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Press Release

Metrics and Business Cases for Experiential/Event Marketing Concepts

The experience and event marketing industry has much to learn with respect to building a viable business case when funding new ventures. Seminar speakers blithely advise tapping corporate advertising budgets for project funding, as if some monstrous ad agency will roll over and allow that hard-won billing to slip through its fingers. Advertising dollars are not easy to come by, even for ad agencies.

Creative types, developers and promoters are somewhat naïve in their approach to acquiring corporate sponsorship or marketing funds. Those dollars come from the same basket of cash for which many other advertising and marketing entities fiercely compete. Further, that cash is in short supply as corporate earnings tank.

It's more important than ever to understand and appreciate the level of accountability and validation required to attract and retain corporate dollars.

In most cases, the creative and production aspects of corporate advertising are audited and vetted in advance. Media buys are scrupulously monitored and analyzed before and after the fact. No corporate advertiser will commit to a significant expenditure without a detailed business case. This is the reality of corporate marketing and advertising. It extends to the experience industry, as well, whenever corporate dollars are identified as a potential source of funding.
It is as likely to apply to government and private investors who retain consultants to review proposals.

In the unlikely event that an experiential concept makes it through the corporate minefield, its fate will be quickly and ruthlessly decided by applying some form of ROI to the premise. If that return is not in line with client expectations, the concept is dead. No amount of salesmanship or pretty renderings can save it. The project lives or dies based on the business case.

The first step in developing a business case is to establish costs. For example, if a creative concept is targeted at the kid market, the advertiser will demand to know every possible cost that can accrete to the project, from startup to its dying day, in mind-numbing detail. That total dollar amount is divided by the projected number of impressions to create a CPM (cost per thousand) figure. This CPM is compared to other media. If that CPM figure is too high, the advertiser has many other, proven channels at a lower cost to choose from.

But, let's assume the CPM falls in line with client expectations. The next step is to establish acceptable metrics. This is where the experience industry falls short. There is no industry standard or metric model for the industry, such as the Gallup or Harris model for outdoor advertising. In these mathematical models, all the variables are arranged in a manner that gives the advertiser a clear picture of the reach, frequency, gross impressions, retention, etc. They are intrinsic to the process of evaluating a buy, and ubiquitous throughout the advertising industry.

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The same corporate sponsors who review these advertising metrics are also vetting experience-based proposals. When experience or event marketing concepts are compared on the basis of CPM (Cost Per Thousand), CPP (Cost Per Point), Reach, Frequency, Gross Impressions and other established components comprising the GRP (Gross Rating Points) generated by traditional advertising, not to mention demographic weighting factors against the targeted audience, corporate advertisers can find no relevant metrics to properly evaluate the proposal.

And no, the experience and event marketing industry can't expect the clients or investors to develop those metrics on its behalf. It will never happen.

Further, these metrics must then be validated and certified by an independent entity. TV advertising uses Neilsen ratings, radio has Arbitron, newspapers rely on either ABC or NAB, and outdoor advertising has its metrics certified by TAB. There is no such entity that certifies the experience industry's claims.

To move the argument forward, assume that the metrics and validation are acceptable to the client, as unlikely as that may be. The next hurdle is factoring. 'Non-traditional' marketing, which includes all or most of the experience industry, is assigned a factor based on risk. This risk is associated with non-delivery, delays, external variables ranging from weather to traffic jams, cost overruns, etc. The risk is quite high when compared to network TV advertising, where every corporate marketer knows that their spot will run at precisely the date and time scheduled, to an audience guaranteed and validated by a half-dozen impartial sources, at the price quoted by the network. If that audience falls short, a 'make-good' is usually offered at no cost.

What is the experience industry's equivalent of a 'make-good'? Free tickets to a failed attraction or just more corn dogs? A bigger corporate logo in an empty parking lot? This has to be addressed in the business case. Obviously, different concepts may have different 'make-good' strategies.

Corporate marketers demand factoring to accommodate risk. This means that a 'non-traditional' expenditure must be more cost effective and/or successful than a similar expenditure in traditional measured media. In some cases, that factor can be as high as 7 to 1, requiring the creative concept to either impact 7 times as many prospects against a comparable TV or print buy, or it must be 1/7th the cost at the same number of impressions. The assumption is that if the concept or venue suffers some form of setback, they can be reasonably assured of at least a breakeven scenario. And, they can hold on to their job.

Obviously, certain concepts and venues are a much lower risk, such as a corporate pavilion at EPCOT, with correspondingly lower factors. However, there is never parity with measured media. Why? Traditional advertising has been studied and analyzed for the better part of a century. Hundreds, if not thousands, of case studies exist. And, advertisers have come to rely on standards, metrics and methodologies that are uniform around the world. It's relatively easy to develop a defendable ROI projection once the business case is fully developed.

The factoring aspect doesn't need to be directly addressed in the business case, as the client will assign a factor. However, that factor can be greatly influenced by presenting all risks in exhaustive detail and how they can be ameliorated. It may also be advantageous to offer a factor, and then compare the entire program cost against other media or entertainment buys.

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As a point of clarification, a good many proposals from the experience industry include demographic studies, traffic projections, localized economic surveys, and some form of 'valuation' for the concept. These should be part of the package, but are not a substitute for a solid business case built on established metrics and validation.

With all of the aforementioned elements in place, the business case is largely complete, and an ROI can be calculated. But, there's one more issue that needs to be addressed – the overwhelming advantage that location-based, experiential concepts have over every other medium. Unlike print, TV, billboards, Internet, etc., the audience is physically present. That audience is captive for some minutes or hours. They made a dedicated effort to be there. And, they are interacting in a physical environment.

This adds a dimension to the premise that can't be directly compared to other forms of marketing and advertising. However, the experience industry doesn't have a means of qualifying and quantifying its most important point of differentiation.

In order for corporate marketers and advertisers to feel comfortable investing in 'non-traditional' projects, the industry must adopt some form of standardized metrics, and ally itself with an audit/validation entity that has credibility with corporate sponsors. The chairperson of this entity should be recruited from the client community by a group of corporate, government and investment clients.

That means someone or some group representing the experience industry begins the task of developing acceptable metrics, attracting a validation entity and undertaking client education. It's quite possible the Themed Entertainment Association (TEA) could take on these roles.

The TEA can and does act as an advocate to further the business objectives of its members. While it encourages measurement, it does not set standards that can be applied uniformly in the measurement of projects. These standards are badly needed. The formula for measurement must be developed, accepted and adopted jointly by the experience industry and its client/investor base in order to have any credibility. It must then be audited at the expense of those of us willing to adhere to standards set forth. The auditing entity must be fully independent, established for the sole purpose of substantiating and certifying the metrics we apply and utilize in our proposals.

Only after the standards and the auditing entity are created will major clients, sponsors and investors consider this industry as having the same credibility and validity as other media and entertainment venues. After all, this is where the real battle for dollars plays out. With established standards, the industry can become solidly competitive.

Given the current business climate, the industry's professionals have to work much harder to attract and secure funding. Getting the business side nailed down is a step toward advancing unrealized potential with corporate sponsors, advertisers, developers and the investment community.

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