

Industry Approved Virtual Events Cost Template

EEMA ADVISORY FOR THE EVENT &
EXPERIENTIAL INDUSTRY

OBJECTIVE

This advisory is from the industry's apex body, EEMA for its member agencies and the Events and Experiential industry at large with a call to migrate to a new effective cost model for Virtual & Hybrid events (A combination of Live & Virtual) that ensures the right remuneration is received for the effort taken by an agency and to bring transparency between clients & agencies.

Along with this advisory, a Cost Template is being provided for Virtual and Hybrid events, along with adequate explanation on how the same should be implemented.

BACKGROUND

As we are all aware, the COVID-19 outbreak has caused industries worldwide to come to a standstill – and the Events, Entertainment, Hospitality & Travel industry has been amongst the most affected. Today, the industry players have turned to technology to adapt to the unprecedented situation by overcoming two main challenges.

The first involves meeting the event management needs of business stakeholders while complying with social distancing protocols and second, mitigating the losses wrought by the pandemic. The virtual events model helps clients to continue to engage with their stakeholders - Employees, Distribution Channels, Media, Influencers & Consumers thus ensuring communication continuity and business continuity

A combination of engaging ideas, attractive designs, innovative content and technology platforms are working together as the event industry's lifeline today. In the given circumstances, this is likely to continue to be a key approach for the event management industry in the post-pandemic world as well.

Here are the two key new forms of events that are emerging in India:

Events going virtual.	Hybrid event model
<p>Many meetings and conferences have undergone a virtual makeover over the past few weeks as event industry players have been focused on improvising their service offerings. In the present environment, this option has emerged as an effective alternative for event-planners as well as attendees to be part of events without risking their health or that of their neighbors.</p> <p>The online ecosystem eliminates geographical boundaries for users so that people from across the world can interact with each other in real-time.</p> <p>As per our study and analysis, the cost of the virtualization technology is almost similar across the globe but the cost of creative development and time cost remains much higher across the globe as compared to the Indian market. For Indian organizers, the market is now global.</p>	<p>Events are all about planning. It is a given that the effect of the virus will die down sooner or later. With this view in mind, organisers are actively exploring the idea of going hybrid: by mixing physical and virtual components to execute events.</p> <p>This model facilitates a larger number of non-local attendees to remotely participate in an event that is happening at a physical location.</p> <p>This innovation offers added benefits to organizers apart from those of the purely virtual option.</p> <p>Not only do organizers gain the opportunity of the physical event complete with sponsors and a premium on-ground live experience, but they also gain the advantage of a virtual event with unlimited audience / attendees and the possibility of the exhibitions, sponsorships and deliveries being augmented by setting in motion in-person displays, chats and long term relationships.</p>

Budgeting & Remuneration - Virtual Events Vs In-person/On-ground Events

1. A Virtual event does away with many elements associated with an in-person on-ground event like venue rental, staging, hospitality, equipment rental, travel cost & others. On the other hand, it has huge outlays on creative development, content creation, coordination & communication, and most importantly the technology costs and management. The unfortunate part is that the backend of the virtual events is rarely seen or understood by clients and often simplified (for the purpose of costs) to the detriment of the agency delivering the experience.
2. Key points that affect cost template in an In-Person event is Quantity, Quality, No of Days, Scale, number of executions, Popularity of Talent, production technology, etc. For Virtual Events it is the tech engine, features & environments, software, APIs, Content creation and execution, Designs, number of users, platform development, duration of event, the marketing and promotion effort etc.
3. Just like In-person events, it is important to account for every element of the Virtual Event that could potentially incur a cost. Arriving at a more accurate budget by including every item, big or small that can require a spend is very important as a well-planned budget will pave the way for a successful virtual event. Also the commercial gain being made by the agency is so small that there is little margin for error in the case of Virtual events.
4. Commission Model- Traditionally, the event industry has followed the Agency Fee /Commission %age on total project costs to define the agency's remuneration. This model was justified as the scale of the event would really decide the volume and workload, therefore the agency commission largely covered the agency's manpower costs, other indirect costs and its profits. In the case of Virtual events, the volumes are too low to apply the agency commission %age as it would not cover the costs incurred by an agency or the creative output and time of the project teams.
5. The Effort Vs Return for a Virtual Event/engagement is disproportionately low if the system for event agency remuneration remains as the %age of production costs model. The earlier/existent model for agency remuneration for In-Person on-ground events primarily left out major costs that an agency incurs- Creative resources, highly skilled operations and management manpower that works on the project, treating the same as covered by the agency fee.

In the virtual events space, the costs of the overall production are reduced to a fraction of on-ground costs, but the Manpower and time spent by both the Management team, Creative and Technology teams is often larger than what is done for a ground event. It is clearly identified that the biggest cost outlay is on staff salaries - both creative & project teams and twice the number of staff are required for execution considering remote operations and instability of internet and technology.

Key actions taken and points considered to create this template:

1. Discussions with event industry colleagues - Large Agencies, Mid-size agencies, Small/boutique agencies, and Regional agencies to understand their perspectives and identify key gaps and concern areas regarding Virtual Events and to develop a Remuneration model that is relevant for the new format of events and engagements.
2. Evaluated key cost elements that go into creation of a Virtual Event.
3. Efforts Vs Returns (RoI) when applied on the traditional cost templates for in-person on ground events.
4. Evaluation of time, level of resources and effort put in by management and employees of agencies while mounting a Virtual Event Experience- Management time, Creative & Design time, Coordination time, planning time, tech development, content development, client demos, rehearsals, show day, post event reporting, handover of data, content, recovery, etc.
5. Evaluated other indirect costs of an agency – Office space, internet, support staff- Finance, Admin, legal, HR, commercial, consumables, communication and travel costs, etc.
6. Extensive qualitative research & discussions with peers from similar industries to understand alternative and prevalent remuneration models
 - a. *Business Advisory & Consultant remuneration models*
 - b. *Public Relations agency remuneration models*
 - c. *Multiple Advertising agency remuneration models*
 - d. *Global event & experiential marketing agency remuneration models*

Conclusion: Need to Migrate from the Agency Commission model to either:

- ✓ ***Time Cost Remuneration with a multiplier plus creative fee remuneration model (Two step remuneration model) – This is preferred***
- ✓ ***Only a Time Cost Remuneration model with a multiplier, in this case the creative effort and fee is converted into a Time Cost model (Single step remuneration model)***

Migration and adoption guidelines

Step 1:

Refer to Annexure 7- Time Cost Calculator (Process owner: Management team/Finance Team/HR Team)

- Input employee's annual gross salary (grade wise), add other costs attached to the employee grade- PF, Gratuity, ESI, Mobile & conveyance costs/allowance, bonus/incentive (if any) to arrive at the final annual CTC (cost to company) of each employee as per grade.
 - Divide the annual CTC per grade by 1600 hours which is Industry approved (average annual working hours per employee). Please refer to the detailed working done to arrive at 1600 hours in the bottom right of annexure 7
- This will give you your agency's cost per employee as per grade.

Suggestion:

- a) ***Round off the cost/hour to closest 100. E.g. Cost/hour for Senior manager comes to Rs 1230, round it off to Rs 1300.***
- b) ***Management team costs (Director/CEO/COO/Region Head) should not be captured here and should be adjusted in the multiplier***

Step 2:

Refer to Annexure 6- Employee Cost Grid (Process owner: Management teams/Finance team)

- As per the grade wise costs derived from Annexure 6- Input the costs grade wise in this worksheet
 - Evaluate your employees and plot them against each grade. This will give you employee wise cost per hour of work specific to your organization
- This template once completed can be handed over/circulated to teams in your organization who prepare the project cost sheets

Suggestion:

Agencies with multiple employee grades and deep hierarchy can combine 2 levels and input a single cost/per employee by simple average

Step 3

Refer to Annexure 5- Project Time Cost (Process owner- Project teams preparing cost-to-client)

- This is part of the main project cost sheet; this will reflect the actual Time cost to be charged to clients for each project
- Teams preparing this sheet need to input the names of employees working on a specific event and the roles they are playing- Role/Responsibility column
- Referring to Annexure 6 (Employee Cost Grid) they input cost per hour for each employee
- No of hours/No of days have to be incorporated based on each employee's time commitment to the specific project (PS: Also consider hourly time commitment towards client meetings, internal meetings for the project, demos, rehearsal time, show day, post event reports, etc.)
- Estimate of time that would be spent will need to be based on previous Virtual Events executed by the agency. Agencies who haven't done a virtual event would need to make some assumptions based on scope/scale and arrive at the employee/project time commitment; maybe good to consult industry colleagues or tech partners too.
- This step will give you Total Time Cost per person and a total of all time to be spent by all manpower/employees will give you Project Manpower Time Cost (Please add the Tech team>Show Producer time cost>Show running time cost)
- Imp: Thereafter, the total project time cost (X) would need to be multiplied by a Multiplier number, recommended *multiplier for the industry is 2.5X- 3.5X*
- Multiplier:
 - o This is a standard variable applied by peer industries such as PR, advertising, business consultancy, hence most clients are already used to a multiplier
 - o Multiplier is used to cover all other cost elements of the agency that follow under the indirect cost in the company P&L- Office Rent, Electricity, Internet costs, Consumables, Management Cost, Support Staff cost- HR, Admin, Finance, Audit costs, Commercial, Legal, business licenses, Software licenses, etc.

The Multiplier should also cover the profit for the company for the services provided by the company

Suggestion:

For indirect cost examples please refer to annexure 7 bottom left

Do not bring down multiplier beyond a point as you will end up working on projects with negative profitability; it is important to analyze your indirect costs and then decide the ideal multiplier for your company.

Cost effective ERP systems/software can be used for time tracking, this can be an efficient process E.g. www.hubstaff.com or www.toggl.com are some examples

PS: EEMA doesn't endorse any of these platforms; you may choose or develop your own system/platform.

STEP 4

Refer to first worksheet- Top Sheet (Process owner- Teams preparing the cost sheet)

- This is the only sheet that will be presented to clients. Optionally, Annexure 4- Creative Fee detailing & Annexure 5- Project Time cost worksheets can be presented along with the Top sheet
 - This will have three broad parts:
 - o *Part A: Cost Elements – All elements which is a cost to the agency for that specific project (Refer to A to H in the Top sheet)- No line item/detailed costs to be presented for each element. Inclusions can be defined against each element*
 - o *Part B: Agency Fee/Agency Remuneration- Total of Creative Fee (Refer to Annexure 4) plus Project time cost with Multiplier (Refer to Annexure 5)*
 - o *Part C: This will be the total project cost payable by a client. Total of Part A & Part B*
 - GST will be additional as per govt norms applied on Part C total
 - Annexure 1, 2, 3 are only given as reference to agencies to identify elements to include in the top sheet as part of the inclusions. No line item costs need to be presented to clients as most of this will be bulk costs.
- Other clauses/terms can be captured at the bottom of the Cost Top Sheet.

Advantages of the New Cost Template

Agencies

- *Right remuneration for the effort put in for a virtual/hybrid event*
- *Increases efficiency of employees and helps in identifying redundancy*
- *Tracks employee efficiency thus enhancing the overall agency efficiency*
- *Helps with better cost management on projects and company*
- *Saves time and effort on preparing cost template, anyone with the manpower cost grid can make cost sheets, time saved is money gained!!!*

Clients

- *High transparency on cost*
- *Almost real-time tracking of agency time on the project and helps in better efficiency*
- *Once the key elements are closed - Cost per employee and Multiplier - these can be used for long term thus avoiding wastage of time in negotiation of each project*

EEMA NOTES

EEMA strongly recommends all member non-member companies to immediately implement this comprehensive and effective Cost Estimate Template for Virtual/Hybrid events cost that has been developed by industry leaders who have dedicated their time and effort to develop this very effective, flexible and transparent cost format.

EEMA will like to thank our members who were involved in this exercise. This initiative has been led by

1. *Navneeth Mohan*
2. *Amit Gupta*
3. *Siddharth Ganeriwala*
4. *Jai Mundra*
5. *Daryl Sheldon*
6. *Srikanth Murthy*
7. *Sachin Talwar*
8. *Ranjit Raina*
9. *Sabbas Joseph*

NOTE: THE MASTER COST TEMPLATE EXCEL IS ATTACHED WITH THIS DOCUMENT.