

Methodology - Event ROI

Measuring event ROI

Everybody is talking about measuring the return on investment (ROI) in meetings and events, but what is it? Can you really measure the results of a meeting or event in real money values? And even if you can, how is it possible to isolate the results from other influences? Sales may go up after a product launch, but how do you know it was not due to the new advertizing campaign, a general business upturn, the launch of a better product or the competition not doing so well?

The simple answer is yes, you can convert meeting and event results to money values and you can isolate the results from other influences. The not so simple answer is that it depends on how much money and time you have and what degree of accuracy you need for the answer. And ROI measurement is a lot more than just returning a number. Read on and you will understand what I mean.

What is ROI?

Return on investment is just what it says, the return on the investment. How much did you invest and how much did you make? If you invested €100.000 in a meeting or event and increased profits from sales or reduced costs by €150.000 as a result, you have made €50.000 worth of profit, which is 50% ROI. There is no magic about it, it is just a percentage of the net profit over the investment. If you want the simple formulae, here it is:

(meeting results – meeting costs)

----- X 100 = ROI

meeting costs

Why do I need to know?

Companies, associations, governments and other organisations spend vast amounts of money on meetings and events. Some are aimed at customers, communicating the marketing message through face-to-face communication instead of advertising, direct mail, the web, or other elements of the marketing mix. Others have an internal audience, like informing and inspiring the sales force or the management team. And much of the time we don't really know if it is worth the money. So when the organisation is not doing so well and money is short, meeting and event budgets get cut. Money saved is money earned. Maybe the opposite is true, when times are bad we should perhaps spend more money on meetings and events to recover more quickly, but we just don't know.

More than a number

ROI is always a percentage figure based on real money values for revenues and costs. But the number on its own will not do the trick. Imagine telling management "our customer event returned 75% ROI, which makes it an excellent investment and I think we should therefore spend more money and invite more customers next year." They are not going to take your word, or your number, for it just like that. How did you calculate the income? How do you know that the results you have measured were created by the event alone and not influenced by other factors? Your number is not credible until you have told the whole story. It is your story, not just your number,

which will convince them.

Not quick, cheap and easy

Calculating the ROI takes a lot more than just adding a few more questions to your meeting evaluation form. After all, you are going to convert meeting results into monetary values and you have to make sure that results you measure come from the meeting itself and not some other influences. What we call a ROI impact study is a scientific research exercise, using sound and well proven research methodology. The cost can vary a lot, but as a rule of thumb you need to spend 2 – 5% of your meeting or event budget to do a proper ROI measurement. This means that you will not try to measure the ROI in every meeting or event. You will focus on those which are high profile, high spend or strategically important, where it is really important to know if your money is well spent.

A well proven method

Thousands of meeting ROI studies are done every year. This may surprise you. Why haven't you heard about them? The reason is that nearly all are done in the area of staff training. Training managers have measured ROI for more than 20 years. But meetings for the purpose of training are not really different from other kinds of meetings. This is good news for the meeting and event industry. We just take this wealth of knowledge and experience and apply it to the full range of meetings, events, exhibitions, and other kinds of face-to-face activities.

The Phillips ROI methodology

The leading 'guru' of ROI measurement in training and meetings and events is Jack Phillips of the ROI Institute, Inc. He has written or edited more than thirty books and hundreds of articles on the subject. More than 2000 people in 40 countries have been certified in the use of his methodology. He was introduced to the meeting and event industry by MPI – Meeting Professionals International, the world's largest meeting and event industry association.

The Phillips ROI methodology is a 10-step process supported by 12 guiding principles. The model and guiding principles are also the script of your story, explaining to management why your ROI figure can be relied on for making management decisions.

The five levels of measurement

At the heart of the Phillips methodology are the five levels of evaluation, illustrated in the pyramid below. We have to set meeting objectives and measure the results at different levels before we get to the end result, the ROI calculation.



At the first level, we measure *reaction, satisfaction and planned actions*. Was it a good meeting, was the venue good, were the speakers good, was the meeting relevant to your job, will you use what you learned, etc.

At the next level, we measure *learning*. Every meeting or event has a learning objective. You want the participants to leave with a new skill or new knowledge. Learning is often measured by tests before and after the meeting, maybe weeks or months after.

But learning is of little value if you don't use what you have learned. At the third level we measure *application*. How did you use what you learned?

Doing something different only has value if it helps achieving your organisation's objectives. At the fourth level we therefore measure *impact*. The results you create by doing something differently.

The impact is what we may convert into a money value in order to calculate *ROI* at the fifth level.

Here is an important part of your ROI story. If the ROI is high, it is probably because the meeting was good, the speakers were good, and the participants actually learned something which they applied in their jobs in a way which had a positive business impact on their organization or the meeting organizer. Conversely, if the meeting was bad, the speakers did not really talk about something that was new and relevant, then little was learned and applied in a way that had a positive business impact.

Isolation and conversion

The greatest challenges are often to isolate the effects of the meeting or event from other influences and converting results into monetary values. Luckily, there are many methods for doing both, methods which are tested and verified in thousands of ROI studies over many years. Isolating the effects of a meeting by using a control group, for example, is a very good and reliable method. It involves comparing two carefully selected groups, one which attended the meeting or event and one that did not. But this method is often expensive and not always practical. Simply asking the participants is a much cheaper method. You will be amazed how much the participants can tell you if you know how to collect the information, and their estimates are often surprisingly accurate. This goes for both the isolation of meeting results and converting those results into monetary values.

Intangibles

At the end of the day, there will always be some meeting benefits left unaccounted for. Even if you

could select a method for converting them into monetary values, it is not worth the time and money to do so. Your ROI percentage figure is a minimum, the intangibles come on top.

The amount of time and money you spend on the ROI impact study is entirely dependent on the need you have for an accurate estimate. If you need a certain ROI to justify next year's budget, it will probably make no difference if it is 50% plus some intangibles or 75% plus some fewer intangibles. Maybe you only need to know if the ROI is positive or negative and it has no consequence in practice to provide a more detailed analysis.

The ROI on ROI

Irrespective of what ROI you get and how far you go in terms of turning intangibles into hard money measurements, the benefits of doing a ROI impact study nearly always outweighs the costs. The methodology forces you to identify the precise objectives of different stakeholders and you will have to apply these at the different levels of measurement. You will know afterwards how and where your meeting or event generated value. Armed with this knowledge, you are bound to make it a better event next time around.

Conclusion

Meetings and events are one of the last major items of controllable expenditure still avoiding management accountability. Many meeting planners are already finding that procurement and finance take a greater interest in how they spend the money. This is a great opportunity, not a threat, because procurement and finance are familiar with ROI measurements in many other areas of management decision. They will probably be very interested to join your event ROI measurement project.

Źródło: <http://www.eventroi.com/>