

# Center for Exhibition Industry Research

SM ROI 1

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## Measuring Return on Investment (ROI) from Exhibiting and Event Marketing

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Today's business environment places an ever-growing importance on accountability. One of the most difficult areas in which to measure Return on Investment (ROI) is marketing. Despite the fact that marketing plans are comprised of enterprises as diverse as advertising, online development and exhibitions, senior management is increasingly demanding tangible measurable results from what are essentially intangible investments.

The purpose of this paper is to introduce a new methodology for measuring the ROI from companies' participation in industrial exhibitions. The implementation of this methodology and the use of the calculator the paper introduces will assist marketers in demonstrating the value of exhibiting in a specific event.

### Background

Exhibitions play a very important role in bringing products to market. The variety of exhibition objectives range from immediate commercial results (taking orders on the exhibition floor) to myriad "delayed" benefits endemic to the specific industry served. Regardless of the industry, the key value of exhibitions is accelerating the sales process. Accelerating the sales process simply means moving buyers faster and farther along the purchasing path from awareness, to consideration, to preference to a purchase decision. Exhibitions have proven to be successful in each stage of the purchasing path.

There are some 10,000 business-to-business exhibitions held in the United States each year. Approximately one-third of those events are markets in which exhibiting companies write orders at the show. Examples include apparel shows, gift shows and seasonal merchandise events. Buyers attend these exhibitions intending to order products for future delivery. Exhibiting companies come prepared to negotiate prices and establish delivery schedules. Calculating the ROI for these events is relatively simple. A company can calculate their cost of exhibiting and then tabulate total orders written. Their profitability model then dictates their overall return.

In the other two-thirds of the business-to-business exhibitions held in the United States each year, the process is much more complex. In the case of scientific, engineering and health care events for example, taking orders or doing anything else that affects the sale of a product is specifically prohibited. These events consider the exhibition to be an extension of the educational process. Products, services and techniques that are described by technical paper presentations in technical session rooms are displayed in the exhibition, permitting the attendee the opportunity to use all of the senses in further evaluating what has been described in the educational session. Remembering, however, that the underlying objective is always commercial, exhibiting companies are constantly challenged to determine a way to measure ROI.

## Return on Objectives

In recent decades many attempts have been made to help exhibiting companies measure performance. The Trade Show Bureau, now the Center for Exhibition Industry Research (CEIR), developed a concept called Return on Objectives (ROO) as an alternative to the more traditional technique of attempting to quantify results (ROI). The ROO concept requires exhibiting companies to set goals for an event and then establish methods to measure how well they performed and how much success they had in achieving those goals.

The goals for a specific event, for example, might be making specific contacts with potential customers or capturing new business leads. By tracking the number of new potential customers and the business leads collected, an exhibitor could then measure their degree of success. In effect, the setting of goals created a tangible objective that allowed exhibiting companies to measure performance.

## Management Change

One reason for the popularity of the Return on Objectives methodology was that many company presidents and CEOs had risen through the ranks of sales and marketing departments. But over the last decade, the criterion for the selection of CEOs has undergone many changes. In many instances, successful individuals move from one company to another with no prior experience in that industry. While these executives understand the theory and practice of corporate management, they lack the innate intuitive understanding of the value that exhibition marketing delivers.

If a company CEO is accustomed to reviewing financial statements that present a clear comparison of revenue and expense from various operating units, it is only natural that he will want to apply the same accountability and measurement standards to such activities as advertising and participation in exhibitions.

The advertising industry has addressed alternative measurement methods. One of those methods currently being investigated is to move away from the traditional advertising model of Frequency Times Reach to a new standard called Return on Engagement. In many ways the decline in print advertising expenditures since 2000 is the result of senior management re-evaluating ROI. (It is interesting to note that in that period of time, advertising has fallen from the number one corporate marketing expenditure to number two. In fact, for the past two years, exhibitions have been Corporate America's number one marketing expenditure.)

But like advertising, exhibitions have come under the same scrutiny regarding measuring return and determining value. It is therefore incumbent upon the industry to find a solution to this dilemma. The solution expressed in the balance of this report is the exhibition industry Return on Investment Tool Kit.

## ROI Tool Kit

The ROI Tool Kit is both a pre-event planning tool and a post-event evaluation tool. It is designed to provide a specific result for a company based upon that company's proprietary data and basic attendance registration information. The pre-planning tool is a key to controlling event expense. It achieves that by allowing the exhibiting company to analyze its participation costs and project the number of qualified stand visitors. By developing this data, the first phase of the process helps guide how much exhibit space they need to purchase and the number of staff required to man the stand.

The post-event evaluation tool requires a number of inputs from the exhibiting company. They will range from the actual experience during the exhibition to translating that experience ROI. The latter step is accomplished by entering such proprietary information as average cost per sale and gross margin of profit on the sales revenue.

## ROI Tool Kit Templates

Following are screen shots from the ROI Tool Kit website that illustrate the type of input information required to use the Pre-Event Planning and Post-Event Measurement tools, and the output or resulting calculations from the tools. Help menus and tutorials are also provided in the tool to guide the user in gathering the correct input information, interpreting the results, and applying the results in making better strategic and tactical decisions about their participation in the exhibition in order to maximize and improve results.

Another key feature of the tool is that individual users can create their own secure “accounts” to store the information so that they can access or modify the calculations at any time.



The screenshot displays the ROI Tool Kit website interface. At the top, the logo reads "ROI Tool Kit" with "Center for Exhibition Industry Research" below it. Navigation tabs include HOME, ABOUT US, MY ACCOUNT, TOOLKIT, CONTACT US, and ADMIN REPORT. A user is logged in as "User: rahulb@exhibitsurveys.com". The main content area is titled "Pre-Event Planning Tool" and includes a "Tool Kit" sidebar with an image of a calculator. The tool is divided into three sections: "Event/Show Details", "Pre-Event Input", and "Result".

Event/Show Details	
Event Name	Pre Event Test
Start Date	9/4/2007
End Date	9/5/2007
Industry	Food

Pre-Event Input	
Net Attendance *	3,781
Target Audience *	45.00 %
Product/Service Interest*	40.00 %
Total Show Duration *	20 Hrs
# Visitors Handled Hourly/Staff *	7.00
Occupied Exhibit Space **	150.00 Sq.Ft.

Result	
Potential Audience	681
# Exhibit Staff Needed	5 Avg.
Open Exhibit Space Required	250 Sq.Ft.
Total Exhibit Space Required	400 Sq.Ft.

\* - Required Input

Buttons: Calculate, Perform Post-Event Calculation, Save, Print

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**ROI Tool Kit**  
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HOME ABOUT US MY ACCOUNT **TOOLKIT** CONTACT US ADMIN REPORT

Change Password Sign Out

You are here: ROI Toolkit >> Post-Event Tool User: rahulb@exhibitsurveys.com

**Post-Event Planning Tool**

Note: Click each input or result category for a description and tutorial.

**Event/Show Details**

Event Name: Pre Event Test  
 Start Date: 9/4/2007 End Date: 9/5/2007  
 Industry: Food

**Post-Event Input**

Net Attendance \* 3,781  
 Target Audience \* 45.00 %  
 Product/Service Interest \* 40.00 %  
 Total Show Duration \* 20 Hrs  
 # Visitors Handled Hourly/Staff \* 7.00  
 Occupied Exhibit Space \* 150.00 Sq.Ft.  
 Total Inquiries Obtained \* 175  
 Qualified Leads Obtained \* 100  
 Exhibit Staff on Duty \* 3 Avg.  
 Total Direct Exhibit Expense \* 10,000.00 \$  
 Total Staff Travel and Entertainment Expense \* 6,500.00 \$  
 Avg. Conversion % of Leads to Sales \* 13.00 %  
 Company's Average Revenue/Order \* 20,000.00 \$  
 Company's Gross Margin \* 45.00 %

**Result**

**Potential Audience** 681  
**# Exhibit Staff Needed** 5 Avg.  
**Open Exhibit Space Required** 250 Sq.Ft.  
**Total Exhibit Space Required** 400 Sq.Ft.  
**Reach Efficiency**  
 Inquiries Qualified 57 %  
 Potential Audience Reached 26 %  
 Cost / Qualified Lead 165 \$  
**Staff Performance**  
 Inquiries Per Exhibit Staff / Hour 3  
 Estimated Total Inquiries with Recommended Exhibit Staff 300  
**Potential ROI for Qualified Leads ++**  
 Cost / Potential Sale 1,269 \$  
 Potential Sales Revenue 260,000 \$  
 Gross Margin on Potential Revenue 117,000 \$  
 Potential Revenue to Expense Ratio 16:1  
 Potential ROI 609 %

++ Adapted from Cost and Results Metrics calculation, Trade Show and Event Marketing, Ruth P. Stevens, 2005.

\* - Required Input

Back Calculate Save Print

## Conclusion

Experimenting with the ROI Tool Kit using hypothetical data will quickly reveal the sophistication of this tool. Successful use of the Tool Kit requires education and training among those who plan and manage exhibitions. Once they have mastered the technology and understand the concept fully, that knowledge will need to be transferred to the exhibiting companies. To the extent possible, the education of exhibiting companies should be undertaken on a one-on-one basis. Some events may find it desirable to introduce the calculator at an exhibitor workshop and then be prepared to provide individual consulting as the workshop attendees adapt the Tool Kit and apply it to their company and their products.

The ROI Tool Kit will work more effectively for small-to-medium-sized businesses than for large international companies, which have more sophisticated methods for measuring their return from their exhibition participation. Large exhibitors should be encouraged to engage professionals to help them design such systems.

Exhibiting companies that manufacture and sell expensive capital equipment may also prefer to develop their own evaluation tools. The ROI Tool Kit will likely reveal that the sale of just one piece of expensive equipment can justify participating in an exhibition for several years.

In the 10,000 business-to-business exhibitions held in the United States each year the average exhibit space-buy is less than 200 net square feet of space. The ROI Tool Kit is an excellent tool that enables small-to-medium sized businesses to measure their ROI from exhibition participation.

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