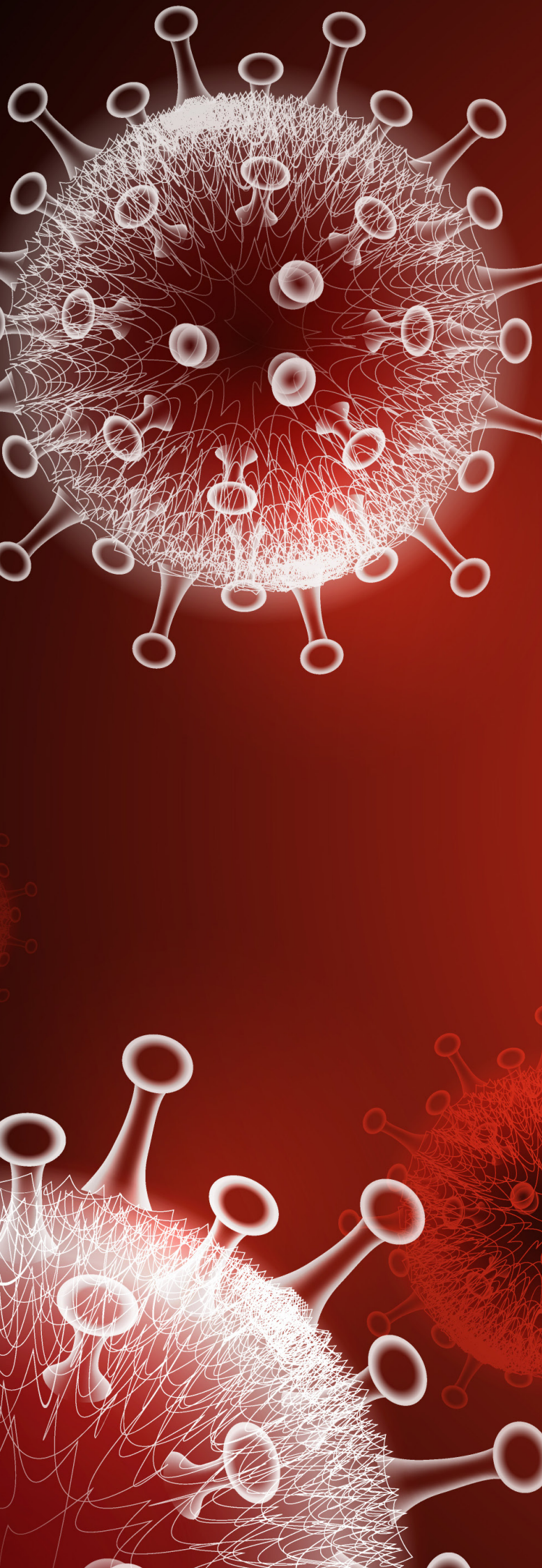




EVENTS, ASSOCIATIONS, COVID AND CRISES

A White Paper articulating the economic impacts on the association sector following the near collapse of the events industry during 2020.

White Paper
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About the IAL

The Institute of Association Leadership (IAL) is the professional network for chief executives and c-suite professionals who lead within the unique environment of the membership sector. In consultation with its members, the IAL provides a bespoke programme of opportunities designed to enhance knowledge, skills and expertise, to strengthen peer support, and to advocate the value and impact of associations within civic society.

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DISCLAIMER

The opinions and information provided in this white paper are offered in good faith. Whilst we make every attempt to ensure the information is correct, we are unable to guarantee the accuracy or completeness of any information contained herein. The IAL members, their employees and agents will not be responsible for any misinterpretation, misunderstanding or loss, however arising, from the use of, or reliance on this information.

Introduction

85% of associations have been financially impacted by the collapse of the events industry

COVID-19 and the subsequent public health and safety measures have prohibited in-person gatherings for most of 2020 and will continue to do so for the near future. One of the worst-hit sectors is the events industry: the ban on mass face-to-face gatherings has meant no concerts, sporting events, festivals and, specifically for associations, no conferences, exhibitions, dinners, award ceremonies and so on. For the vast majority of membership organisations, events are integral to their value proposition and a significant income generator. There is therefore an inextricable relationship between these two sectors and, arguably the pandemic has exposed some organisations' over-dependence on events for maintaining financial sustainability but also for defining their core identity, whereby the need to sustain income has resulted in some associations operating as quasi-event management companies, rather than membership-focused organisations.

What does the loss of in-person events mean for associations? During 2020 some associations have been adept at diversifying their membership services and related income streams and have benefited from doing so. On the flip side, however, those associations that have failed to respond to circumstances and adapt accordingly have suffered financially. Our research demonstrates a definite economic impact on associations following the crash of the events industry but interestingly, that impact has not only been negative.



THE UNDERLYING CIRCUMSTANCES OF RESIDUAL IMPACTS

AN ACT OF GOD

Nobody could have foreseen and adequately prepared for a global pandemic and the ramifications following its rapid and intense propagation. It could not therefore have been considered when associations were putting together their 2020 budgets. Some organisations were lucky, in that they were able to hold their annual flagship event at the beginning of the year before social distancing measures were introduced. Those that were not so fortunate had to cancel their in-person events either outright or move them online. This is an unavoidable reason why associations have been financially impacted.

FINANCIAL LEADERSHIP

Traditionally, associations adopt a top-down leadership model, whereby business decisions are made by the chief executive and/or the Board of Directors without appropriate consultation with financial experts, be it the finance director, the treasurer, or external advisors. This siloed mentality is flawed, exposing either a lack of trust or inadequate expertise internally, and leads to inconsistent decision-making and poor outcomes. Significant financial decisions require collaboration and input from across an organisation but during the pandemic, anecdotal evidence suggests this has not

always been the case. There needs to be a more holistic approach to risk management and business decision-making, whereby all relevant stakeholders are involved in the process. Financial experts are important for obvious reasons, but when deliberating revenue streams, successful associations have consulted with and drawn on useful insights from their members, ensuring the value proposition remains relevant and accessible. Finally, those chief executives who engaged employees in the business development process are able to pivot more readily during times of crisis.

70% of associations that held online events did not charge a registration fee

DIGITAL DISRUPTION

Our research suggests that those associations which failed to adapt to the digital have experienced greater financial hardship than those that have been creative, innovative and flexible with their delivery models. Furthermore, those associations that were already incorporating more online content into their value proposition have also fared better. Regardless of the pandemic, creativity and modernity are essential for good business in the 2020s. COVID has merely accelerated the move of content online, unfortunately leaving some associations behind. Indeed, some organisations have been seemingly apologetic for the move to digital, charging nothing for their online content. Inexplicably, some associations perceive online provision as being less meaningful than content delivered face-to-face. The ease of access to vast amounts of good quality digital content should be recognised as an invaluable member benefit rather than presented as a poor alternative but many organisations have undermined their value proposition by failing to charge for membership services:

The ASAE set a bad precedent by charging \$0 for their online event... You can't make a business model based on zero".

Anonymous participant, IAL Focus Group, October 2020

Associations which have adopted this apologetic approach have seen a negative economic impact. Conversely, those that have focused on delivering high quality content rather than focusing on delivery models have seized the opportunity to continue adding value to their members' experience and have enjoyed lower levels of financial disruption and indeed, some have benefited from enhanced income and impact.

THE TENACITY OF ASSOCIATION EVENTS

There are three commonly held views as to why physical events endure as the focal point of member activity amongst the vast majority of associations:

01 NETWORKING AND COMMUNITY

Face-to-face events create a space where people come together and share knowledge and engage with one another and this is perceivably what drives business development. It is human nature to want to relate to people and individuals attend events for that “serendipity moment”, finding solutions to problems that they never even knew they had. Associations provide this environment which members cannot create themselves and that arguably cannot be created virtually.

02 PRODUCTION AND PRESENTATION OF MEMBER CONTENT

Associations are in the best position to offer these events and bring the sector they represent together. This is an integral reason as to why associations and events have such an inextricable relationship. Furthermore, events are the best vehicles to produce the most valuable member content. Events, therefore, are essential to the identity of associations.

03 MEMBER VALUE, RETENTION AND RECRUITMENT

If an event is recognised (and promoted) as a substantial part of an association’s value proposition it will be expected by members. The absence of events in 2020 has led to worries that members will leave the association. Additionally, events are used to attract new members and is a key reason why members join. Thus, events fulfil a central function in recruitment and retention.

Although events are and should remain a key part of an association's membership service, positioning events as the primary focus of the value proposition and income strategy is unsustainable. Physical events should not be removed from an association's offering, but they can no longer be so heavily relied upon as the cornerstone of business development and delivery.

Since the 2008 financial crisis, associations have consistently struggled to fill delegate places at their events, with members citing training budget constraints and competing financial priorities; and in the years before the pandemic, increasingly there were question marks relating to the proliferation and value of association events, reflecting concerns that they were being used to meet financial targets and/or sustain income level. Indeed, it is not uncommon for many associations to use surpluses from their annual flagship event to cover overheads for the rest of the year, including salaries, project management and office costs, and to subsidise other membership services and/or membership fees (and thus consistently undercharging and undermining the value of association membership). For obvious reasons, the loss of these events is catastrophic for these associations, but it also points to broader questions about association leadership competencies, specifically the Board and senior executives':

01 Financial Literacy

02 Business expertise

03 Risk management

04 Understanding of good governance

05 Strategic planning and oversight



FINANCIAL DEPENDENCIES

Through our research, 60% of executives report that their associations have had or are anticipating a negative net impact because of the loss of their in-person events. Some associations simply cannot survive without in-person meetings because their members require physical training that cannot be replicated online. For older associations, if the event has been their main offering for a long time, they assume that they will struggle to articulate what else they can offer their members. For these associations there will be a definite negative economic impact, particularly for the latter group if they are unable to recognise opportunity and embrace change.

46% of associations cancelled their annual flagship event.

46% moved their annual flagship event online.

Rather than using their reserves to pivot and redefine their value proposition during the pandemic, some associations have used their reserves to stay afloat in the hope that they could ride out the crisis and pick up where they left off in March 2020. As the pandemic has continued, the reality of an elongated crisis has had significant long-term impacts and for some, it will be too late to pivot and adopt digital platforms but for others, assuming their reserves are still adequate, there is still time to embrace online opportunity.

Not all associations will experience a financial loss, of course. Those that have already diversified their income streams and can demonstrate member value through activities other than events will undoubtedly fair better than those who have not; and these associations should be acknowledged for their business nous and celebrated as exemplars of innovation and creativity. For many associations, events comprise 50% of their annual income and so made the decision to take them virtual and creative associations have been able to redefine their business models around their digital presence and have already realised the benefits. During the pandemic, our research suggests that some associations have achieved a positive financial impact by reinventing their “event” proposition and charging reasonable delegate fees for online learning, networking and knowledge exchange. Others broke even and broadened their membership base.

On average, associations lost 30% of their annual income in 2020 due to the pandemic.

THE VALUE OF VIRTUAL

Through our research, 80% of executives reported that their association transferred their in-person events to a virtual platform and their experiences are generally positive, albeit, as with all new developments, there is always room for improvement.

0.1 ADAPT TO THE SOFTWARE OR YOUR VIRTUAL EVENT WILL FAIL

Virtual events fail when associations do not adapt to the technology which now acts as their venue, i.e. associations cannot simply take a physical event and expect to drop it into a virtual environment and expect the same results. This is an impossible and thankless task because they are wholly different experiences, and thus associations need to envisage online productions which to fit this new operating model, deliver value, and realise an enhanced member experience.

0.2 CONTENT, CONTENT, CONTENT

Our research demonstrates that going virtual with their events allow associations to accentuate their content. By digitising events access to specialist, global speakers is widened significantly, ensuring access to more diverse thought leadership. In addition, substantial, relevant content can be easily recorded and accessed 24/7 and presented in easily digestible segments, which can be closely monitored for relevant data capture (and evaluation); and because there are fewer accoutrement than at a physical event, the absolute focus on content means members feel they are receiving significant value for money. Finally, in a financial context, whilst upfront costs for software development may be relatively high, overall for a lower investment than for a physical event, an association can realise the same or a greater return on investment.

0.3 ATTENDANCE

Generally, association that have charged for their online events have decreased their registration fees, some more than others. However, because a virtual experience can be so flexible, overall more delegates register, thus off-setting losses or even increasing income. Indeed, through our research, some executives report new attendees who say that they would not have attended the physical, in-person event, not because of the registration fee but because of the prohibitive costs of travel, accommodation, and time spent away from their desk.



*Events constitute a major part of the annual plan for **58%** of associations in 2021.*

LESSONS LEARNED

The main lessons association executives have learned from 2020 are:

92% of associations intend to embrace the opportunity to diversify their income streams and business models in 2021.

- 0.1** Reevaluate your association's business model. Take a holistic, stakeholder approach to business development. Understand from your members and employees what works.
- 0.2** Reinvent, recreate, redevelop your association's offerings by embracing change, creativity and invention.
- 0.3** Explore new opportunities and diversify revenue-streams.
- 0.4** Charge for your online content. It is valuable
- 0.5** When physical events return, deliver them as part of a hybrid model, combining with virtual productions.
- 0.6** When physical events return, do not make them the only cornerstone of success.
- 0.7** BE CREATIVE!



CALL TO ACTION

Events add tremendous value to members' experience of their association: they provide opportunities to connect, build relationships, grow friendships, learn, share problems, and find solutions; and without a vibrant and dynamic event industry, our sector will be distinctly diminished. We all want in-person events to return but market confidence will take time to return and thus our partners in the events industry will require our support. The IAL will support and promote our commercial partners through turbulent times and we encourage members to consider engaging industry partners in their innovation and creativity.

Associations are not event management businesses. Their value is derived not through their events per se but in the content they deliver, and so we must also articulate the tangible value of virtual events. Whilst software does not replicate the experiences of in-person events, it does provide alternative and equally valuable experiences for members. There is no need to be apologetic for delivering online content. Virtual platforms provide space where associations can be experimental and creative and provide an environment for delivering brand new content.

Associations should recognise that change is a part of everyday life and should embrace the opportunity to develop their traditional business models. The IAL will strive to support the sector in ensuring the post-pandemic world offers a place for innovation, where:

- 0.1** Holistic approaches to business development are encouraged;
- 0.2** Members, directors and employees contribute to strategic development;
- 0.3** Events are recognised as one of multiple delivery vehicles for membership services; and
- 0.4** Charge for your online content. It is valuable

ACKNOWLEDGEMENTS

As part of our consultation we conducted both qualitative and quantitative research. Quantitative data was collected via a wider online survey of association and events professionals, whilst qualitative data was collected via international focus group discussion between association executives and board members, and event industry professionals who work regularly in our sector. In the interests of maintaining anonymity, we will not name the individuals involved but needless to say, we thank everyone involved for volunteering their time, expertise, and insights which have been instrumental in guiding development of this narrative.



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