



2023

**EVENT AGENCY
BUSINESS
OUTLOOK**

INTRODUCTION

THE FIRST STUDY OF ITS KIND

Thank you for joining us at Event Marketer's Agency Forum. We are pleased to share with you results of the inaugural Event Agency Business Outlook study.

We have never fielded a survey this comprehensive, designed for the agency community. And we're happy to be offering it to you at a transformative time for the industry and your agencies.

We reached out to more than 500 agency executives across the industry over the summer. To add color and context to the questions and data we were collecting, our editorial team conducted phone calls and virtual roundtables with both agencies and clients to gather additional sentiment and insights we could incorporate into the report.

The goal of the Event Agency Business Outlook Report is to get sense of where the agency business is and where it's trending, where agencies are focusing and investing, and what the community is watching and expecting as we head towards 2023. Good data informs better decisions, and we hope what we shared with you today, and what you're about to read, will help you build stronger strategies for 2023.

Here's to you and a profitable 2023.



Jessica Heasley
Group Editor & Publisher, Event Marketer



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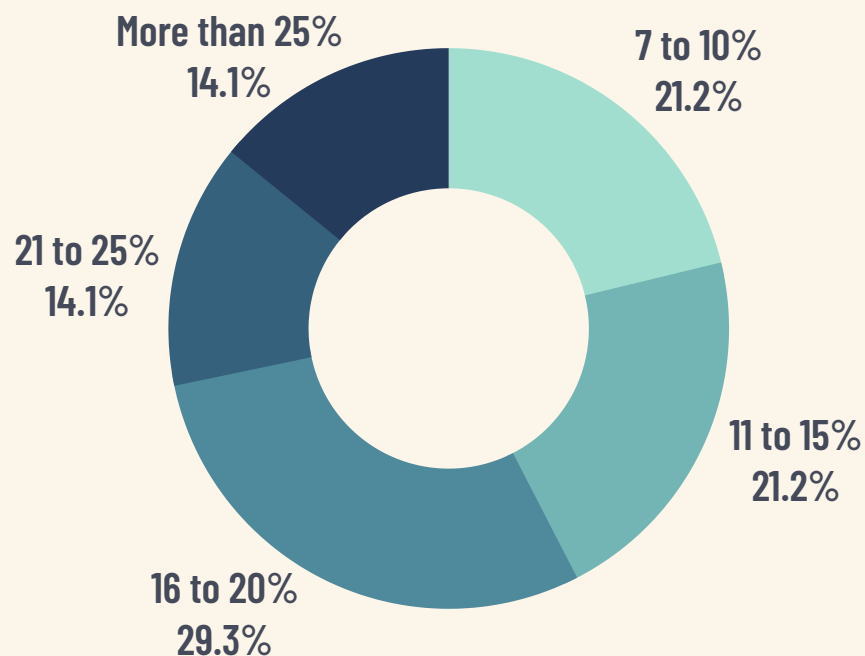
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OPERATING COSTS

Survey Question: Overall event operating hard costs increased by how much in 2022 versus 2021?



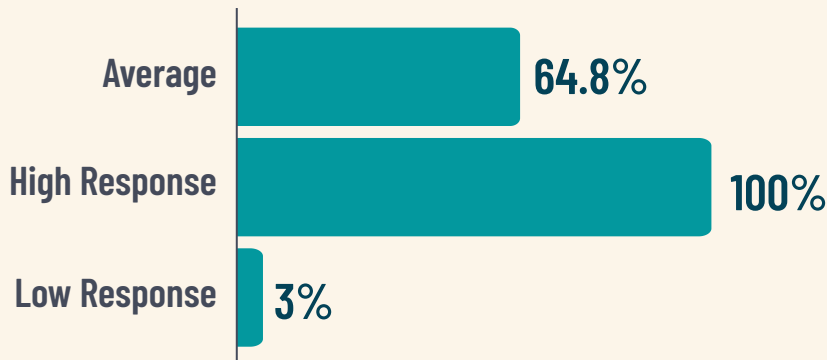
KEY INSIGHT:

As events began to make their comeback in early 2022, many event agency executives were dealing with the enormity of the staffing crisis. Few, however, could have predicted the impact of inflation and the surge of hard costs across the supply chain. About one-third of agency executives reported a 16 to 20% increase in hard costs between 2021 and 2022. Nearly half reported increases of between seven and 15%. And nearly a third reported hard cost increases of 21% or higher. The variances can be attributed to regional differences but are also more likely the result of the types of programs agencies execute. Large, exhibit-heavy footprints that require a lot of labor and raw materials were likely hit harder than programs less reliant on fuel, heavy labor charges and building materials.



OPERATING COSTS

Survey Question: What percent of hard cost increases in 2022 did you pass on to clients?



KEY INSIGHT:
 The surge in hard costs was such a surprise to both agencies and clients that in many cases, agencies chose to absorb the costs rather than pass along the increases to their clients. On average, agencies absorbed about one third of the hard cost increases.

Survey Question: In which of the following expense areas are you seeing the largest cost increases/inflation?

TOP 10 HARD COST INCREASES	%
External labor (non-union)	85%
Transportation/Shipping	81%
Internal labor	74%
Fabrication/Builds	63%
Gas/Fuel	52%
External labor (union)	37%
Food & Beverage	33%
Venue fees	26%
A/V	19%
Security	7%
Insurance	7%
Graphics	7%
Technology (non-a/v)	4%
Other	0%

OPERATING COSTS

Survey Question: By what percentage have costs increased in the following expense areas over the last year?

TOP 13 EVENT COST INCREASES	%
Fabrication/Builds	+38%
Gas/Fuel	+36%
Transportation/Shipping	+29%
Technology (non-a/v)	+27%
Food & Beverage	+26%
Graphics	+25%
External labor (staffing, non-union)	+24%
Insurance	+23%
External labor (union)	+22%
Internal labor	+21%
Security	+19%
Venue fees	+17%
A/V	+17%

KEY INSIGHT:

While costs vary depending on geography, time of year and the size of the event, these averages reflect the estimates reported by event agency executives handling events on a national scale. The numbers help illustrate which elements of event operating budgets are surging the most. They can inform decisions as event executives prepare for budget line items most likely to surge as inflation and supply chain challenges continue to impact the industry.

Survey Question: Will you increase rates in 2023?

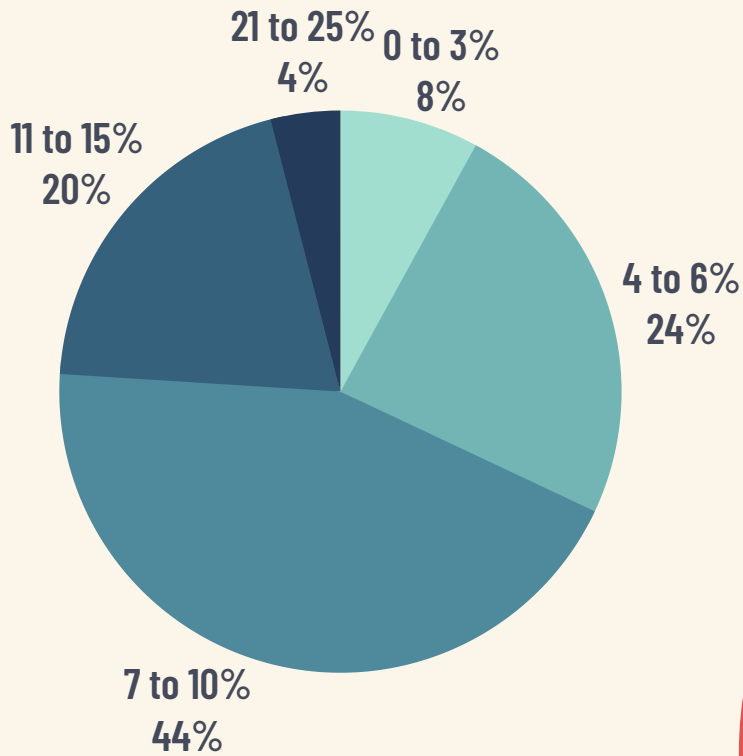
	%
Yes	92%
No	8%

KEY INSIGHT:

As reported on page five, most event agencies absorbed about 30% of cost increases rather than pass them along to clients. Agencies have been holding rates steady, if not dropping rates, over the last two years, as the industry has emerged from the pandemic. But given the cost increases associated with recruiting and retaining top talent and the money lost absorbing cost increases in 2021, almost unanimously agencies are going to be increasing rates in 2023.

OPERATING COSTS

Survey Question: If you are increasing your rates in 2023, by how much?



KEY INSIGHT:

Average rate increases are not specific to a particular line item, but they are a representation of how much agencies would be charging clients for the same program in 2023 versus 2022. In editorial roundtable conversations with brand-side clients this summer, many clients reported seeing cost increases in their budgets and understanding how inflationary issues have impacted their event budgets. What they are looking for from their agency partners? Creative alternatives to the items being hit hardest in the supply chain, total budget transparency, and the same or better service as before the pandemic.

OPERATING COSTS

Survey Question: What are your most important agency investments in 2023?

TOP INVESTMENTS FOR 2023

1. Hiring People
2. Salary/Comp Increases
3. Business Development
4. Diversity/CSM
5. Marketing
6. Launching New Services
7. Buying New Equipment
8. Opening New Offices

KEY INSIGHT:

Agencies are feeling bullish about the return to live because of the expected impact of fall COVID surges and a still somewhat reluctant attendee sentiment around fall travel. Not surprisingly, hiring people is at the top of the list of most important investments, followed by salary and compensation increases—no doubt designed to keep the great people agencies already have and recruit for key open positions. Business development is next in the order of priority. There was also a lot of client turnover during the pandemic impacting client rosters, so not surprisingly, there's a focus on building client rosters back up. Diversity and CSR are also in the top half of the list as the industry puts more focus on elevating people of color across the event ecosystem. Opening new offices is last on the list which reflects national trends in workplace attrition.



PEOPLE

Survey Question: Which areas are you adding headcount in?

TOP RECRUITING POSITIONS FOR 2023

1. On-site Execution
2. Production
3. Creative
4. Account Services/Management
5. Strategy
6. Business Development
7. Technology/Data/Measurement
8. Admin/Office
9. Marketing

KEY INSIGHT:

On-site execution teams, followed by production, creative and account services experienced the greatest volume of turnover during the pandemic and today are among some of the slowest and most challenging positions to fill. Not surprisingly, the key positions that were the first to be impacted by layoffs during the pandemic (on-site and production teams), have been the hardest to replace as many decided to leave the industry altogether.



PEOPLE

Survey Question: In 2023, your employee policy will require:

	%
Employees must be in the office on a semi-regular basis each week	41%
Employees must be in the office on a semi-regular basis each month	0%
Employees can choose where they wish to work	53%
Employees can work remotely 100%	11%

KEY INSIGHT:

While flexibility has always been central to most event team cultures, in-office collaboration is also critical to creative output. We predict that positions that have always required extensive travel will remain as flexible as before the pandemic, while more in-office positions like marketing, strategy and administration will lean into national trends towards fewer days in the office and more flexibility to work from home. Additionally, just 12% of agencies reported that they will increase the number of offices in 2023 while 46% reported they will have fewer offices than they had in 2019.

Survey Question: Which employee comp changes are you embracing for 2023?

	%
Salary Increases	63%
New Bonus Structure	37%
Hybrid/Work-from-Home Policy	81%
Promotions	37%
Additional Vacation Days	44%
Other	7%

2023 BUSINESS PROJECTIONS

Survey Question: How much will client budgets increase in 2023?

7.2%

KEY INSIGHT:

According to research conducted earlier this year with Opus, 47% of brands expect spending to increase in 2022. And according to a new Event Marketer Experiential Intelligence Report just released in August, 63% of brands say that they will execute more or the same number of live events this year as in 2019. Fifty-four percent of brands say their organizations are more confident about the value of live events compared to before the pandemic, and 24% say confidence is the same as it was in 2019. This data, together with insights collected from conversations with clients is leading us to project a 7.2 increase in client budgets next year.



2023 BUSINESS PROJECTIONS

Survey Question: How close have certain types of events gotten to their 2019 spending/activity levels?

2023 REVENUE RESTORATION	%
Sponsorship Activations	91%
Consumer Activations	89%
Festival Activations	87%
Entertainment Activations	84%
Buzz/Influencer Marketing	83%
Conferences/B-to-B Summits	76%
Mobile Tours	75%
Launch Events	74%
Trade Show Experiences	74%
Sampling	70%
Pop-Ups	67%
Stunts/P.R.	65%
Internal Employee Events	61%
Buzz/Guerrilla Events	60%
Shopper/In-Store	57%

KEY INSIGHT:

The event types listed here are projected to be near or at 2019 activity and spending levels in 2019. For example, sponsorship activations next year will be 91% of what they were in 2019, and festival activations will be 87% of what they were in 2019. Agencies have reported being busier than ever. Many are turning down business for Q1 next year. This data provides an encouraging view of the industry's rebound, but should caution agency professionals that the industry is not fully back to pre-pandemic restoration. There are fewer events and in most cases, fewer attendees. But some channels and some event types are getting restored faster than others.

2023 BUSINESS PROJECTIONS

Survey Question: What is your projected gross agency margin?

2022	2023
23.1%	25.1%

KEY INSIGHT:

The projected gross agency margin in 2022 is forecasted to be roughly 23%, and for 2023, the industry should see a two-point increase. There are three main factors driving the margins and the increase: One, agencies are not going to absorb the hard cost increases that they did this year. Clients are going to have to pay for what they're getting. Two, there will be an increase in business and the volume of events next year. And finally, a majority (77%) of agency executives forecasted they will be at or exceeding 2019 revenue in 2023, and 72% predicted they will exceed 2019 profit.



2023 BUSINESS PROJECTIONS

Survey Question: In 2023, clients will primarily hire agencies for (pick one):

	%
One-off events	45%
Multi-event programs	55%

Survey Question: In 2023, event programs will be (pick one):

	%
Primarily local/regional	42%
Primarily national	55%
Primarily global	3%

KEY INSIGHT:

About 55% of clients will hire agencies for multi-event programs in 2023 and 55% of event programs will be national in scope in 2023, 42% local and just 3% international. This is a notable pivot from the past three years when many trade show programs and client-facing campaigns went mobile and local in an effort to bring the show to customers' front doorsteps when travel wasn't an option. These new numbers reflect the shift that's taken place as events and trade shows come back.



SUMMARY

For agency executives coming out of a volatile period, 2023 appears encouraging. Margins and profits are on the rise in 2023 thanks to an increase in demand for events, changing attendee sentiment and a move away from absorbing increased hard costs versus passing them along to clients. Client budgets are on the rise as well and most clients expect the cost increases that come with inflation and supply chain challenges. The industry will continue to be challenged by a talent shortage in 2023, and we predict that this is an area that will remain a top priority for agency leaders for the better part of the year. And as 2023 gains momentum, we forecast that most events will begin to approach 2019 levels in terms of activity level and spending, with some event types nearing full restoration to 2019 levels.



ABOUT THE RESPONDENTS

This summer, Event Marketer surveyed more than 500 event agency executives for the 2023 Event Agency Business Outlook Report. Forty of the top 50 event agencies in the industry provided responses.

More than 97% of respondents report that their agency is full service. Three percent reported their agency type is “execution/production only.”

Sixty-seven percent of agencies that participated in the study are independent, 19% are owned by a public holding company, 11% are owned by private equity and 3% by a private holding company.

We thank all of the agency leaders who participated in the study.

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