

# **LESSONS LEARNED FROM 2012**

## **Mega Events and the UK Events Industry Supply Chain**

**Research Report  
February 2013**

## INTRODUCTION

This research was prompted by rumours circulating amongst event professionals in Q3 and Q4 in 2011. The rumours pertained to the impacts on event products and services and the perception that there would be a significant increase in demand for corporate and public events in Q2 and Q3 in 2012. The increase was due to three mega events being added to Britain's summer events calendar. The addition of the Queens Diamond Jubilee, the Olympics and the Cultural Olympiad created the perception that the supply chain within the events industry would face significant challenges. It was predicted that the supply chain and its major elements (venues, equipment, and staff) would have to take action in order to face the challenges of an industry that was predicted to move from being demand-driven to being supply-constrained.

The research has explored this phenomenon through the perceptions and experiences of event professionals in the UK. The research has been focused on identifying what was predicted and what actually happened in the supply chain over Q2 and Q3 in 2012. The research will offer an insight for decision makers in the British and global events industry on how supply chains perform in a business environment that contributes to positive opportunity realisation. The data explores both soft and hard measures that were predicted and implemented by the industry to cope with a predicted increase in demand. Soft measures for example, include recruiting temporary skilled staff, setting up new event management and staffing companies, which require little investment. Hard measures include major investment considerations in venues, AV, sound and lighting and other event and event infrastructure equipment. Part of the supply chain equation that needs to be considered is what happens once the mega event is over. The research offers and insight into the lessons learned from the UK experience and the legacy that the event industry has retained. These lessons and legacy outcomes can inform the global events industry on what to consider when impacted upon by mega-events.

## RESEARCH METHOD

The basic principles learned from previous research on constrained supply chains in other industries have been adapted to inform this research project. However, it should be noted that research on mega-event supply chains is non-existent. This research will make a significant contribution to the mega-events topic area and inform further research around constrained supply chains in relation to mega-events.

Two research methods were utilised in order to gather the breadth and depth of data that was necessary to investigate the topic thoroughly. A theoretical framework that considers the dynamics between demand and supply underpins the methods used. To gain a wide scope of opinion two surveys were conducted. One was carried out in November 2011. It asked industry professionals for their predictions on the demand for events and what supply constraint that may find challenging over Q2 and Q3 2012. A second survey that focused on the same topics was carried out in October 2012. 143 respondents from all areas of the UK events sector provided a

good cross-section of opinions to the two surveys. Respondents from marketing agencies, event production companies, audio-visual and lighting suppliers, set suppliers, other equipment suppliers (generators, marquees, temporary structures, seating, roadways, floral) caterers, convention bureaus, safety advisors, IT service providers and staffing agencies from various geographic locations participated. From the survey various commonalities and differences on the predications and actual experiences were identified and examined.

In order to investigate the issues raised in the surveys and to provide in-depth explanations of those issues, interviews were used to examine the commonalities and differences highlighted by them. 24 interviews were conducted with various executive level actors responsible for making hard and soft investment and other management decisions, across the industry in varying locations. Their perceptions referred to as Part 1, and experiences referred to as Part 2, were combined with those in the surveys to arrive at a valid comparative study (prediction versus experiences) of the topic area. The report also outlines common remedial actions that suppliers predicted and implemented to alleviate the perceived threat of supply constraints. In order to understand how the dynamics of supply chains in an environment where there is a temporary state of a substantial increase in demand, economic theory is used to explain this relationship.

## **SUPPLY SIDE ECONOMICS**

This term that was coined in the 1980s. It referred to various government policies that aimed to strengthen economies through incentivising economic growth in order to create competitive advantage. Much of this economic theory relates to determining capacity in an economy or a sector within an economy. This is done in order to make an analysis of the basic principles of economics and its effects on an economic system. Supply side theory recognises the importance of individual economic agents - the production companies and other event suppliers in the supply chain - that are motivated by profit and who will all react to the opportunity of an increase in demand.

This is what was predicted for events sector for Q2 and Q3 in 2012. The predicted increase in demand was due to three factors. Firstly, spending by the public sector on Olympic and Cultural Olympiad events to stimulate economic demand and participation in the Olympic year. In this case the billions spent by central and local government on Olympic infrastructure and other capital and event based projects to stage a successful Olympics. This included the Cultural Olympiad programme with a budget of £80 Million. Because of public budget cuts only moderate public expenditure on the Diamond Jubilee can be added to this spend, but voluntary and community organisation as well as individuals were expected to spend more. Second, that there will be an increase in consumption of goods and services over the period, but that the consumption is dependent on disposable income. Third, that investment will be made by the events sector to meet that demand in expectation of deriving profit. Since government has not provided

incentives (i.e. tax breaks), research (i.e. capacity studies) and deregulation (i.e. abandoning EU tendering processes) to further improve the competitive prospects of the events sector to meet this demand; it was up to the UK events sector to show the will and determination to react to the predicted opportunities in 2012. This was set against a backdrop of a mobile set of international competitors that have the skills, finance and stock of equipment to compete anywhere in the world for lucrative mega-event contracts.

The key factors of production in determining the quality and quantity of the British event sectors output depends on how the labour force and capital stock are organised. This organisation is important in order to determine the value that the events sector adds through the input of intermediate goods and services (GVA) that are the raw materials of the sector. For example, the type of speakers (intermediate goods) that might be used for an event, and the staff needed to install them (intermediate goods) to broadcast an acceptable quality of sound. Value is added to the intermediate goods (speakers and staff) by the production process and this process alongside the other elements needed to stage a production culminates in the totality of the intermediate goods to produce the end product. This process adds value and derives a profit for the supplier.

In the production process the quality and quantity of labour and capital will determine the value added to the resources needed to put on an event. However, in a period of a temporary increase in demand, the quality and quantity of labour and capital to turn intermediate goods and services into an event product may not be in plentiful supply. Intermediate products may also be in short supply and substitutes may have to be used. However substitutes may affect the quality and quantity of the end product. This is another predicted challenge that the UK events industry faced.

Productivity as part of the production process is also affected by sharp increases in demand. Because the average productivity of a worker will be higher when there are more intermediate goods or services to add value too, then capital goods or services employed will be higher. However with an increase in demand, there may be fewer intermediate goods and services in the events sector system that can have value added to them. This means productivity may fall. On the other hand if there is an abundance of intermediate goods and services, but there are shortages of manpower, productivity will also fall. Therefore, for labour productivity to grow there has to be an increase in capital stock capacity and/or an increase in technical knowledge that improves the amount of added value to the goods and services in the sectors system.

For capital stock to grow investment is required. This could be problematic in an economy that is experiencing a credit squeeze with its associated cash flow problems as well as borrowing costs. This is a summary of the challenges that were predicted for the events sector over Q2 and Q3 in 2012. These challenges were set at a time when there was very little idea of what exactly the predicted increase in demand for events and related goods and services might be over the period.

## DEMAND IN Q2 AND Q3 2012

The increase in overall demand for events and participation in those events was predicted for 2012, but was substantiated by comprehensive demand side research. Demand forecasts in general were lacking, but secondary evidence gathered from the Olympic Delivery Authority and the Mayor of London's Culture Diary were used as an indicator for London in particular over the period that covers the Queens Diamond Jubilee, the Cultural Olympiad, the Olympics and Paralympics (1st June to 9th September 2012). The Olympic Delivery Authority forecast an increase in demand for transport facilities needed for spectators, athletes, team officials, accredited media, sponsors and Olympic officials. This signals an increase in demand before and during the games on London's infrastructure. The cultural diary pointed to hundreds of public and private events being planned but a review after the fact has not been forthcoming.

The researcher used other demand forecasts as indicators for an increase in demand. The Atkins Report forecast a sharp increase in air traffic into London and other airports located in the South East over the Olympic games period. However, subsequent reports on the Olympic effect showed that air traffic, tourism arrivals, hotel occupation and small tourism businesses complained of a lack of demand from mid-July to mid-August. (Independent, August 2012). BAA stated that demand from Europe over the period fell by 6.6%. Hoteliers hiking prices in the run up to the Olympics affected hotel bookings. It was reported that many chased away domestic and international tourists by demanding premiums over the Olympic period.

This was set against a backdrop of uncertainty on accommodation capacity needed around the mega-event. Back in 2006 by the Mayor of London stated that from a base of 100 000 bedrooms in 2004 an extra 16 000 new hotel bedrooms would be required to meet demand during 2012. However, in 2010 LOCOG requested that accommodation suppliers reserve 600 000 bed nights over the Olympic period but in January 2012 handed back 100 000 of them. Altogether it seems that supply side capacities on the main elements of sport event participation and attendance as well as leisure event tourism over 2012 were not well researched. Research on how the events industry would cope with the predicted increase in demand was not forthcoming from government, any of its agencies or event industry associations. This included demand forecasting for the Diamond Jubilee and Cultural Olympiad.

However, predictions for an increase in demand by the events industry were based on a combination of client enquiries and a rational logic related to hype from the government. The hype emanated from the predicted demand on the number of Olympic attendees, ticket sales and the demand expected from spending on events by the public and voluntary sectors. Survey results (Part 1) showed that more than 75% of respondents were expecting an increase in demand for their service/product between June and September 2012. Almost half of all respondents believed there would be significantly more or much more demand than usual over this period. A large percentage of interviewees also predicted that demand would somewhat

increase. Public spending was also predicted to play its part in increasing demand, as was the corporate sector. It was predicted that a lot of corporates would capitalise on the Olympic effect and there was a majority perception amongst most of the interviewees that corporate spending in Q2 and Q3 would increase in order to leverage higher visibility for brands during a in a lifetime experience.

Whilst demand was predicted to increase it has to be looked at on a geographic basis as well as in the light of the dynamics of supply chains. Interviewees predicted that demand would be fragmented on a geographic basis (Part 1). The highest concentration of an increase in demand was predicted as being mainly in London and the South East. Major cities in the country like Birmingham and Manchester were thought to see an increase in demand for events, event services and products. Almost every local or county council in the United Kingdom as well as cultural and sports based voluntary organisations held events designed to engage people in activities as part of the Diamond Jubilee, Cultural Olympiad and Olympic Games. The spending of public sector budgets was evidenced by the flurry of tenders for event management and event services published on a weekly basis during 2011 and Q1 in 2012.

In an environment where there is strong possibility of supply constraint price is a determining factor in demand. Economic theory tells us that when demand cannot be met then price increases to limit that demand, but if demand is lacking prices will fall. This was evident in the Hotels.com report that prices fell over the Olympics for hotel rooms in London and that tourism spend was displaced to other European cities. BAA made a similar observation. In short demand predictions were based on the excitement and hype<sup>1</sup>, and that the Olympics would generate significant business opportunities for the events sector too.

The reality for the events industry has been somewhat different. This is attributed to the fragmented geographic location of events around the Diamond Jubilee, some Olympic events (football, sailing) and Cultural Olympiad programmes. As predicted the corporate sector made a significant contribution to an increase in demand over Q2 and Q3 in 2012. This is evidenced by two surveys. An industry survey conducted by the corporate sector events publication Event Magazine found that 66.7%<sup>2</sup> of respondents report more involvement with events in 2012 with 43.3% reporting that their companies had grown over the period, and 53.3% had made new business connections thanks to major events.

---

<sup>1</sup> An Event Magazine survey conducted in October 2012 showed that 55.6% of respondents thought that the benefits of major events were over-hyped (Event Magazine, Nov/Dec 2012).

<sup>2</sup> The Event Magazine survey on the impact of major events in 2012 (Event Magazine, Nov/Dec 2012).

**2. Did you experience an increase in demand for your service/product between June and September 2012?**

Yes - significantly more demand than usual over this period		23.5%
Yes - much more demand than usual over this period		11.8%
Yes - slightly more demand than usual over this period		29.4%
No - demand stayed the same		26.5%
No - demand went down		8.8%

However, 23.3% saw no change from 2011 and 13.3% of respondents lost money over 2012. Whilst this is a mixed picture it does indicate that the majority of respondents saw that demand from the corporate sector increased over 2012. This was due to the direct and indirect impacts from the large events held in Q2 and Q3. Similarly those surveyed - for this research project - on demand patterns specifically between June and September 2012 reported an increase. Specifically marketing agencies working on corporate events saw an overall increase. However this demand was time specific. According to interviewees the Olympic shoulder months of June and September were reported as the busiest months by many of the sectors within the events industry. The corporate events and cultural sectors made a significant contribution to the Olympic shoulder months. This was aside from event organisations that had planned for an increase in demand due to their direct involvement with Olympic contracts and contract partnership arrangements.

There were also other predictions related to an increase in demand. Some interviewees predicted that rumours that demand would significantly increase in Q2 and Q3 2012 would spark resource buffering in the form of panic buying and stockpiling by some organisations the industry. Since there was already evidence that events had been cancelled and moved due to supply constraints fears, most of the interviewees in Part I predicted that the uncertainty on the quantity of equipment, manpower and venues demanded would lead to shortages and bottlenecks in the supply chain. Although many of the interviewees pointed out that planning was the key to providing the quality of delivery of events, the industry had to deal with the evidence, rumours and predictions in an unfamiliar environment. This was because there was a perception that the industry was moving from being demand led to supply constrained. Planning for supply constraints was problematic. Interviewees in Part I and Part 2 indicated that the lack of specific demand data and the uncertain economic environment (during the double dip recessionary period) created uncertainty over investment budgets to buffer against supply constraints. Since research into this topic area is lacking, making evidence based or rational judgments



on how to plan for supply constraints highlights the need for robust data in this very important area.

It was clear that demand did increase over Q2 and Q3 in 2012, but the increase created demand-side cost impacts. Enquiries from organisations wanting to hold events over Q2 and Q3 were said to be excited by the Olympics but hesitant to commit resources to an event in a period where quality and a return on their investment may be an issue. Interviewees indicated that organisations caught up in the hype had made event enquiries for both B2B and B2C events. However they had heard that supply chains would be constrained. Since they were already operating in an uncertain economic climate this made for further uncertainty on the delivery of a quality experience.

The uncertainty for B2C event buyers was compounded by concerns on ROI through a perception that press coverage of consumer events would be hindered by mass of coverage of Olympic activities. B2C event buyers were also put off by the information being put out by the local and transport authorities. Some events were either moved to shoulder months, down sized or cancelled. This meant that profits to event organisers were impacted upon by an increase in the costs of sale. Many interviewees put this down to a mix of emotions.

Words such as excitement, fervor, caution, fear, panic and trepidation were used to describe the emotional response from event buyers. Evidence points to these emotive responses as having an impact on the shortening of lead times. That was from client sign and period needed to plan an event with event organisers and their supply chains. However, B2B respondents were more positive. Many of the organisations that supplied temporary structures, seating and other event infrastructure saw significant increases in demand, which was unrelated to a direct Olympic contract. How these factors of demand that relate to the supply chain are explored in the next section.

## **SUPPLY CHAIN DYNAMICS**

In an environment where there is a sharp increase in demand, supply side challenges become paramount so that increases in demand can be met with the quality and quantity of goods and services that were are needed to satisfy that demand. It was apparent in Part I (November 2011) of this research that there were concerns over supply chain capacities with events being moved, postponed or cancelled. For example, the Glastonbury Festival was postponed until 2013. The inaugural Foxburrow Festival in Suffolk was postponed until 2013 too. This was all due to worries over supply capacities. Major events such as the Farnborough Air Show and the Royal Air Tattoo changed dates so as not to conflict with the Olympic and Paralympic Games. Interestingly none of these events that hanged their dates are held in London but the supply chain concerns were witnessed over a wider geographic area.



In terms of the supply side dynamics certain issues have to be considered. These considerations are the most important aspect in planning for an increase of supply side capacities. That is how to meet the challenges to the event sector to increase productive capacity. Because the predicted increase in demand could not be measured or properly forecast, an increase in supply capacity could not be measured accurately either.<sup>3</sup> This has to be done notionally and based on rational logic and perception of what the situation may be at any one moment in time. Since supply side capacities were not known, uncertainties prevailed and were subject to emotive responses from the industry. Evidence gathered in November 2011 (Part I) pointed to uncertainty on investment into supply side capacities by many of the survey respondents and interviewees.

Increasing productive capacity needs to be planned for. This is done by increasing the various elements within the supply chain. The major consideration for the events sector was equipment, manpower and venue space. These are the main elements of production. The theory of constraints on the supply side capacity tells us that there is a need to identify a constraint and then make changes to alleviate that constraint.

To alleviate constraints in the supply chain, buffers can be used. Buffers such as increasing the stock of equipment, manpower and venues will allow the event supply chain to meet demand. However, buffering a supply chain requires resources. For the events industry this meant investment in more equipment, more manpower and more venue space. This research has focused on those main factors of production, by identifying predicted and actual supply constraints and then suggesting ways in which lessons can be learned from how these constraints were overcome.

Therefore this research has taken into account how the events industry has buffered itself to meet demand in a perceived supply constrained environment. But it should be noted that supply side theory tells us that that buffering requires investment that that investment may push up prices in the short term. This in combination with an increase in demand also pushes up prices and can create an inflationary environment. This research looked at these industry challenges and how the events industry moderated the buffering process during a busy Q2 and Q3 in 2012. This analysis is broken up into the three main elements of event production.

## **MANPOWER SUPPLY**

This section explores the issues attached to manpower supply. Predictions on the topic made on November 2011 are compared against the experiences of event professionals researched in October 2012.

### ***Manpower Availability***

In the first round of surveys and interviewee (Part I) of the perceptions of manpower challenges were explored. In some cases there was evidence from

---

<sup>3</sup> What must also be considered is that the supply side capacities for the events industry are not well researched in the UK. This leads to uncertainty in what the supply side capacities are.

interviewees that their companies had already secured skilled manpower well in advance (in 2011) to meet demand over the busy period. 41% of survey respondents believed that they would not have enough manpower with adequate skills to meet that increase in demand, and 93% thought they would need to take on additional staff on time specific contracts to deal with the increase. The survey data matched the interviewee opinions, in that three quarters of those them predicted that there would be a shortage of skilled manpower over the busy period of June to September 2012. These predictions were supplemented by the perception that the shortages would be in London but impact on events in other parts of the country. This was because those skilled operatives that had been booked in advance would relocate to London specifically for build and execution of Olympic events.

Part 2 of the research (actual experiences) revealed that there was in fact a shortage of skilled manpower. 17% of survey respondents and half of the interviewees reported a skilled manpower shortage over the June to September 2012 period. 50% of survey respondents did recruit new manpower for the busy period, mainly from the United Kingdom, but also from Europe, Australia and the USA to fill the manpower gaps. Two thirds of interviewees stated that they had also recruited to cover the busy period. The new recruits were mainly contracted for the busy period only, working mainly in London and the South East. This data is backed up by an Event Magazine poll that showed 53.3% of respondents took on extra manpower in 2012 (Event Magazine, November/December 2012).

### ***Manpower Substitution***

There was also a prediction in 2011 that substitute manpower with lesser experience would have to be used in order to meet demand. This substitution did cause concerns that there may be an impact on the quality of the delivery of events. This prediction was correct, and some interviewees pointed out that although semi-suitable manpower was available up-skilling through training was needed for new people to become fully productive. By bringing on new people, fast track opportunities were afforded to many and this has proved to be an asset according to four of the interviewees.

### ***Manpower Productivity***

More than half of survey respondents in Part 1 predicted that manpower productivity would have to be increased to meet demand. Interviewees were of the same mind. The majority of respondents and interviewees thought that staff would have to work longer hours. Holiday bans, pay and bonus incentives, opt-out bonuses<sup>4</sup>, time in lieu were thought as necessary measures to be used in order to increase productivity. However two interviewees predicted that shortages could cause productivity to fall. In fact, in one case business was turned down due to concerns over the quality of delivery, which it was thought would impact negatively on reputation.

---

<sup>4</sup> Opt out bonuses can be paid to manpower who decide to opt out of the maximum 35 hour per week EU work time directive. If an individual opts-out they are able to work as many hours as they wish within a week without any liability being put on employers.

Evidence in Part 2 pointed to longer working hours used to boost productivity. 43% of survey respondents and most interviewees reported that longer hours had been worked. Evidence was provided that 12-hour days were common over the busy period. Holiday's bans and days in lieu were discussed and communicated to staff and used as mechanism to add to productive capacity. Notably interviewees reported that the *Spirit of the Olympics* was a motivating factor in getting staff to agree to longer work commitments and this provided a boost to overall productivity.

Many also predicted that organisations would introduce new operational working process to increase productivity and buffer supply chain verticals. An initial prediction by 75% of survey respondents thought that the up-skilling of their staff would be needed to ensure efficient operational working practices in order to fill the shoes of skilled staff that would be busy in any case. Survey respondents in Part I also predicted that internal training for new recruits would be needed to introduce more efficient working practices in order to create greater productivity.

In Part 2 there was evidence that internal training did take place and that employed staff in particular had been up skilled. A significant amount of training was focused on staff being fast-tracked for the challenges over the busy period. 24% of companies surveyed invested in up-skilling new contractors as well as employees as substitutes for skilled employees and contractors.

Organisations saw the investment in training as an advantage for the future, with two thirds of interviewees and survey respondents significant wanting to retain newly up skilled contracted staff after the busy period. Some interviewees saw trained substitutes (employees and contractors) as a legacy impact since they understood company specific working practices and cultures.

### **Manpower Costs**

Since there was a perception that there would be shortages of skilled manpower, cost implications were also perceived since there would be competition for manpower, mainly within the UK, and specifically within London. It was predicted that skilled manpower would attract a premium and that the premium would continue to rise throughout the year in the lead up to the busy July to September period. It was also predicted that less skilled substitute manpower would be available but not be priced at a premium.

Evidence from the Part 2 survey and interviewees disputed the predictions. There was little price inflation for skilled and substitute manpower. However, in three cases, interviewees did report premiums being charged by skilled manpower because they had been contracted at late notice. Costs increases were avoided by some organisations since contractors were booked well in advance as a result of concerns on manpower shortages. Added to this, some organisations booked contractors for a longer season (June to December) as an incentive to provide them with continuous work. But this was at the going rate.

### **Summary**

The research revealed that there was a shortage of skilled manpower over Q2 and Q3 in 2012. This meant that a significant amount of contracted staff had to be recruited over the same period, but due to the shortage of the availability of skilled staff, substitute staff was recruited. Recruits came mainly from the UK but a small percentage came from Europe, Australasia and the USA.

Organisations within the supply chain had to invest in internal training for their substitute staff to become fully productive. The fast track opportunities afforded to new staff has proved to be an on-going legacy to UK event organisations that up skilled these substitutes. They now have a larger roster of skilled event professionals available. Another legacy factor was that the investment in training was seen as an investment in future productivity gains. To increase productivity of manpower various methods were used. It was apparent that longer working hours, holiday bans, incentive and opt-out payments were used to encourage productivity gains. Notably interviewees reported that the *Spirit of the Olympics* was a motivating factor that produced greater productivity. These gains came without an increase in price except for last minute bookings.

### **EQUIPMENT SUPPLY**

This section explores the issues attached to equipment supply. Predictions on equipment availability were made on November 2011, and are compared against the experiences of event professionals made in October 2012 through data collected via surveys and interviews.

#### **Equipment Availability**

In the first round of this research (Part 1) survey and interviewee perceptions of equipment challenges were explored. In November 2011, nearly one third of respondents believed they would not have enough equipment to meet an increase in demand for their service or product in Q2 and Q3. There was a prediction that there would be a greater demand for equipment for events in London and the South East region. Many of the interviews stated that the industry was already panicking about the availability of equipment to meet demand. Some thought and that events outside of London would be affected as equipment supply would be concentrated in London.

Added to this, it was thought that there may be cases where suppliers that had long term contracts to provide equipment, will not be willing to take on new clients, since that would exacerbate supply constraints within those particular organisations. This was very much the case in terms of event infrastructure suppliers (for example, temporary structures, seating). However, some interviewees stated that they would turn down work due to perceptions that equipment would be short. This was due to concerns of delivery quality and the potential for negative impacts on reputation.

87% of survey respondents in Part I stated that they would be prepared to dry-hire or contract other companies with equipment surpluses to meet demand. However

there was uncertainty on the quantity of demand. Most of the respondents were also willing to create supply verticals with international organisations that had previous Olympic delivery experience, and some UK based organisations stated they would use equipment companies in Europe to provide the equipment that they may needed.

The overall picture that emerged after a busy Q2 and Q3 was somewhat different but with some similarities to what was predicted. A lower percentage (21%) said they actually experienced equipment shortages as opposed to the 30% that predicted they would. The shortages took place mainly in London as opposed to the prediction that shortages would be greater outside of London. It was evident from the interviews that the main shortages related to outdoor structures as predicted, but also for av equipment, and in particular LED screens. Two interviewees stated that finding temporary structures was the biggest problem. However, in order to buffer against supply constraints there was evidence that organisations had created vertical supply chain partnerships, with local organisations as well as foreign organisations. Partnership arrangements were made with foreign organisations that had previous Olympic and other mega-event delivery experience to deliver both Olympic events (P2C) and corporate brand activations (B2C). Interviewees cited examples of delivery partnerships being made with Brazilian, Chinese, European, Middle Eastern and American companies.

On predicting investment in equipment in November 2011, uncertainty over demand levels coupled with the uncertainty within the UK economy saw nearly 60% of respondents being unsure whether they would invest in more equipment (new or second hand). However, this prediction did not prevent some organisations from making hard investments. Evidence in Part 2 showed that some interviewees and survey respondents had already invested or were in the process of investing in equipment in 2011. Some organisations had timed their on-going investment strategies as far back as 2008 to coincide with what was thought would be a busy year. Interviewees also stated that equipment had been purchased in Q1 2012. In three cases interviewees stated that major capital expenditure had been made. In one case major purchases were made from the Far East to fulfill an Olympic contract since the equipment required was not available in the UK and Europe. Another interviewee that made major purchases based on the speculation that demand would be high during Q2 and Q3 saw little demand for their services in the same period. 50% of survey respondents purchased new equipment but most (80%) were cautious and spent less than £50 000. Second hand equipment was also purchased by 20% of respondents but again most spending less than £50 000.

This data indicates that hard investments were made in an uncertain business environment in order to buffer supply chain constraints, and 28.7% of survey respondents that purchased equipment, stated that the equipment had paid for itself over Q2 and Q3 in 2012. But a cautiousness approach was evident as spending was minimal since uncertainty on ROI was the major concern.

Those not willing to invest in an uncertain business environment hired equipment. 22% of survey respondents did this. There was also evidence of cross hiring by both large and small suppliers to meet the demands of their clients. Two interviewees stated that they had partnership arrangements in place to draw equipment from Europe as and when needed. However, the perception that the supply chain would be constrained caused pressure being put on equipment users by their suppliers throughout the whole of Q1 and Q2. There were demands for early equipment bookings orders and for 50% deposits on orders in some cases.

### **Equipment Substitution**

Whilst substitution takes place in supply constrained environments, for the events industry substitution may mean a change in the quality of an event experience that is delivered if there are concerns over the quality of substitutes. Organisations that are turned down by suppliers were predicted to have to accept substitutes from other suppliers. 30% of survey respondents predicted that they would have to make use of substitute equipment to meet an increase in demand. Some interviewees stated that suppliers were already preparing to dust off and service old equipment ready for use in Q2 and Q3 2012. But event buyers thought that equipment suppliers stock needed to have properly maintained so that the highest quality of substitute could be delivered if necessary.

The picture that emerged in Part 2 did not provide evidence that much substitution had taken place. This was surprising since there had been evidence that supply shortages would occur in supply chain. However, it was not surprising that event professionals would not admit to the fact that they had used substitute equipment to fulfill demand. One interviewee did point to the fact that LED screens had been in very short supply and that alternatives had been used.

### **Equipment Productivity**

Some organisations buffered supply constraints by introducing new management techniques and practices. Of those that believed that they would have enough equipment to meet demand over the busy period, nearly 60% stated that they would increase the productivity of their equipment through devising new operational processes that involved better management of equipment allocations.

What emerged from the Part 2 survey in October 2012 was that a combination of more efficient equipment allocations as well as price increases by suppliers took place. 14.3% of respondents used equipment allocations effectively to produce a better return on equipment productivity per unit of production. Equipment allocation successes were also evidenced by the fact that cross-hiring equipment between similar suppliers was a common practice over Q2 and Q3. 28.5% of respondents indicated that they used price to increase productivity per unit of production. Whilst successful equipment allocation



policy can lead to buffering the supply chain, price hikes do not alleviate the required volume of equipment needed to satisfy demand, and the impacts is inflationary throughout the supply chain.

In the first round of interviews in November 2011, some stated that they would make use of vertical supply chain partnerships to make sure that equipment allocations became more efficient, and indicated that they would work with other suppliers within the vertical to procure certain services and goods. For example, bulk buying waste services that would create cost efficiencies. It was evident from the interviews that vertical partnerships were created in the supply chain with both UK and foreign organisations and that this had been a success in terms of availability of equipment, efficient use of the units of production and UK companies gaining invaluable experience from partners that had previous mega-event experience.

### ***Equipment Costs***

In Part I emotions related to panic over equipment shortages had created the perception that panic buying and block booking may take place. If this happened it was predicted that costs would increase for new equipment purchases as well as hire equipment. This was prediction was specifically aimed at UK suppliers, whilst some interviewees saw the advantages of engaging with European suppliers. Some organisations already had equipment partnerships in place when Part I research was carried out. It was thought that EU equipment stock might be cheaper due to unconstrained supply. Interviewees in November 2011 also pointed out that last minute bookings would attract a higher price.

Evidence through the second survey and round of interviews showed that prices for equipment hire did in fact increase. As stated previously, 28.5% of respondents who supply equipment indicated that they used price to increase productivity per unit of production. The survey also revealed that 37.5% of equipment users found that dry hire and hire and install services had become more expensive over Q2 and Q3 2012 from UK suppliers. However, those that used European suppliers found that prices had remained stable.

### ***Summary***

Shortages of equipment were experienced, although the shortages were not as serious as had been predicted. The shortages were mainly related to events taking place in London during Q2 and Q3 2012. The shortages were mainly felt by buyers of temporary structures and AV equipment, and in particular LED screens.

Although event supply organisations did not acknowledge the use of substitutes, it was noted that substitutes had been used. On productivity a combination of



mechanisms were used to make individual units of production more productive. This was through more efficient management of equipment allocation as well as through price increases that created a higher return on productive units. UK suppliers made price increases but European suppliers were able to provide equipment to UK buyers without premiums.

Equipment allocation successes were also evidenced by the fact that cross-hiring equipment between similar suppliers was a common practice. To get around shortages supply chain verticals forged delivery and working partnerships. Partnerships were formed between UK and foreign organisations, with some UK

organisations creating partnerships with mega-event experienced international suppliers. This has been a success in terms of availability of equipment, efficient use of the units of production and UK companies gaining invaluable experience from partners that had previous mega-event experience.

## **VENUE CHALLENGES**

With venues being the first item that event organisers have to lock down before the production cycle can begin, this aspect to the research was important to examine. The challenges to event organisers as well as the challenges to venues that have had to be addressed are mostly based on the perceptions and experiences of those that book venues.

The survey in November 2011 showed that the quality of spaces and venue catering services coupled with up to date audio-visual facilities is what buyers were most interested in. This is because event organisers wanted to provide quality end user experiences. This meant that venues requiring redecoration or venues that lacked quality catering and audio-visual facilities were predicted to be less likely to be booked. The predictive survey also showed that refurbished venues and new spaces that offered quality catering and audio-visual facilities would take preference over older venues with similar facilities. 60% of buyers said that they would book venues that have been refurbished, and 27.3% stated that they would prefer to book a unused space that offered end users the chance to experience something new. Some interviewees stated that they were prepared to pay a premium for refreshed or new venues.

### ***Venue Availability***

More than one third of survey respondents thought that there would not be enough event space available in London during Q2 and Q3, and especially over the Olympic period and that venues would demand a premium. This was somewhat different for venues outside of London, with most buyers stating that they thought there would be enough venues available.

It emerged that 28.5% of survey respondents in Part 2 stated that there had not been enough venue space in London. 87.5% stated that there were enough venues to book in the rest of the UK. This experience data concurred with predictive data.

Interviewees also stated that large iconic venues were in short supply and on one occasion an event was cancelled due to this.

### **Venue Substitution**

Venue quality, location and capacity requirements are important to buyers. Two thirds of respondents saw these requirements as the major factors in their decision on whether to book a venue. 33% of event buyers did find alternatives to the established venues available in the UK, and booked spaces that had not been used as event venues before. Their decisions had been made on availability as well as quality and size of the alternatives. In essence using alternative spaces increased the total supply of venues available in the UK. One interviewee did point out that due to the

shortage of iconic venues in London, a working leisure building had been used to stage a two-week event during the Olympic period.

### **Venue Productivity**

As was evidenced from the first survey the productivity of a venue depended on its decor and provision of quality facilities. Many venue owners recognised this. In the first survey 87.5% of venues said they would increase productivity by minor investments in new processes to improve space allocations. However, in the same survey 77.8% were not prepared to invest in redecoration, nor were 66% of venues prepared to re-allocate and refurbish unused space to add to existing capacity. 80% of venue providers were not prepared to invest in extensions or additions to their buildings. The same survey found that 11.1% of venues were investing over £500 000 in refurbishing existing spaces, and 22% were investing over £500 00 in adapting previously unused spaces to increase their total capacity. The second survey illustrated that 33% of buyers had booked venues that had up-dated their facilities and equipment, and that spaces that had not been redecorated had hardly been booked.

### **Venue Costs**

There was very little evidence in Part 1 that venue providers would increase their prices. However, it emerged from Part 2 surveys and interviews that prices had significantly increased in London, although this inflationary trend did not extend to the rest of the UK. Interviewees provided evidence that venues had hiked prices, and in some cases by as much as 20% over Q2 and Q3 since they thought that demand would out strip supply.

### **Summary**

It emerged that there had been a shortage of quality venues in London, but that this shortage did not extend beyond the capital. Event buyers that wanted to book iconic venues, especially felt the shortage.

It was also evident that venue buyers had booked venues that had invested in refurbishing their décor, facilities and services that added value to end user experiences. On the whole venues that had not invested in one or more of these improvements had hardly been booked. Another hindrance to booking venues in London was that prices for venues had increased during Q2 and Q3, whereas prices

in the rest of the UK remained stable. There was a resistance by buyers in booking venues they saw as over-priced.

## CONCLUSION

To conclude, it is important to frame the context of this research by stating the emotions that ran through the events industry during both parts of this project. In Part I of the research it was apparent that the excitement of the Diamond Jubilee, Olympics and Cultural Olympiad was coupled with the fear that the events industry would not be able to cope the demand. Since demand was not finite, the emotions of fear and trepidation were articulated alongside emotions of uncertainty and caution

by the industry at large. The UK economic environment did little to bolster the confidence of the industry and media reports on problems with Olympic delivery and attendance added to the perception of uncertainty.

However, a busy Q2 and Q3 was experienced by the industry up and down the country, with hardly any reports of major delivery problems or event cancellations. Coming out at the other end of Q3 and into October, the research found that event professionals had felt a sense of high achievement through the provision of internationally recognised and professional event deliveries for P2C, B2B and B2C events.

### **Lessons Learned**

Specific lessons can be learned by the UK and wider events industry from these experiences. There is also a legacy dividend for the UK events industry. The lessons learned relate to the three levels of organisational structure that are needed to execute mega-events and relate to government, the events industry as a whole and individual business organisations.

In terms of governance and mega-events, national government involvement with the supply chain is already noted through the DCMS and the formation of LOCOG and the ODA, as well as local authorities that appointed the various functionaries within the event supply chain to execute particular elements that would coalesce to stage the Diamond Jubilee, Olympics and Cultural Olympiad.

The first lesson that can be drawn from this research was the need for demand side forecasting. Whilst this is standard practice for national and local government to do, for example in association with the accommodation sector, the absence of demand-side forecasts meant that uncertainty on what would be needed to meet a specific demand existed throughout the events industry. This created a climate of panic and fear in some areas of the supply chain since supply-side providers could not read into demands by event buyers and end users. This fact also hampered confidence in investment. It also created speculative investment with some suppliers taking risks based on the hype that was attached to 2012.<sup>5</sup> However, the events industry is made up of large medium and small organisations that are geographically and structurally

---

<sup>5</sup> As was noted in an Event Magazine survey 53.3% of respondents felt that the benefits of major events had been hyped.

fragmented and it is not surprising that government departments and local authorities find the industry hard to fathom.

The second lesson is related to where government becomes governance. This is through creating partnerships and engaging with those partners in terms of delivering taxpayers with policy that is inclusive and that takes the temperature and opinions of the taxpayers into account. In the context of the events industry as taxpayers, stronger governance between central and local government, and event industry associations that could have delivered better outcomes in term of understanding the industry and its requirements, underpinned by a robust research agenda would have gone some way to creating a more certain business environment in which the events

industry would have been more confident to invest in. Investment in equipment, venues, and permanent jobs were muted due to the perceived risks in an uncertain environment. Added, to this the fragmented research agendas of the many event industry associations and limited engagement by national and local authorities with industry representatives did not aid much in this respect.

The next lessons, in terms of individual business units, are apparent from this research. The first lesson is about communication. Communicating with the supply chain in a timely fashion is something that provided some business units with the various resources they need for quality event delivery. Communicating with staff on working longer hours, incentives to work and other measures related to implementing new productivity practices can be seen as an asset to the industry. Had communication with suppliers and staff taken place much sooner than normal lead times pre-suppose, then some of the equipment, venue and staffing problems may have been avoided.

Other lessons as regards dealing with peak periods of demand can also be learned. Organisations that take on the first buyer's that walks through the door should be wary of the ROI on that event and the resources that would be needed to stage that event. Excitement or fear should not come into the business decision-making process. In an environment where demand outstrips supply, suppliers can be more reflective on the decisions they make and what the consequences of those decisions may be. Risk analysis and supply forecasting would be a useful tool to apply to decision scenarios in this case. Whilst this may increase the cost of sale it is a worthwhile exercise in terms of reputation and the management of quality delivery and reputation.

Importantly, when demands are made during peak periods it is existing clients that must be serviced in the first instance. Although new buyers may be able to hold up larger budgets, they may not be around after the fact. Foregoing the servicing of existing clients to service those that are new may have a negative impact on an organisations reputation, reliability and deliverability.

Lastly, and associated with demand peaks are the problems that will be experienced in the supply chain that includes the need for substitutes. This can be dangerous territory in terms of reputation and quality delivery. Therefore service level

agreements, product and service specifications as well as vertical supply chain partnership arrangements should all be in place to circumvent any impacts that lower quality due to substitution.

### ***Legacy Dividend***

There have been myriad positive outcomes from the events industry's experiences in 2012. Significant legacy dividends exist and the industry should be proud, as should the individual organisations that are now reaping the dividends.

In terms of manpower the events industry has inherited a whole new set of event professionals that now have local, national and international experience and

exposure under their belts. This is a positive in that it has created a larger more mobile professional skills pool. This can lead to an international competitive advantage for the exporting of the creative and production skills of the UK's event industry. For individual organisations that have invested in training and up-skilling event operatives, that investment has paid off in term of them creating individual business unit competitive advantage in the UK events market place.

Productivity enhancements through implementing new internal and external management and working practices have created efficiencies in the supply chain for the future. This also creates international as well as individual competitive advantage. Added to this, the fact that many suppliers now hold state of the art equipment that can also be exported to any part of the globe also adds to the UK's competitive advantage on an international stage.

Through the creation of partnerships with organisations that had previous international mega-event experience, the transfer of knowledge of that experience to the UK events industry has created a confident industry that can execute quality creative events in any place and in any format around the globe. The sense of achievement that the industry is exuding after the success of a very busy Q2 and Q3 in 2012 has been earned through hard work and commitment, and that confidence is predicted to be a successful export for the future.

## **BIBLIOGRAPHY**

Avlonitis, J. (2006). Product and Service Management.

Christopher, M. (2004). Mitigating Supply Chain Risk Through Improved Confidence.

Evans, G and Naim, M. (1994). The Dynamics of Capacity Constrained Supply Chains.

Galloway, R. (1993). Principles of Operations Management.

Goldratt, E. (1984). The Goal.

Hirschey, M. (2009). Fundamentals of Managerial Economics.

Klein, L. (1983). The Economics of Supply and Demand.

Levacic, R. (1988). Supply Side Economics.

Phillips, R. (2005). Pricing and Revenue Optimization.

Tribe, J. (2004). The Economics of Recreation, Leisure and Tourism.