

Cash flow management for your event

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An integral part of organising a successful event is the ability to produce and manage a cash flow plan. However, many event organisers' are often too busy with the logistics and marketing of their event that they often fail to create, or more importantly, update their cash flow plan. An accurate cash flow plan is a fundamental element of event organisation which is needed to ensure that your event is able to be delivered on time and within your budget.

Cash flow planning is basically defined as anticipating the flow of cash into and out of an event's budget. An example of a good cash flow plan is the ability to pay invoices on time and track when income will be received. This enables you to fund expenditure such as marketing collateral and registrations in line with your event timetable. Managing the cash flow is vital to the success of any event and is an important way of foreseeing any event problems or possible cash shortages.

This article will look at the basic steps needed to be considered when formulating your cash flow plan. It is best to start this process before you have committed yourself to any contracts, so that you can ensure your expenditure will match your income and revenue.

Step 1- Drafting your documents

To start the process you will need to draft your initial budget, however you should also draft the cash flow forecast at the same time. Ideally these two documents should match and feed into one another. The aim is to ensure that you will be aware of when money will be coming in and when money will be coming out of your budget.

It also suggested that you develop your event timetable at this stage as well. This will mean you can have greater control and better awareness of what you can and can't accommodate, so any last minute marketing ideas or other expenditure can not be included in your budget without consideration of the impact on your cash flow and the ability to pay your suppliers on time.

Step 2 - Pre-Funding

By developing your cash flow forecast, budget and event timetable, you will now understand the amount of liquid funds needed to launch your event. This initial amount of money is needed to fund activities such as website development, venue deposit and other various promotions which are required to be paid before you have received any income.

This phase can be problematic, as many associations and clients are looking to minimise their initial cash outlay and reduce financial risk. There are a few options to funding your initial requirements:

- Bank or other financial institution provides a credit (not always available for an association to obtain bank credits)
- Organisations/Association's own funds - This is the most commonly pursued option as many organisations have funds reserved for their events
- Event Management Companies- Your Professional Conference Organiser (PCO) may be available to help with pre-funding an event

- Guaranteed funds from a convention, tourist or visitor's bureau, or from a regional / city agency may be made available as a condition of bringing your event to their location. There is normally a formal process to obtain these funds and PCO's can help in this regard as well.

Step 3 – Managing your cash flow

The most common mistake among event organisers' is to complete the first two steps and then neglect to keep their cash flow plan updated. The cash flow document should be updated with the actual expenditure and income at the same time as the budget to ensure you can identify any potential problems that may affect the success of the event.

Step 4 – Develop your supplier relations

This step is applicable to even the smallest supplier and it is important to treat them as a partner from the very beginning. By communicating with your venue, tourist bureau and other suppliers about the event and your cash flow plan, you will be better able to get them involved, to manage their expectations on when payments can and will be made, and have a better chance of getting their full support for your event's ultimate success.

This open communication with your suppliers and the fostering of positive relationships will increase your ability to influence the flexibility of your cash flow. Once a plan is agreed, it is very important to pay your invoices on time. Supplier's will become more confident about your business and will be more likely to relax their payment terms if and when your cash flow becomes tight.

Step 5 – Sponsors and exhibitors revenue

At the earlier stages of your event timetable, you will most likely not have enough money from the event itself to fund the marketing and promotional activities. However, by carefully managing your potential sponsors and exhibitors payment terms, you can ensure you receive extra revenue through early deposits on exhibition space and sponsorship packages.

It is important to review your contracts for your exhibitor and sponsors to ensure you are able to receive a substantial cash injection into your event's cash flow plan at critical points. One smart practice is to develop front loaded contracts. These are contracts where you receive most of the money upfront and the rest in staged payments at a later date. Our recommendation is have contracts which require 60% deposit upfront and 40% paid at a later date.

Another suggestion is to engage with your industry contacts. This is an excellent way to clarify how you visualise their contribution to your event and also to motivate the industry to support and participate in your event. This can be accomplished by setting up an industry advisory board. This consists of around six to twelve key industry players, who are not necessarily the biggest, to have an insight into the budget and details of the event. You can offer them special discounts to commit to a sponsorship package and offer them first priority on the packages if they sign and pay the deposit straight away.

As business people, they will understand that the nature of an event requires funding early on in order to make the event a success. As dedicated partners that are given an insight into the planning process, they can show their partnership interest by paying funds they have already budgeted earlier than if you did not foster such a relationship.

Step 6 – Start your Marketing

The key to generating interest and indeed revenue is to start your marketing as early as possible. Some industries, in particular the pharmaceutical industry, will have marketing budgets that they can not roll-over into the next year. This means any money they haven't spent in the current year, will be cut from their next year's budget. For you and your cash flow, this means you can secure early cash injections from your industry whilst establishing mutually beneficial relationships.

Another focus of your marketing efforts in the start of your event planning should be to encourage people to register and pay for your event earlier. Offering incentives such as discounts or "early bird prices" can give your cash flow a boost during these early stages. These discounts and incentives can be more useful in certain industries, however they are a very common and practical way to generate income and improve your cash flow.

Step 7 – Payment Terms

It is important to review not only your supplier's but also your own delegate payment terms. This should be done in accordance with your cash flow, budget and event timetable to ensure you know when payments are due and when you can expect revenue.

Through utilising your good supplier relations you can negotiate your payment terms, such as venue deposits. By knowing when you will receive revenue, you can negotiate for part payment now and then when you are generating income from industry/delegate sales, another percentage can be paid. This method ensures your cash flow is maintained, your supplier relationships are improved and you can fund further expenditure on timely and effective marketing promotions.

With regards to your delegate payments terms it is vital to consider that deadlines for such things as early bird discounts, should tie into your expenditure forecast. If your payment terms are too long, then it is a longer period before you will receive the income. Such delays can cause a mismatch of revenue to expenditure timing and thereby a serious problem for your cash flow management.

Step 8- Credit Control

The final step is to employ an effective credit control measure. You will need to ensure that you have a process where you can minimise late or non-payments from delegates and industry.

The key to any effective credit control is regular monitoring, reporting and communication. It is important to phone the delegate or industry contact directly and keep communicating on a regular basis in order to ensure you limit the number of non-payments and meet your financial forecasts and budget.

The cash flow plan is clearly demonstrated in these steps to be a pivotal document to manage and control your expenditure and revenue. However, there are always situations where revenue is not being generated and the event is not on-track to meet its objectives. Again, the cash flow plan can also be used as an early warning system and can even give you enough time to turn the situation around.

The main problems caused by the lack of a proper cash flow plan are:

1. Not being able to pay your suppliers- Mishandling payments erodes your supplier relationships. It can tarnish your reputation amongst the event industry and can have long lasting effects beyond the event itself. Not only does late or non payment put financial pressure on your suppliers, you will no longer be able to count them as a motivated partner and this could affect the service or product they are providing. The cash flow plan will draw attention to when payments are due; highlight any cash flow difficulties and give you time to discuss with suppliers when you are actually able to pay them. Increased communication and transparency will add to your supplier relationships instead of eroding confidence and damaging your reputation.
2. Revenue shortage- Delegates who haven't registered or those who have and have not paid with in your payment terms, all contribute to a serious revenue shortage if they are not properly followed up. It could mean that there is an underlying reason why people are not paying for your event, such as other event competition, gossip in the industry and bad public relations. The cash flow can be used to identify when you are expecting revenue and if you are falling behind on your targets.
3. Exceeding your expenditure- The classic case of over-spending can be a big problem for the management of your events, particularly, if you have no clear idea when your income will be received. Lack of communication or agreement on the event's organisation and budget can also be reasons for this overspending. By utilising a cash flow plan, you have a document where it is clear; what you can afford to spend and when you are able to spend it. The cash flow will also tell you very quickly if you have exceeded your expenditure, so that you can take steps to rectify the problem.

There are of course other external factors that will impact on your events success which are simply out of your control. These can include economic downturns, changing political legislation or instability, terrorism or industrial actions. Nevertheless, implementing a cash flow plan will help you identify potential problems, opportunities and ultimately help you build your event and reputation.

Although the cash flow plan should be considered as important as any other part of an event's organisation, it is often a task that is lost amongst menu choices, transportation arrangements, delegate registrations, speaker requirements and many other activities.

In a perfect world, you would be able to follow all the steps and every event would be a success. However, it takes a team to manage a successful event and it is the financial management aspect where a qualified PCO partner can play a vital role. It is often the case that PCO's are used to manage the financial aspects of an event, as well established PCO's will have the expertise, staff and resources to professionally plan, budget and manage a cash flow plan so that you reach your financial objectives.

PCO's also have established supplier relations, which will reduce the amount of time needed to source and engage qualified, trusted suppliers. In addition to this, they can also leverage established relationships with suppliers and can call in a favour from time to time to help, should your event's cash flow require flexibility on the part of key suppliers. PCO's will manage the payment terms, contracts and credit control aspects, cutting down on valuable time and work for your association or staff. Reputable PCO's also act as an effective third party in the industry, with the ability to protect your brand and association. PCO's can be an especially viable option for organizations that don't have the resources, time or contacts to implement and manage an effective cash flow plan and indeed, a full financial management system. The development and management of a cash flow plan is not entirely concerned with applying the steps in a black and white manner. As in many areas of event organisation, financial management can also be a very grey area, with the emphasis being on the relationship you have with your suppliers, delegates and industry. It is a fine balance between your objectives and those of your stakeholders. A well crafted cash flow plan is a powerful tool to improve communication, anticipate problems, build motivation and give you and your association piece of mind!

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Sarah began her career in the conference and event management industry in 1988. Over the last 21 years Sarah has gained a wide range of experience event management within both the association and corporate markets. Sarah has worked for Concorde Services for 6 years and currently is Managing Director of Congrex UK Ltd. During her career to date Sarah has worked across the world managing and delivering conference and events ranging from 10 – 7,000 attendees.

About Congrex

Congrex provide a tailored offering for our clients' needs when organising meetings, events and conferences, and also deliver association management and travel & accommodations services. Established in 1982, we serve a variety of industries from our many offices, utilising our network of partners globally. Our extensive client base includes national and international associations, governmental organisations and corporations.

Clients' success is what drives Congrex. We believe the best part of our work is the close relationship we establish with our clients, which allows us to address their challenges and deliver exciting projects.

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