

COVID-19 BUSINESS IMPACT STUDY

A GLOBAL EVENTS INDUSTRY PERSPECTIVE

Customers will
never love a company
until the employees
love it first

- Simon Sinek

NIIRAM



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A GLOBAL EVENTS INDUSTRY PERSPECTIVE

A study into the events industry and the stance it may take over the next 6 to 12 months. The report covers business impacts and potential organisational restructuring, taking account of the Covid 19 environment and global economic contraction predicted by the International Monetary Fund and the Organisation for Economic Cooperation and Development (IMF, April 2020; OECD, June 2020). According to the IMF, advanced economies will see a negative growth average of -6.1% in GDP in 2020. Emerging markets, developing and low-income economies that rely less on service industries are predicted to be impacted to a lesser extent with a GDP reduction of -1% in 2020. The OECD is predicting that the 33 major economies it represents will see a 6% economic contraction in 2020. The report data indicates challenging times for the events industry in the short term. However, a global economic bounce back is predicted in 2021 that may help the industry.

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THEMES:

SURVEY RESPONDENTS PROFILE

INDUSTRY OUTLOOK

STAFFING MANAGEMENT

BUSINESS PREMISES MANAGEMENT

CAPITAL MANAGEMENT

MANAGEMENT DISCUSSION POINTS

The research survey was carried out by Dr James Morgan,
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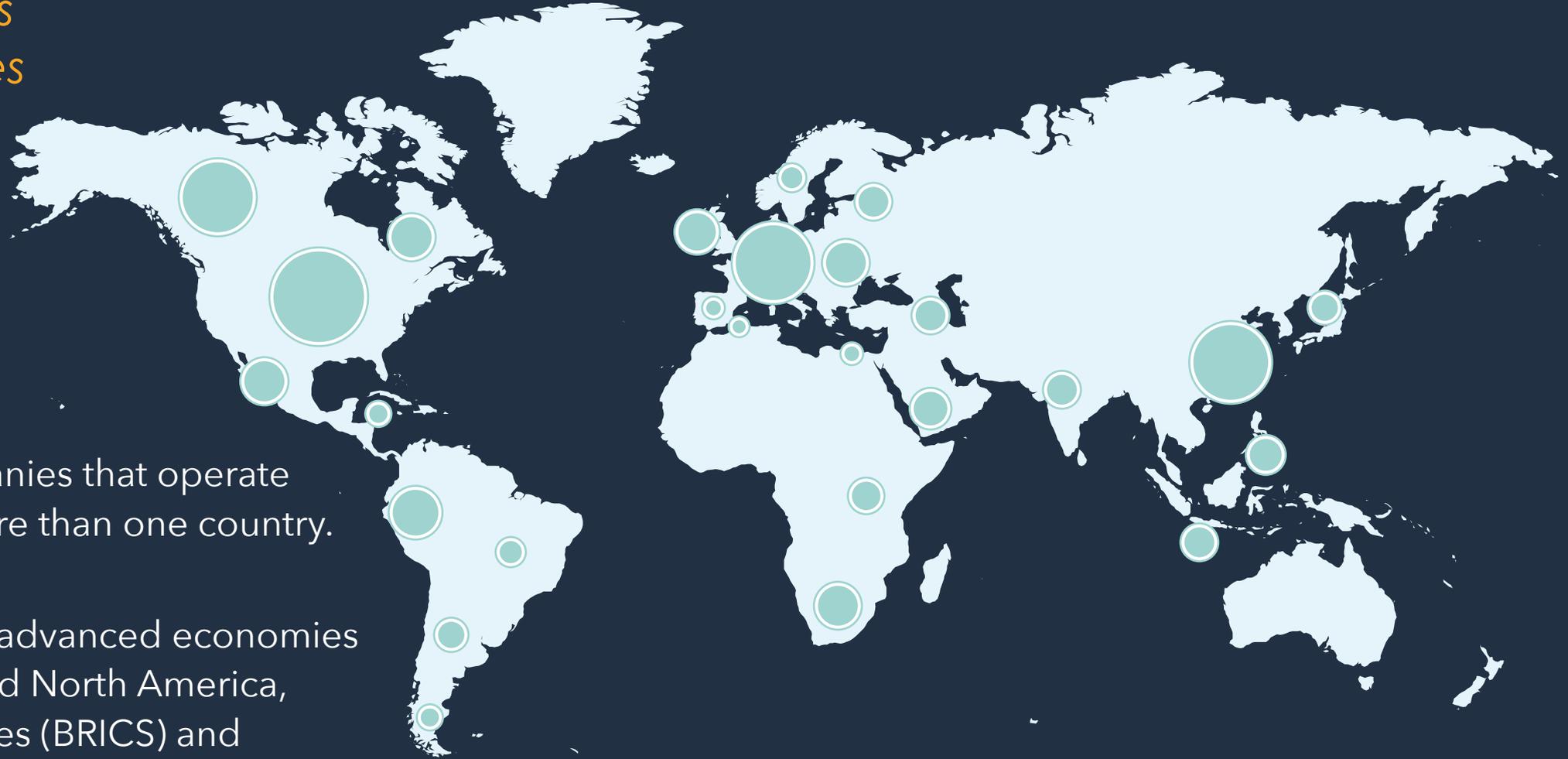
Special thanks to the team at GMID Goes Virtual and Meetings Mean Business Canada.

RESPONDENTS PROFILE

675 respondents
from **59** countries

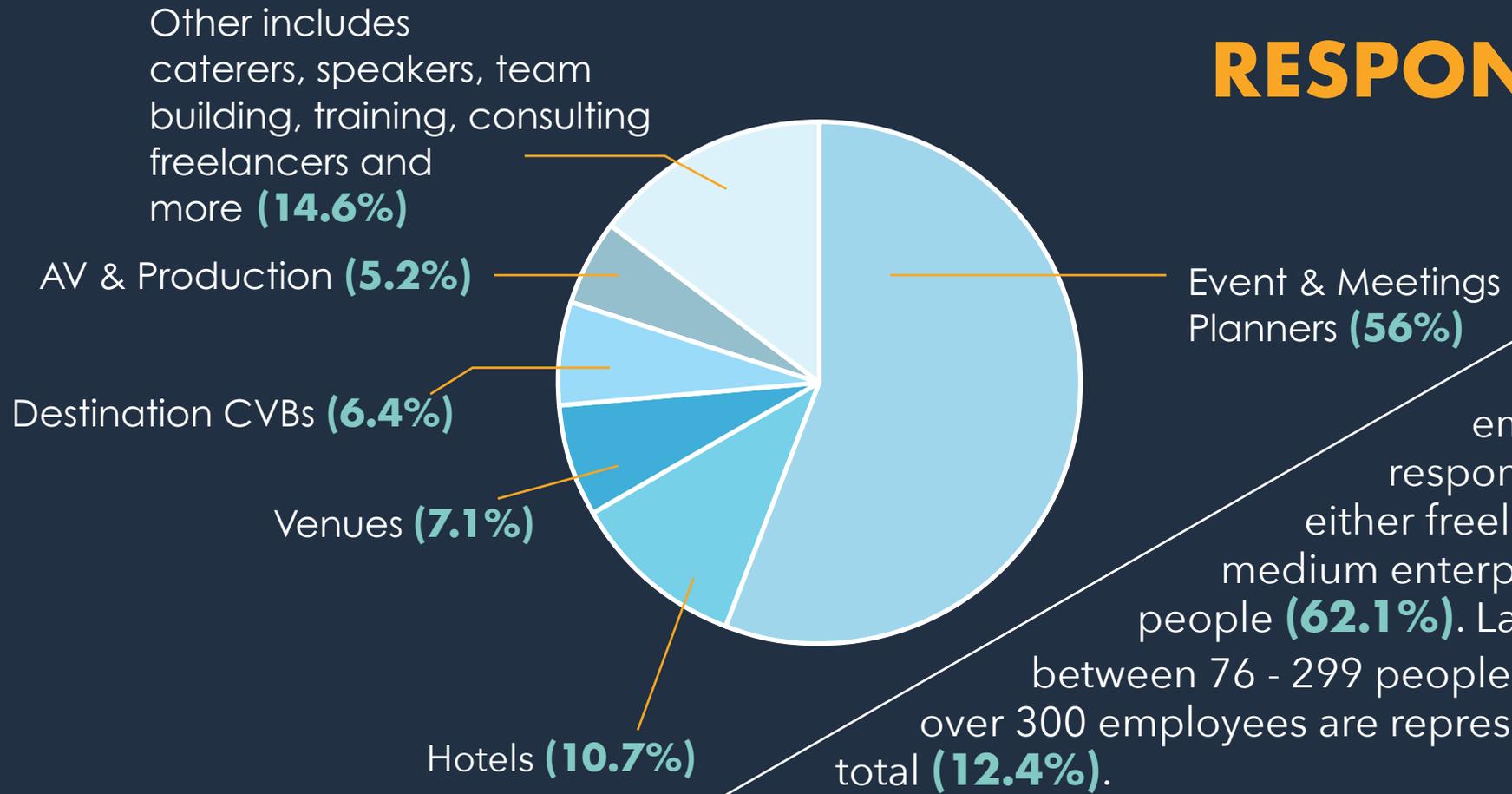
30% work for companies that operate satellite offices in more than one country.

Representation from advanced economies - mainly in Europe and North America, developing economies (BRICS) and low income economies including Cambodia, Honduras, Kenya, Nepal, Sri Lanka, Vietnam and Zambia.

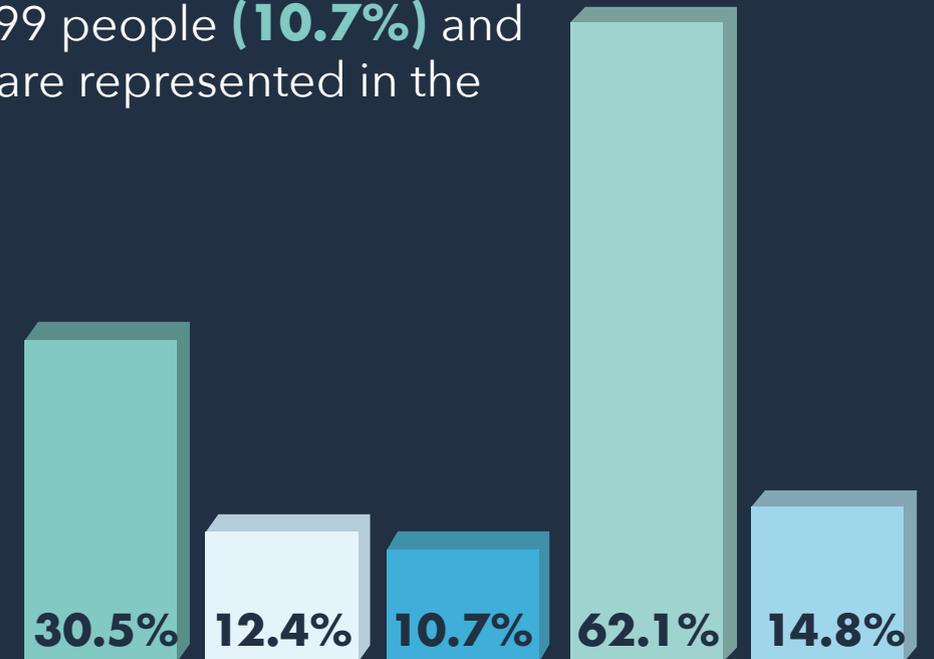


RESPONDENTS PROFILE

87 different professions



There is a large variation in company size based on employee figures. The majority of respondents reported that they were either freelancers (14.8%) and small to medium enterprises (SME) employing up to 75 people (62.1%). Larger companies employing between 76 - 299 people (10.7%) and over 300 employees are represented in the total (12.4%).



INDUSTRY OUTLOOK

The Backdrop

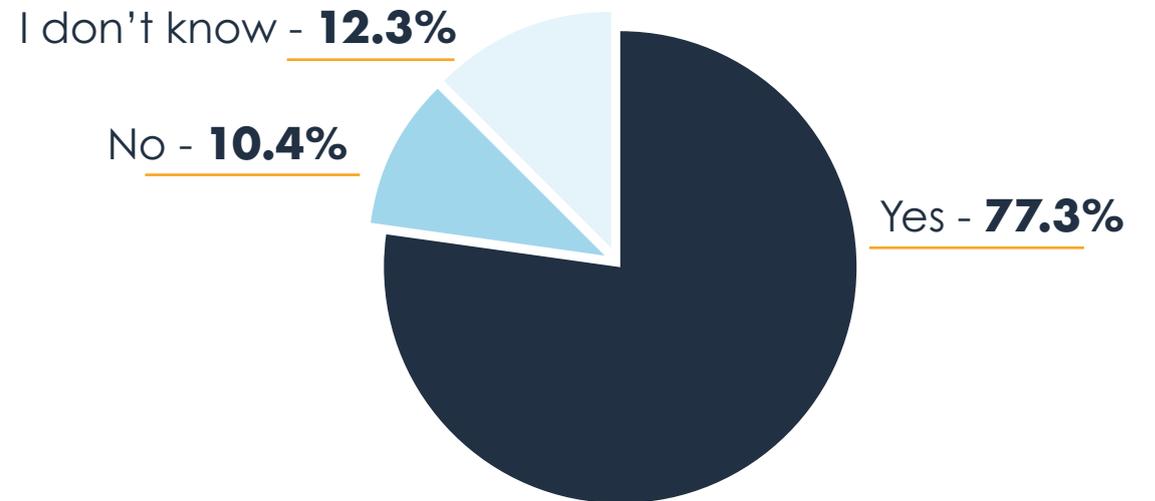
The events industry needs to take into account that the IMF's negative GDP predictions are across all industries. The majority of respondents (**77.3%**) indicated that companies should be planning for a recession in the short term over the next 6 - 12 months.

In general economies with strong service industries and especially, cultural, tourism and travel industries will see an amplified negative impact.

Looking at how companies should reconfigure their staffing, fixed premises costs and capital requirements is a crucial management consideration.

Pricing strategies will impact on capital management.

Do you feel that that the business is going to have to plan for a recession in the short term?

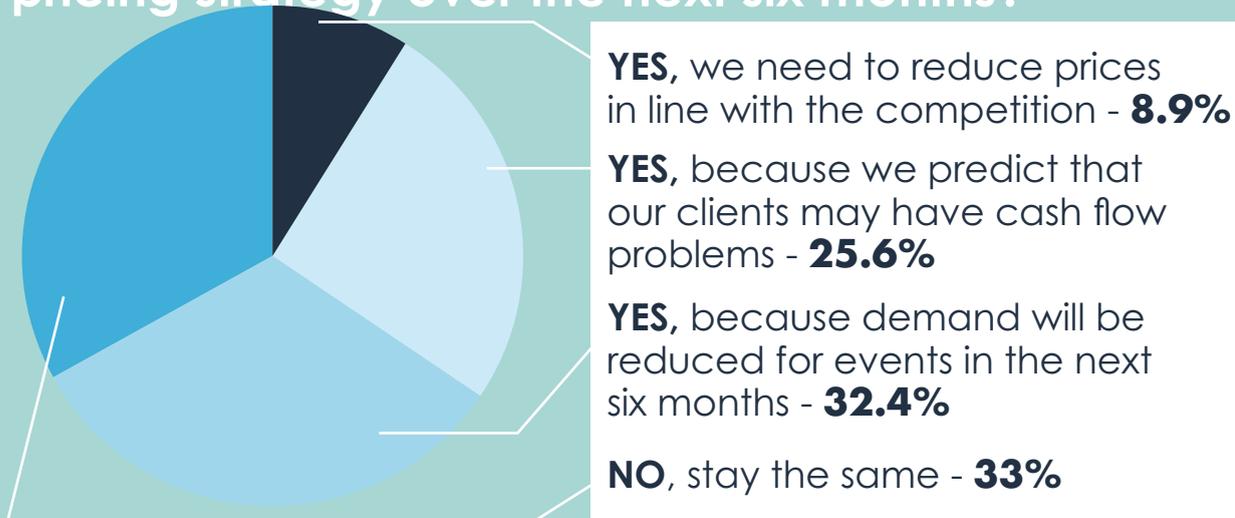


INDUSTRY OUTLOOK

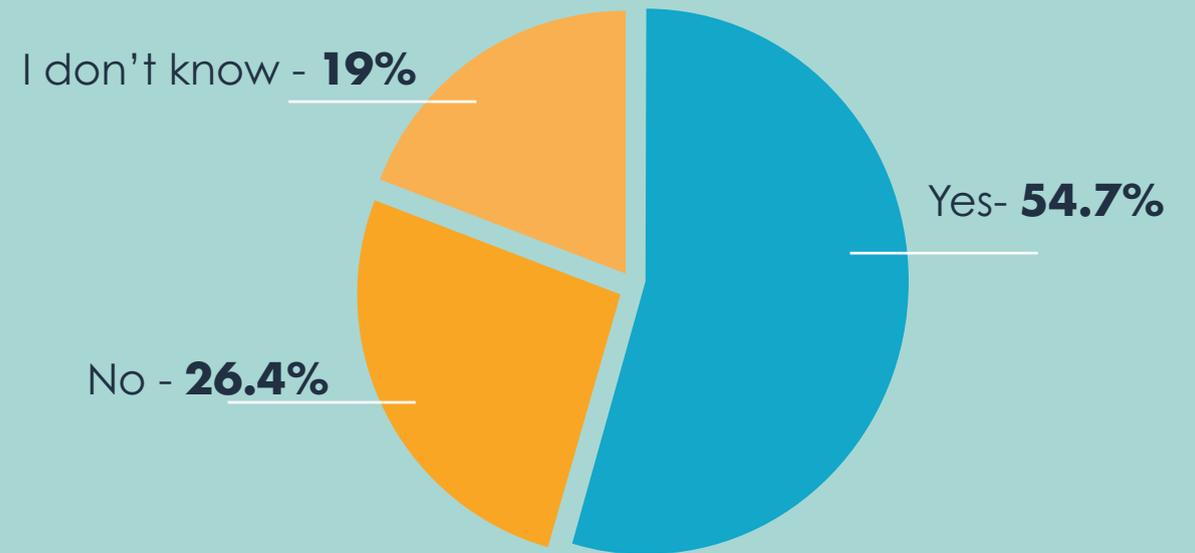
Pricing Strategy

The pricing of event products and services in a recessionary period is a sensitive issue as revenue streams need to cover fixed and variable costs. **66%** of respondents acknowledged a downward change in pricing is needed. Other industries are also facing operational issues fuelled by lack of demand and cash flow problems. Therefore, the industry needs to be sensitive to its client base and its constraints. **8.9%** of respondents felt that their competition would be reducing prices and they would have to follow suit.

Do you think you need to change your pricing strategy over the next six months?



Has the business sufficient funds for the next six months to get through the pandemic and predicted recession?



Nearly **one third** of respondents acknowledged that demand for events and associated services will be reduced. This needs to be considered alongside the fact that just over **45%** of respondents are predicting a definite lack of funds or are uncertain about funds being available to support the business.

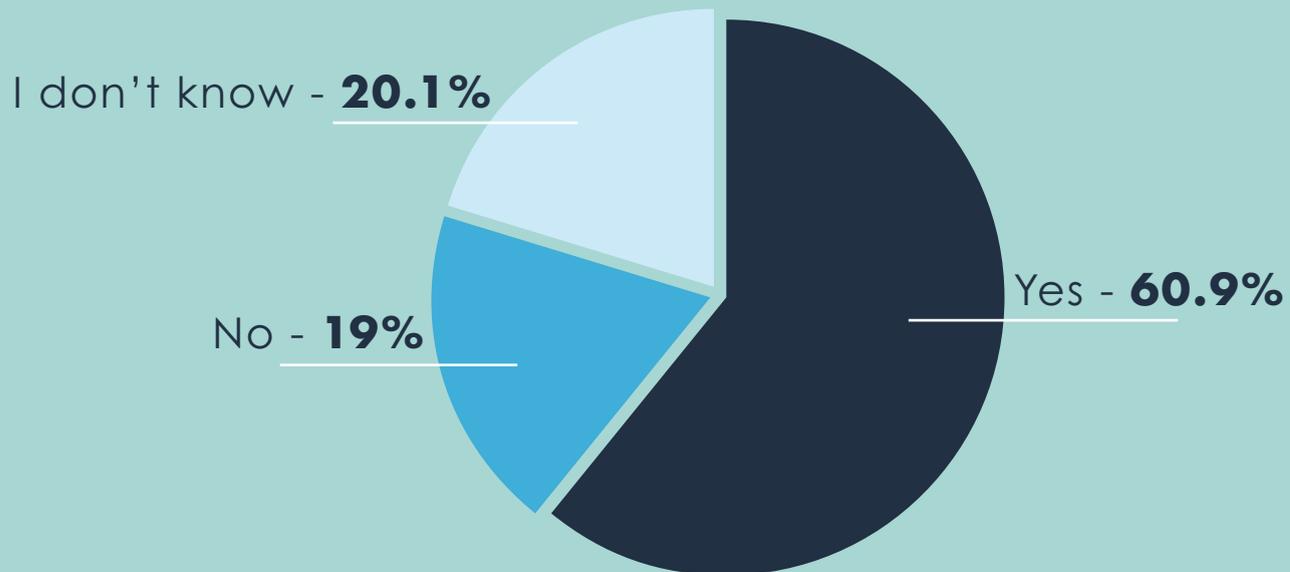
INDUSTRY OUTLOOK

Commentary

Nearly **40%** of respondents were uncertain that the business they are associated with will exist within the next six months. *It is clear that uncertainty in the events industry is a major issue right now.*

Many of those surveyed about their current business models saw a pivot to virtual events now, and hybrid events as a necessary strategy once live events start again.

Do you think that the business you are associated with will exist (in its current form) in the next six months?



Uncertainty on pricing models needs to be balanced against demand. Representatives from some of the venues, AV and production companies who currently have unused capacity, and predict that capacity will not be fully used in the next **6 - 12** months are uncertain of their survival. However, remedial actions in terms of reconfiguring staffing, business premises and capital management, may alleviate some negative financial impacts or business failure.

The industry is also going to see business valuations decrease, mergers (vertical and horizontal), acquisitions and new share issues may happen over the next six to twelve months too.

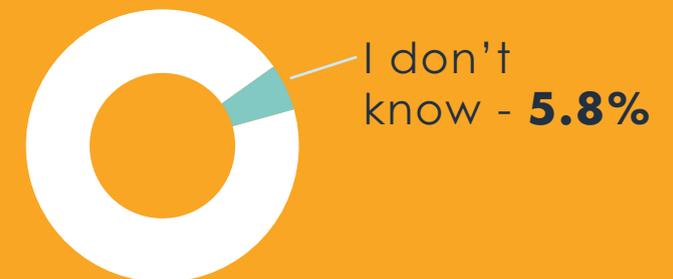
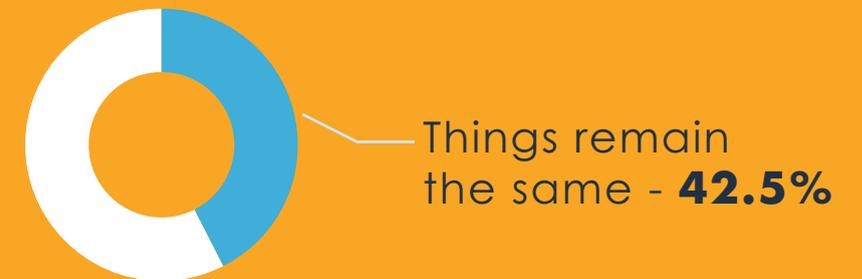
STAFFING MANAGEMENT

Furloughs & Lay-Offs

Staffing cuts and furlough strategies have been implemented. Cuts will continue for the next **6 - 12 months**. Nearly **26%** of respondents have furloughed full time employees, whilst nearly **13%** of companies have let full time employees go. Some furloughed employees will be made redundant in the short term. Part time employees have also been let go or furloughed.

A positive indicator: 42.5% of companies had not made any staffing changes as at 17 May 2020.

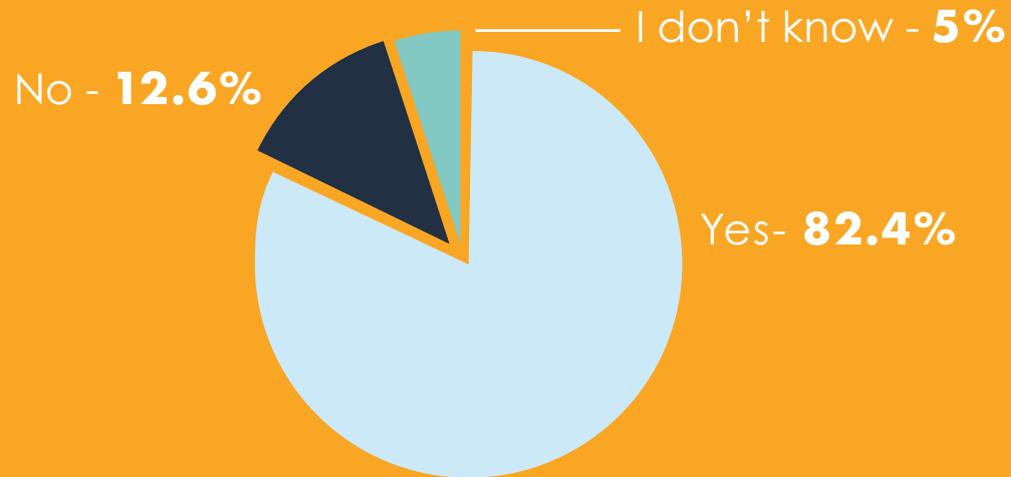
It should be noted that a dynamic situation exists on controlling direct costs, therefore fluid management actions in a fast moving environment may have altered the figures in the last 4 weeks.



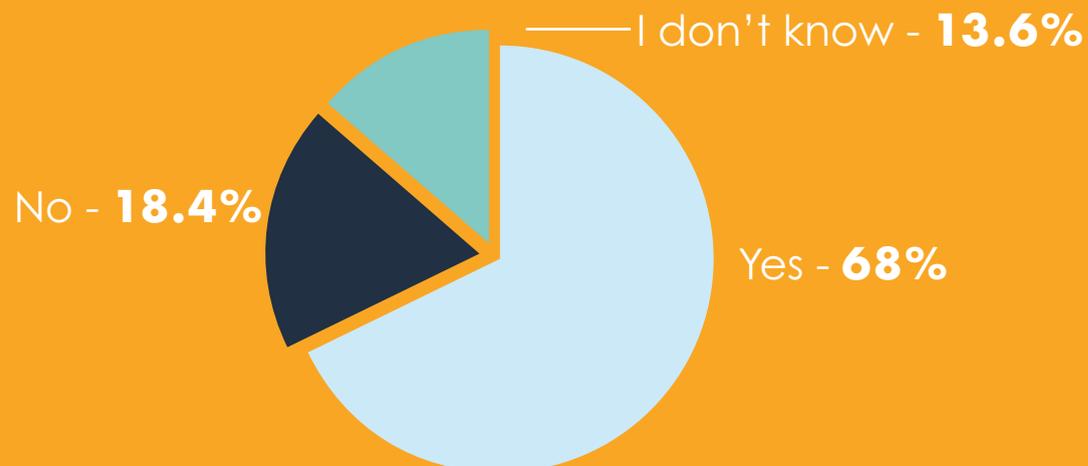
STAFFING MANAGEMENT

Home-working

If employees and freelancers have been working from home, do you consider this an efficient working practice?



If YES, would you see this as a future way of working?



Flexibility in terms of working locations was questioned in the survey. Respondents were asked about working from home in terms of efficiency.

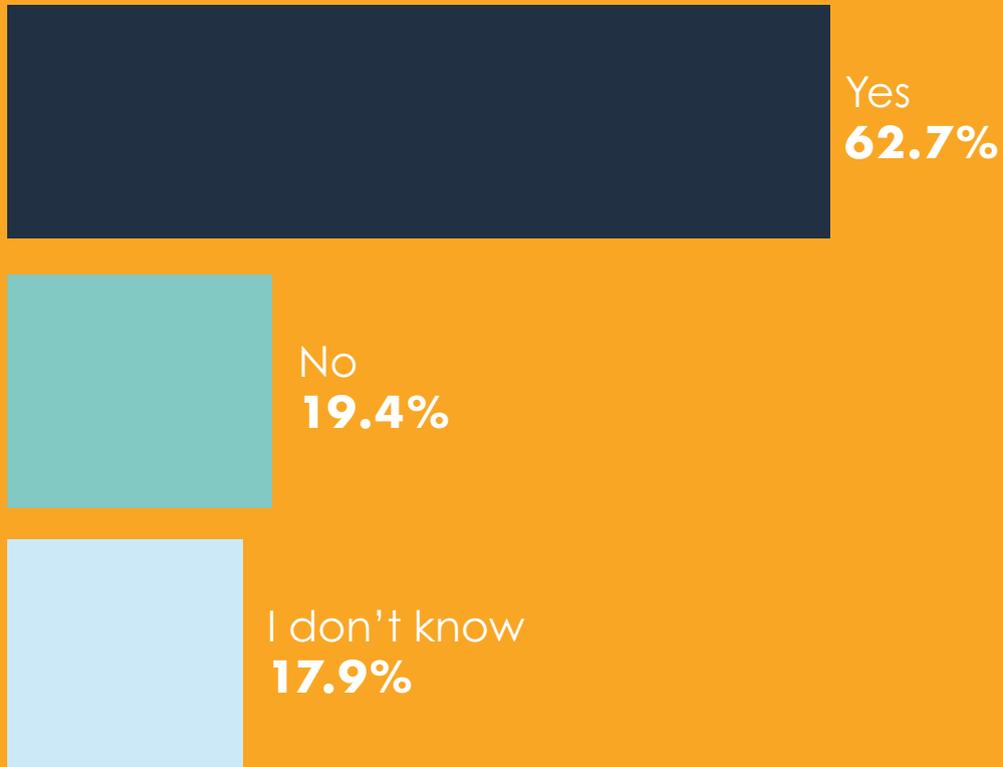
82.4% feel working from home is efficient, indicating that their geographic location was not impacting on their productivity and quality of work.

Notwithstanding freelancers who mostly work from home already, employed event professionals often work on site at events. **68%** of respondents feel that working this way in the future is acceptable. This indicator will have an impact on cost management.

STAFFING MANAGEMENT

Commentary

Will the business have to reorganise the way in which labour costs are managed over the next six months?



With nearly **63%** of respondents indicating that staffing costs needed to be reorganised over the next six months, agility is needed in HR strategies to ensure business survival.

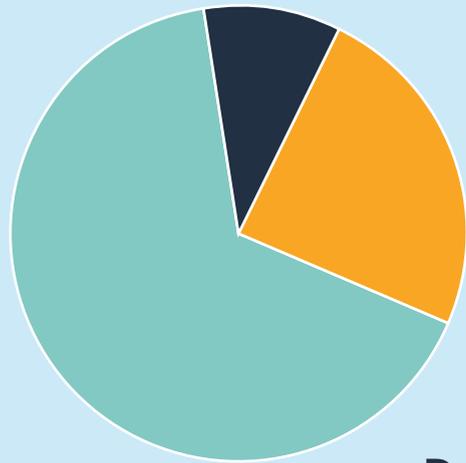
Staffing flexibility in terms of numerical flexibility (how many people are required to complete daily tasks) and functional flexibility (how many different functions can a particular person carry out) is not a new practice in the events industry. This is related to financial flexibility and how remuneration is adjusted in line with the supply and demand for labour within an organisation and the wider economy.

In the past, companies have invested in training to equip staff for better functional flexibility. *Working from home demonstrates functional flexibility too.* Numerical flexibility based on contract types has aided in better control of fixed staffing costs. In countries where labour laws are less stringent numerical and financial flexibility is easier to implement with actions taken to manage freelancers, short contracts, demand based labour costs and other labour supply aspects such as enhancing employee skills.

BUSINESS PREMISES MANAGEMENT

Spatial Efficiency

Do you feel that the business makes efficient use of current office/business space? (pre-coronavirus)



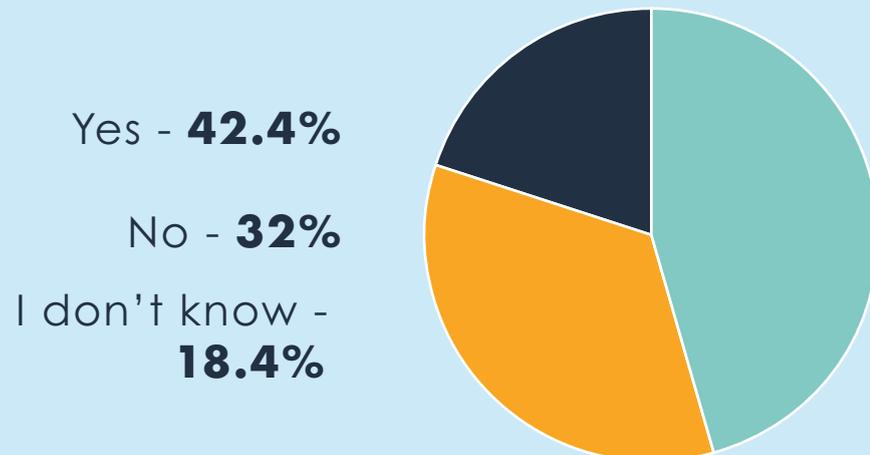
I don't know - **9.8%**

No - **24.3%**

Yes - **65.9%**

Respondents were asked for their opinions on how efficiently business spaces were utilised. This aspect was questioned in order to get an idea of how the costs of mortgages and rentals could be impacted by a recessionary environment in 2020.

Do you think the business would consider downsizing premises in the future?



Yes - **42.4%**

No - **32%**

I don't know - **18.4%**

Whilst **65.9%** indicated that business premises were used efficiently before home working, **42.4%** surveyed stated that they would consider downsizing office spaces.

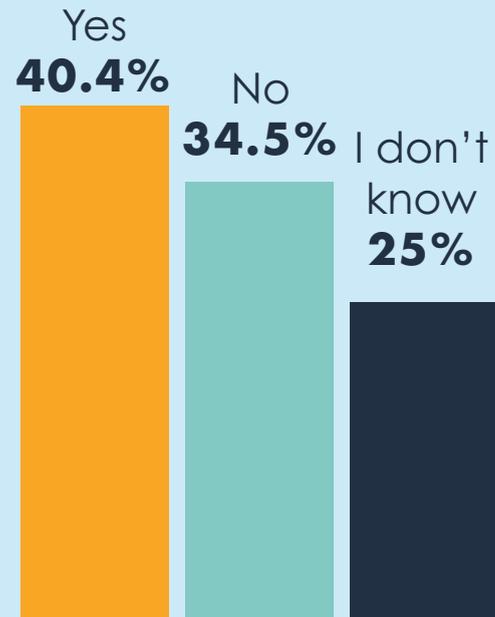
This indicated downsizing of office space is firmly on the management agenda.

BUSINESS PREMISES MANAGEMENT

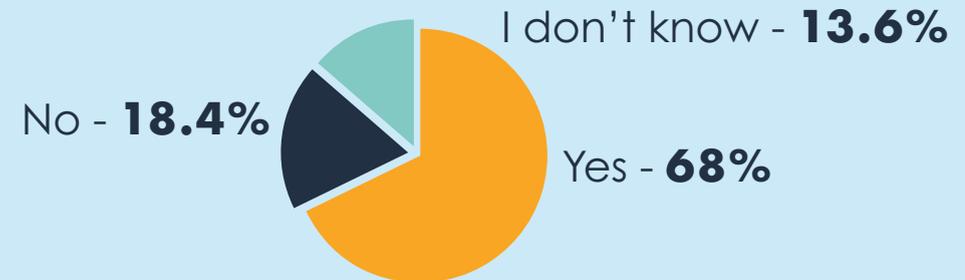
Commentary

More than than half of respondents indicated that money needs to be saved on mortgage or rental costs. Many respondents stated that working from home is acceptable. This correlated to the majority of respondents that think rent and mortgage savings are fundamental to surviving in a recessionary period.

Will the business have to reorganise the way in which rent and mortgage over the next six months are managed?

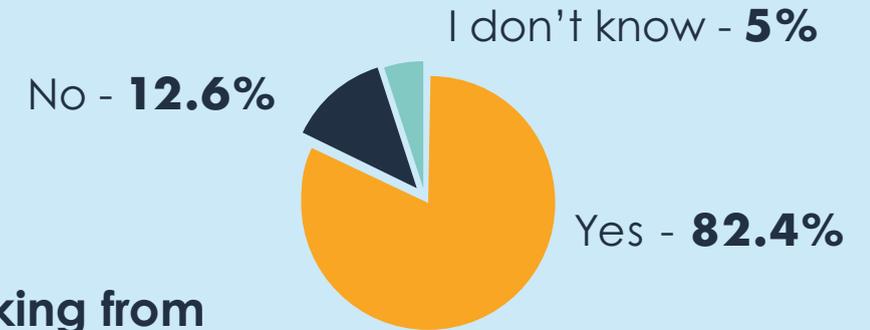


Would you see working from home as a future way of working?



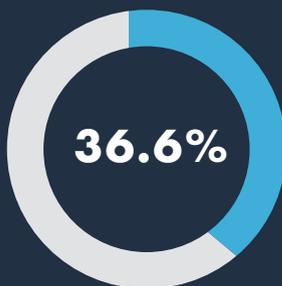
Since **68%** feel that working from home is acceptable, this indicates that management actions will be taken to downsize by moving in the near future. Leases that are ending in Q2, Q3 and Q4 may not be renewed. Mortgage holders may start office sharing with other companies or freelancers. Property sales may be necessary. However, downsizing is not an option for all areas of the industry. Venues cannot downsize. AV and production companies who naturally need storage space may have to relocate to cheaper premises.

If employees and freelancers have been working from home, do you consider this an efficient working practice?

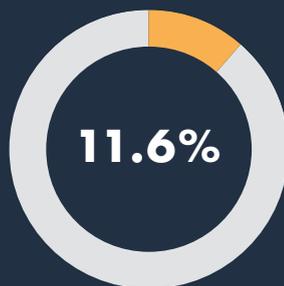


Has the business taken advantage of a government loan scheme to get through the crisis?

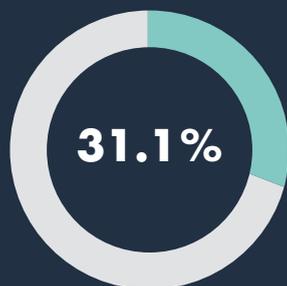
Yes, we applied and will get help



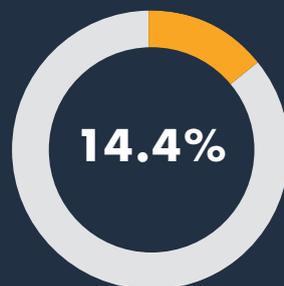
No, we haven't applied, but will do in the future



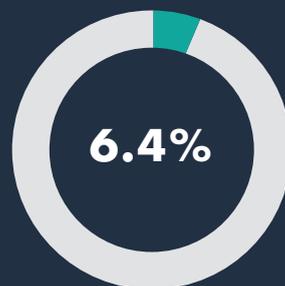
No, we won't be applying



A scheme doesn't exist right now



Yes, we applied, but were refused help



CAPITAL MANAGEMENT

Government Backed Loan Schemes

Due to respondents indicating that they had a lack of sufficient funds to ensure survival in the current form; they were asked about taking advantage of government backed loan schemes. Nearly **50%** of respondents have applied or will be applying for government loans. Some respondents indicated a positive cash flow position (**31.1%**) and will not be applying. Companies that are in a strong cash flow position may have already reduced labour and other direct costs. Furthermore, this may give these companies a competitive negotiation advantage in terms of mergers and acquisitions and make the likelihood of redundancies less pressing in the future. But, this depends on demand patterns over the next 6 - 12 months. Conversely, **14.4%** stated that a government backed loan scheme did not exist in their country. These respondents were mainly from countries categorised as developing and low-income economies.

CAPITAL MANAGEMENT

Traditional Bank Loans

Nearly **30%** of respondents indicated they are not sure if they will take out a bank loan. This uncertainty is linked to data indicating **57.8%** of respondents think they will have sufficient funds to cover costs over the next six months; or have/will apply for a government backed loan.

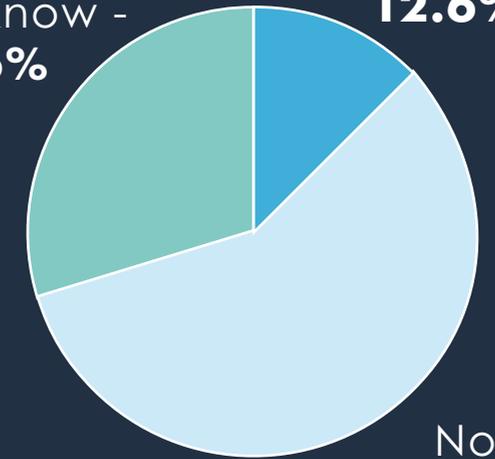
Only **12.6%** of respondents indicated that they will take out a commercial bank loan. This may be because they have been turned down by government backed schemes or a government scheme does not exist in their country.

Nearly **40%** are very uncertain as to the length of the recession and funds they will need to stay afloat.

Has the business applied to borrow money from a bank?

(not part of a government scheme) to have sufficient funds for the next six months to get through the pandemic and loss of revenues?

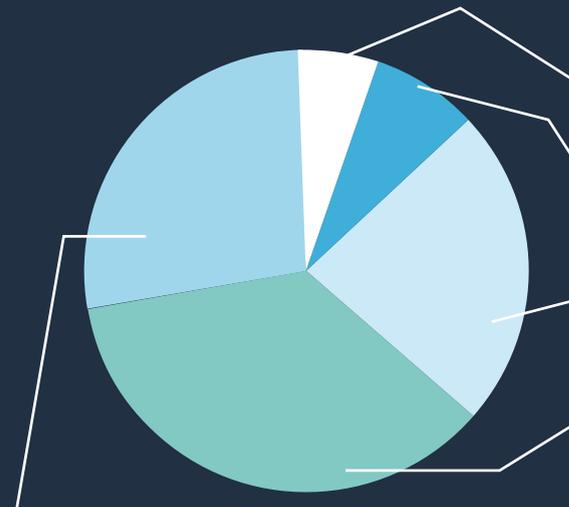
I don't know -
29.6%



Yes -
12.6%

No -
57.8%

Do you think it's realistic that borrowing money to finance a business over the next six months is going to be sufficient?



YES, covering six months is fine for the business to start making a profit again - **5.5%**

YES, covering six months is fine for the business to break even - **7.6%**

MAYBE, I'm not sure that the borrowed funds will be sufficient - **23.6%**

NO, things are going to be depressed for longer than six months - **35.9%**

MAYBE, I don't know - **27.6%**

CAPITAL MANAGEMENT

Commentary

With cash reserves and loans being used to stabilise many companies, most investment plans are on hold in the short term. Due to economic uncertainty, companies will wait to see how global and national demand develops. Continued constrained demand will impact pricing and cash flow.

However, some cash rich companies that have long term confidence may look to buy up competition as some company valuations decrease. Cash reserves held by companies will be nurtured in some cases until confidence returns to the global economy. With **two thirds** of respondents predicting a longer recession than 6 - 12 months, expansion in activity and growth into 2021 is not certain.

Pricing for live, virtual and hybrid events and event services will be questioned by buyers, impacting cash flow. Cost-based and breakeven based pricing models will come to the fore. However, interest rates for borrowing as well as saving will reduce and negative interest rates may be seen in some economies.

Will the business have to reorganise the way in which capital requirements are managed over the next six months?

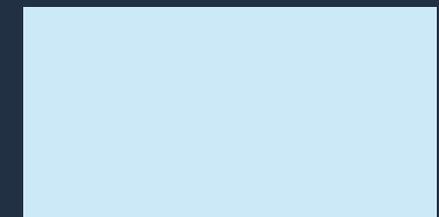
Yes
49%



No
22%



I don't know
28.8%



MANAGEMENT AGENDA

Staffing

- Strategy based on predicting demand patterns in the next 12 months and staffing levels needed to meet demand.
- Flexibility in terms of numbers required, multi function roles adaptability as well as replacement of some staff with less experienced/qualified/skilled alternatives to lower staff costs.

Business Premises

- Home working balanced against working space.
- Alternative and/or temporary work space sharing, downsizing of premises and relocation of premises.
- Sale of leases, property assets and inventories to increase cash flow.

Capital

- Balancing loan repayments with short term demand predictions.
- The balance of potential mergers and acquisitions against realistic company valuations.
- Demand management through pricing realignment.
- Overall cost reduction strategies in the short and mid-term to allow competitive pricing.

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