sociable species, we will want to continue to meet, to enjoy ourselves and to let our hair down.

How the landscape will change

The best-case scenario is that the Coronavirus outbreak and associated health implications disappear as quickly they arrived. The economy does a swift recovery and the restrictions that we have seen imposed on the events and hospitality industry disappear overnight.

The prognosis for such an outcome is stark and it is therefore important to consider other potential scenarios.

Naturally, the scenarios listed are just three speculative outcomes and the reality is likely to be a mixture of different impacts at varying stages of the containment and effect cycle.

But, the prospect of the UK receiving a sharp economic correction is an almost certainty, with stock markets and exchanges already reflecting the real-time, and future impact that the virus is having on our economy.

I don't have a crystal ball and if I did, I suspect it would be more cloudy than clear. What I suspect will happen is that we will enter into a countrywide recession, which will place us in the rather unenviable position of being one of many countries across the globe who have fallen into the same, worrying club.

Scenario 1: The virus continues to bring disruption to the economy over the next 3-months, with ever increasing restrictions and significant economic turmoil. The country escapes a recession, but growth is stunted for the foreseeable future. By the time any restrictions are lifted, a limited number of seasonal events are able to be reinstated or take place as planned

Scenario 2: The virus continues to bring significant disruption over the core events season (April - September), with increased restrictions on public gatherings and significant economic turmoil. Material Government support may have been extended but economic inactivity and a rise in unemployment has shifted the economy into a recession. All large events have been cancelled over the Summer.

Scenario 3: The virus continues to spread with its impact being realised over a 12-month period. Significant economic stimuli fail to stave off a significant recession and a large number of businesses are unable to remain trading. All large indoor/outdoor events through to Christmas are cancelled. Personal finances mean that there is limited spend for leisure activities in 2021, and corporate spend on events and entertainment drops.

The event economy

The events industry in the UK is worth an estimated £42.3bn to the economy, with over 85m event attendees each year according to the 2018 Eventbrite Pulse Report. Over 7,000 major outdoor events are held annually and the industry continues to grow year-on-year.

Whilst disruption is affecting the events, hospitality and tourism industry on a magnitude not seen in recent times, our appetite for events has not disappeared. 2020 will be a challenging year - that is the very unfortunate consequence of the COVID-19 outbreak, but it is important to realise that the events sector will once again thrive.

Public sentiment

After every major downturn in the last 100 years, economies have recovered and public confidence resurfaces.

The British leisure, celebration and MICE industries are not going to suddenly disappear never to resurface, so we should take heart that business will resume at some point.

Whilst Glastonbury, the Grand National and a multitude of smaller gatherings have been cancelled or postponed, the excellent work undertaken within the events industry over the last 20 years means that people will be eager that we don't lose the ability to hold them again.

Is a recession likely?

Currently there are a number of different sources suggesting that we will enter a global recession in 2020. Bloomberg economists are suggesting the US economy will shrink by 0.5% and the Euro area to fall by 2%.

Angel Gurría, OECD Secretary General, has said the economic shock was already bigger than the financial crisis and that it was 'wishful thinking to think that countries would bounce back quickly.

We are still far from understanding what will happen, but the suggestion of a quick 'dip and recover' is now highly unlikely.

The stages of recession

The diagram below would suggest that we are entering into the early stages of a recession, the severity and duration of which has yet to be understood. If the current conditions which have arisen as a result of the pandemic deteriorate further, we are likely to see the recession phase become more pronounced, and therefore the depression, or slump as it is sometimes known, will be prolonged.

The speed at which businesses are able to move from 'depression to recovery' is vital in ensuring the long-term health and viability of a company.



Time

In the events business we are defined by time. Once it has passed, we don't get it back.

If we made widgets in a factory, we could raise output up or down, but in the events industry, we only have one summer each year and a limited number of premium weekends on which we can generate substantial business.

This year's season is likely to disappear and whilst a number of events have been postponed, or moved into the shoulder months, the reality is that income expected from the core season of events will never materialise.

But I'm afraid it is not as simple as foregoing a chunk of income for 2020.

If we enter into a recession, the value of bookings that we would typically expect to see in 2021 will be significantly lower. The reason... a recession results in reduced spending across the board.

Leisure events will become a luxury purchase and corporate events will see their spend per head reduced from previous years. Losing income this year is of huge concern but add into that the prospect that 2021 will not be plentiful, and you can see why this presents us with a huge challenge.

It is a double hit for the events, hospitality and tourism industry.

Recessive impacts

Recessions are not a new concept. In fact we have suffered from a recession in almost every decade throughout the 20th century, and whilst we emerged from our last recession 11 years ago, market analysts have suggested that the late 2010's and early 2020's were likely to see the UK economy dip once again. What was not known at the time was that the catalyst was going to be a global pandemic.

Whilst more bullish characters will suggest that a recession provides opportunity, the initial consequences feel more akin to survival than prospect.

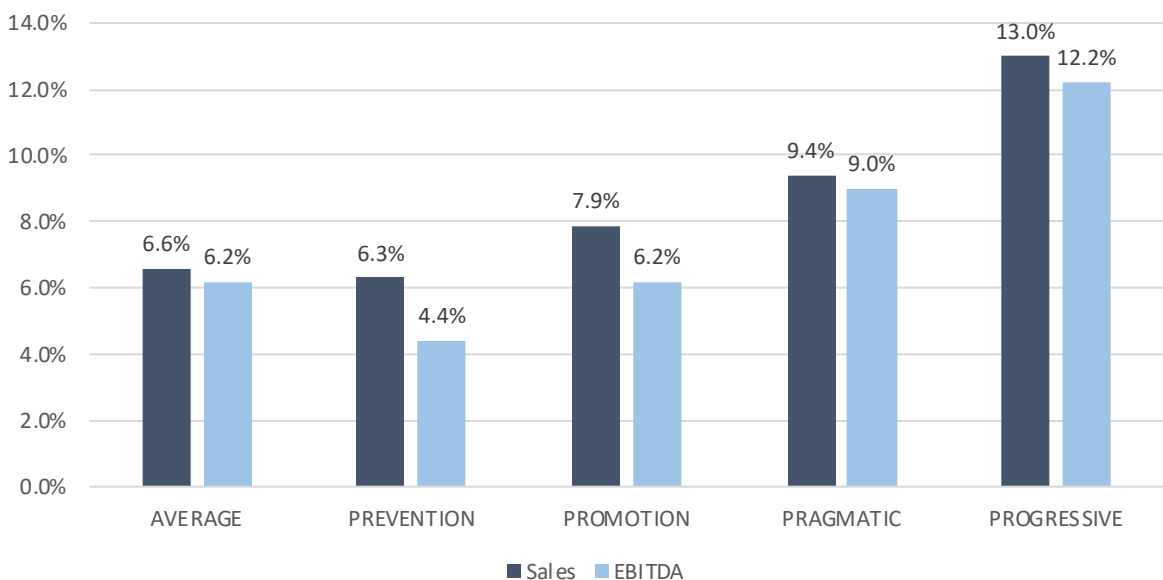
From recession to recovery

At present, your efforts are likely to be focused on weathering the recessive impacts of a falling economy. However, it is also the key moment where you should be allocating time to work out how you will be able to manage the depression and move into recovery.

Remember, the transition to recovery will come at different stages for different businesses and consumers, and not necessarily on an equal footing.

Postrecession leaders in sales and profits growth by strategy

2010, Gulati, Nohria and Wohlgezogen, "Racing out of recessions", HBR



Company strategies

In an article published in the Harvard Business Review in 2010¹, a team of analysts looked at the strategies employed by company CEOs and how company performance fared after the last 3 economic recessions.

Using the data, they were able to identify four different approaches based on the specific combination of changes in resource allocation

Prevention focused companies, which make primarily defensive moves and are more concerned than their rivals when it comes to avoiding losses and minimising the impact of the downturn.

Promotion-focused companies, which invest more in offensive moves that provide upside benefits than their peers do.

Pragmatic companies, which combine defensive and offensive moves

Progressive companies, which provide the optimal combination of defensive and offensive actions.

Don't be too defensive

(Prevention focused)

The findings outlined in the article suggests that a severe cost cutting strategy causes significant long-term problems.

It is likely that once senior leadership teams start approaching every decision from a loss-minimising perspective, a siege mentality sets in. Organisation will try to achieve the same results as previously but invariably quality is reduced, employees become demotivated, innovation disappears and there is a drop in customer satisfaction.

Don't be too aggressive

(Promotion focused)

The desire to want to 'double down' in the face of adversity may be a course of action that some CEOs are more inclined to take than others. However, there is an inherent risk of throwing caution to the wind and taking an overly aggressive stance.

The early warning signs of reduced customer spending are ignored and innovation and accumulation take precedence even as consumers scramble for lower prices and greater value for money. As a consequence, those who adopt an overly aggressive stance have to capture an even larger market share in order to keep still, let alone grow.

¹ 2010, Gulati, Nohria and Wohlgezogen, "Racing out of recessions", HBR

Finding the right balance

Unsurprisingly, the companies that perform the best leading out of a recession are much more pragmatic about their approach.

A pragmatic company recognises the requirements to save money by cutting costs but that investment is essential if they are to cultivate growth and emerge as postrecessional leaders.

The notion of achieving this sounds simple but the reality is more complex. However, in broad terms, applying a combination of measures in the following areas has yielded more promising outcomes²:

Prevention-focused moves

- Employee reduction
- Operational efficiency

Promotion-focused moves

- Market development
- Asset investment

Progressive companies

By applying a combination of prevention and promotion-focused actions, progressive companies have been found to outperform their rivals.

It is suggested that the 'defensive' moves are related to greater operational efficiency as opposed to headcount reduction relative to peers. Offensively, they tend to take a wider range of measures, typically including making greater investment in capital assets, innovation and marketing compared to their rivals. In essence, they are looking to be ahead of the competition and on the front-foot when the recovery begins.

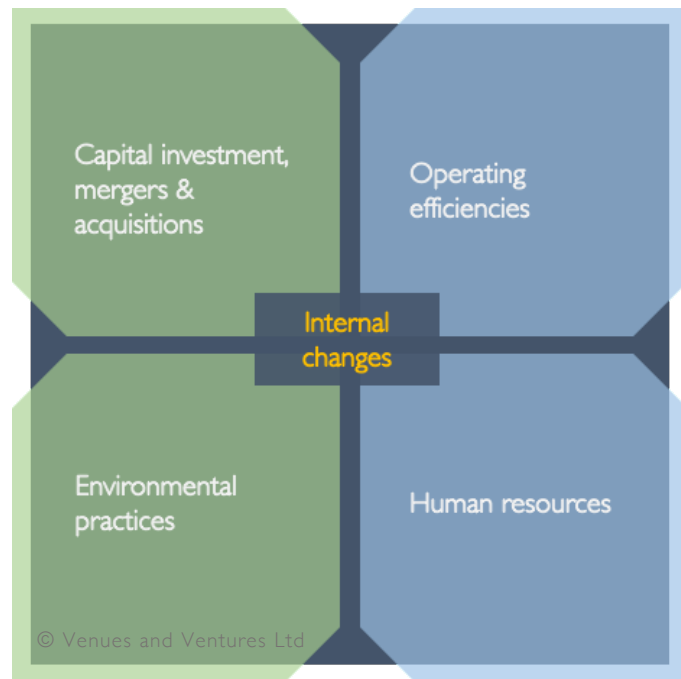
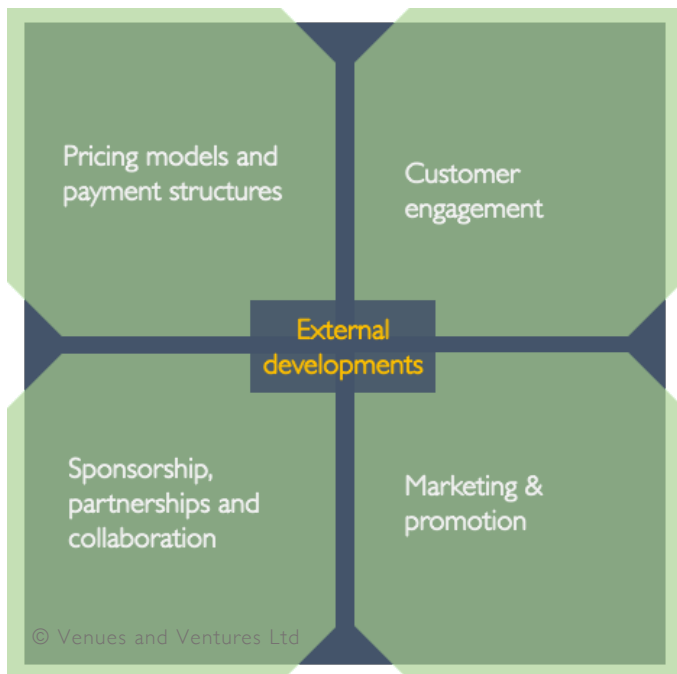
Postrecessional earnings in this group were found to be the best in the study, as shown in the chart on page 7.

² 2010, Gulati, Nohria and Wohlgezogen, "Racing out of recessions", HBR

Progressive strategy

By taking the key offensive and defensive strategies employed by progressive companies, we can develop these further by identifying the major internal changes and external developments that occur within each group.

Defensive measures are represented by the blue boxes, with offensive actions in green.



Tangible action

In order to bring further clarity, we've outlined a number of potential actions which you may wish to consider as part of your postrecessional plan.

The list is not exhaustive and certain elements will be less applicable to some companies than others. The health of your current business will play a part in determining which steps you can take immediately, and where further support is required to best position yourself for a recovery.

Operating efficiencies

- **Technological innovation:** What systems and software can help streamline the elements of your business which require efficiency?
- **Overhead trimming:** If you have not done so already, what significant costs can be reduced through further scrutiny?
- **Operating costs:** With the shift in consumer and business behaviour, look at ways to adopt new working measures
- **Collaboration:** Where reasonably possible, look at collaborating with other businesses to share costs (e.g. travel, bulk purchasing, temporary work space)

Human resources

- **Headcount:** In light of the chancellor of the exchequer's recent announcement regarding covering 80% of employees income (up to a limit of £2,500 a month), reducing headcount may be a limited measure. Retaining employees will save on recruitment costs and training requirements during a recovery, but will be different for each business.

- **Outsourcing:** Recruitment is likely to present a more difficult set of challenges. Where additional resource is required, employing freelancers, contract workers and interim solutions to tackle bespoke project may be more cost effective.
- **Employee welfare:** Supporting workers will go a long way to ensure staff retention and prop-up morale during a depressive phase.

Capital investment, mergers and acquisitions

- **Investment:** Where spare capital is tight and allocated to stabilising the current business, investment may seem a pipe dream. However, with lending costs at an all-time-low, and borrowing restrictions loosened, it may be prudent to take advantage of cheap money for large projects and fixed assets. As with all CAPEX projects, a detailed business case with a stress-tested ROI calculation should be approved prior to determining an investment. Where the case stacks up, it could help give you a strong competitive edge during a recovery.

Capital investment, mergers and acquisitions (continued)

- **Mergers:** There is no appetite for seeing good businesses disappear as a result of any recessional market activity or government restrictions. However, during a prolonged depressive stage there will unfortunately be businesses that cease to trade. Whilst a desperately sad predicament to be in, there may be viable opportunities for businesses to merge with either those in the same sector, or as a new service line for those looking to broaden their offering. This could allow for a much stronger, joint recovery and positive trading during a recovery
- **Acquisitions:** Undoubtedly there will be businesses that are looking to sell as a going concern for a variety of reasons. If you have decided to expand as part of your wider recovery strategy, an acquisition may be the preferred route over a merger.
- For anyone assessing either of the above measures, professional legal and financial advice should be sought from the outset.

Environmental practices

- **Sustainability:** The gradual incorporation of greater sustainable practices into business has been well covered over the last 5 years. It would be right to expect that this trend continues to grow and with increased consumer focus in this area, it could be a positive differentiator when clients are looking at new business, as well as being beneficial for the wider environment.
- **Better practice:** Government policy supporting the environmental practices of both business and consumers is expected to grow. As the recessive impact of the COVID-19 outbreak is likely to be felt across all business sectors, it may prove to be more cost effective to instigate new environmental operating practices and projects than in the past.

Pricing models and payment structures

- **Pricing of services:** During each phase of a recessive cycle, consumers will place an increased emphasis on price and value for money. There is a danger of reducing the price of your services to an extent that it becomes a race to the bottom, as the only differentiator of your business will be the number on the bottom of your invoice and not service standards and overall quality. A better way to approach a quote would be to look at the following
 - *Adding value by including extras at no additional cost*
 - *Specific preferential rates for qualifying clients*
 - *Flexibility on seasonal rates*
 - *Multiple purchase discounts*
 - *Service upgrades where capacity allows*
- **Payment terms:** You may already offer a number of structured payment methods but it would be wise to consider how you can develop this further. Working with finance providers, or simply changing the terms within your contracts and agreements demonstrates flexibility with potentially cash-strapped clients
- **Buy now, pay later:** In conjunction with holding your current prices, a buy now, pay later offer could be attractive to some clients and allow you to start rebuilding your future pipeline.

Sponsorship, partnerships and collaboration

- **Sponsorship:** One of the primary factors stated in a 2012 research paper which studied the impact of the financial crisis on the festival and events industry identified that profit margins were significantly affected by a fall in sponsorship.
- You may already be having conversations with current sponsors regarding the future. It is important that good relationships are maintained and negotiations are sensitive to the other party's objectives.
- If sponsorship is not an area which you have previously engaged with, it would be time well spent by identifying public and private opportunities for those who want to gain exposure by working alongside you.
- **Partnerships:** As the economic impacts of a recession are likely to be felt across a multitude of businesses, there will be companies from other industries who are taking a progressive strategy to grow during the recovery. As a consequence, there will be opportunities to work alongside organisations that share similar brand values to mutually promote each other. The immediate positive to this is that you can potentially increase your exposure far beyond the level that you would as an individual entity.
- In some instances there may be a financial transaction paid by one company to another in order to work together. In other situations, you may wish to enter a contra arrangement, where two or more parties exchange goods or services, with no money changing hands. For instance, some premium apparel manufacturers team up with venues to obtain product exposure to the venue's clientele. The venue benefits from the associated marketing whilst also improving the level of service and offering within their own establishment.

Lee, Seungwon & Goldblatt, Joe. (2012). *The current and future impacts of the 2007-2009 economic recession on the festival and event industry. International Journal of Event and Festival Management.* 3. 137-148. 10.1108/17582951211229690.

Sponsorship, partnerships and collaboration (continued)

- **Collaboration:** During the depressive and recovery phase of a recession it can often be beneficial for suppliers, venues and organisers work together more closely. This may be by forming exclusive arrangements to help grow income streams, or by offering services to help with the internal aspect of each others business.
- Undertaken on an even keel, collaboration can be a good cost saving strategy, allowing you to draw on different skills, but can also enhance your own value by being able to reduce a client's administration in offering a single point of contact for a number of different services.

Marketing and promotion

- **Marketing:** One of the areas where businesses advocate maintaining, or increasing spend, is marketing. In order to be well positioned to take advantage of a recovery, marketing activity is paramount in order to ensure that you are well placed to capitalise on a revival in consumer and business confidence.
- **Websites:** You most likely have a well established web presence and your site acts as a key information and marketing portal for clients and potential customers. During this particular economic downturn, maybe more so than in the last recession, people will still be reviewing and understanding your offer online. One of the easiest and most cost effective steps you can take now is to ensure that your website is fully functional, looks exceptional and is easy to navigate.
- **Social media:** As spend becomes more limited, don't think that people will not be interested in how you remain engaged with social media. Use this opportunity to share some key messages, together with any particular achievements that you have earned, or positive changes made during this time
- **Promotion:** A number of event suppliers, organisers and venues attend conferences, expos and showcases to promote their offering. During a period when events are not happening, it may be prudent to look at a number of well established offerings to determine where you wish to have a presence

Marketing and promotion (continued)

- **Markets:** During an economic downturn there will be businesses and consumers who are able to withstand the crisis better than others by the nature of their structure and industry. During the depressive phase and eventual recovery you may wish to consider placing a greater emphasis on targeting these groups.
 - E-commerce retailers
 - Food retailers
 - Credit providers
 - Delivery & couriers
 - Pharmaceuticals
 - IT providers
 - HNW individuals families
- **International markets:** The current strength of USD vs. GBP makes buying into the British economy a relatively cheap option. In March the Pound fell to a 35 year low against the Dollar, therefore making purchases in Stirling is significantly cheaper than we've seen in decades.
- In order to take advantage of this, you may wish to consider marketing to US clients (and others with a strong economy) now, to lock in deals for future events and visits to the UK.

- **Advertising:** Advertising will become cheaper as businesses prioritise spend. Print media may prove to be particularly affordable and there will undoubtedly be further discounts on standard rate-card prices. If you choose to use print media, ensure that you can track its effectiveness through promotional codes, unique email/phone contact details and QR codes.

Customer engagement

- **Your values:** As the Coronavirus starts to bite further into the British economy, companies have already started to feel the impact of making decisions that go against public sentiment. Britannia Hotels were criticised for sacking staff and removing them from their work accommodation on a single day at a hotel in the Highlands. Waterstones have been accused of ambivalence by keeping book stores open, and Wetherspoons owner, Tim Martin, has been chastised for saying that hardly anyone transmits COVID-19 in pubs. Whilst there are no doubt underlying factors as to these decisions, these companies are at risk of losing the trust and goodwill of consumers in the long run

Customer engagement (continued)

- **Service:** You will probably be providing excellent customer service to clients already, but now may be the time to refine it further. Good client engagement across all touchpoints is essential, and people will be sensitive to this.
- Where time, money and resources allow, this is the ideal time to conduct training and refine processes with your employees to ensure that you are well placed to deliver a truly excellent service to existing and future clients.
- **Communication:** Keep in contact with your customers, suppliers, colleagues and other businesses. Whilst the replies may be fewer, rest assured that people will appreciate timely, clear and accurate communication. By continuing to provide an engaging dialogue, you are likely to find that potential clients are more receptive to future marketing and promotional campaigns.

Summary

At the beginning of this paper I said that if I had a crystal ball, it would be cloudy, not clear.

People talk about the 'fog of war' and how it can impede good judgement, provoke uncertainty in your abilities and make it even harder to understand how your competitors are intending to position themselves. The primary purpose of this paper is designed to give you a handrail, support and strategies to help navigate your way through the 'fog'.

Be assured that there is no perfect answer to the way you approach this outbreak, but the outcome can be influenced by the actions that you take now.

Now is the time to look at creative solutions and plan your course of action over the coming weeks, months and years. Be heartened that there is an exceptionally strong bond between those working in the events, tourism and hospitality industries, and that will only get stronger.

The Author

Iain Beaumont is the founder and Managing Director of Venues and Ventures. Since graduating from the University of Edinburgh in 2004, Iain has worked at some of England's grandest country estates and leading luxury venues, refining his eye for spotting new opportunities and helping businesses realise their potential.

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Venues and Ventures

Venues and Ventures Ltd is an events and tourism-focused consultancy offering a range of services to support venues deliver strong returns on investment in a competitive landscape.

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